IronRock INSURANCE

2019 ANNUAL REPORT

IronRock
INSURANCE

Vision Statement

To have IronRock become the most sought-after insurer, pioneering the industry in professionalism, simplicity, efficiency and fairness.

Mission Statement

To operate a sound and financially strong insurance company, providing the best insurance solutions for our policyholders through highly trained and motivated employees, ultimately achieving superior returns for our shareholders, while upholding our core values of:

1. professionalism;
2. honesty;
3. integrity; and
4. efficiency.

Value Proposition
Simple. Fair. Safe.

We make the insuring process as seamless as possible by reducing paperwork.

We use technology to make the underwriting and claims settlement process fast and simple.

We believe in the principle of utmost good faith – we therefore trust our clients as they trust us.

We are financially strong with solid, experienced management giving our policyholders superior confidence in the protection we provide.

IronRock INSURANCE

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The COVID-19 pandemic has presented an unprecedented threat to both the local and global economy

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of IronRock Insurance Company Limited (the "Company") will be held at the Knutsford Court Hotel, 16 Chelsea Avenue, on Wednesday, 16 September 2020, starting at 3:00 p.m. to consider, and if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

Resolution No. 1 – Receipt of Audited Accounts

"THAT the Audited Financial Statements, Directors' Report and Auditors' Report for the financial year ended 31 December 2019 be and are hereby received and adopted by the Company."

Resolution No. 2 – Retirement and Re-election of Directors

"THAT each of the following directors, who has retired by rotation in accordance with the Articles of Incorporation of the Company and being eligible, now offers himself or herself for re-election, be and is hereby re-elected:"

a. "That W. David McConnell be and is hereby re-elected a Director of the Company."
b. "That Christopher Berry be and is hereby re-elected a Director of the Company."

Resolution No. 3 – Retirement and Re-election of New Directors

"THAT each of the following directors, who having been appointed subsequent to the last Annual General Meeting and in accordance with the Articles of Incorporation of the Company, being eligible, now offers himself or herself for re-election, be and is hereby re-elected:"

c. "That Christian Tavares-Finson be and is hereby re-elected a Director of the Company."
d. "That Raymond Therrien be and is hereby re-elected a Director of the Company."

Resolution No. 4 – Directors' Remuneration

"THAT the Board be and is hereby authorised to fix the remuneration of the Directors for the financial year ending 31 December 2020."

Resolution No. 5 – Re-Appointment of Auditors

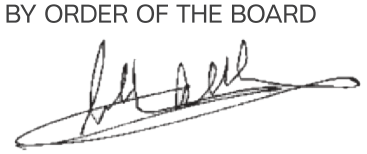
"THAT KPMG Chartered accountants who have voluntarily resigned and being eligible for re-appointment be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting."

Resolution No. 6 – Remuneration of Auditors

"THAT the Board be and is hereby authorized to fix the remuneration of the auditors for the financial year ending 31 December 2020."

DATED THIS
24th day of April 2020

BY ORDER OF THE BOARD



Anthony Bell
Company Secretary
IronRock Insurance Company Limited
1b Braemar Avenue
Kingston 10, Jamaica

Notes to the Annual General Meeting

Eligibility to Vote

The Directors of the Company have determined that your eligibility to attend and vote at the AGM requires you to be a registered shareholder as at the close of business on 31 March 2020 (the "Record Date").

A list of registered shareholders who are eligible to attend and vote at the meeting will be available at the Company's registered office at 1b Braemar Avenue, Kingston 10, Jamaica during normal business hours leading up to the AGM. Shareholders may also phone (876) 656-8000 to confirm they are registered.

Proof of Identity

Shareholders (or their proxies) will be required to provide proof of their identity for the purposes of attending and voting at the AGM. Please bring identification for these purposes, including, but not limited to, a driver's license, passport or a similar official document.

Appointing a Proxy for the AGM – Individual Shareholders

As a registered shareholder as at the Record Date, you are entitled to appoint a proxy to represent you if you are not able to attend the AGM in person. A proxy does not need to be a shareholder of the Company.

If you would like to appoint a proxy, please complete the form included at the end of the Annual Report and submit it to the Company not less than 48 hours before the AGM. In order to be considered valid, the proxy form must have affixed to it a JMD $100 postage stamp. If the proxy is acting as attorney under a power of attorney, a certified copy of the power of attorney document should also be attached.

For joint shareholders, the proxy notice must be signed and submitted by the shareholder whose name appears first in the register of members of the Company.

If you have appointed a proxy, but circumstances change and you then decide to attend the AGM, instead of your proxy, you may do so without giving further notice to the Company.

Appointing an Authorised Corporate Representative for the AGM – Corporate Shareholders

A corporation that is a shareholder of the Company may authorise a person to act as its representative at the AGM. The representative does not need to be a shareholder of the Company. The authorisation should be provided to the Company in the form of a certified copy of the resolution of the Board, power of attorney, or otherwise, not less than 48 hours before the AGM. The authorised corporate representative is then entitled attend and vote at the AGM in the usual way.

Notes on the Proposed Resolutions for the AGM

1. Audited Financial Statements and Annual Report

This agenda item provides for the presentation of the Company's Audited Financial Statements, Director's Report and Auditor's Report for the financial year ended 31 December 2019.

It is also intended to provide shareholders with the opportunity to raise questions on the Financial Statements and Reports, and on the performance of the Company in general.

2. Retirement and Re-election of Directors

In accordance with the Articles of Incorporation of the Company, at least 1/3 of the Board of Directors, or the number nearest 1/3, must retire from office prior to each AGM. This is done in accordance with good governance practice.

Retiring directors are eligible to put themselves up for re-election at the AGM. The detailed biographies for each Director are included the Annual Report and are also found on the Company's website (www.ironrockjamaica.com).

3. Retirement and Re-election of New Directors

In accordance with the Articles of Incorporation of the Company, the Board of Directors has appointed two new directors. One director was appointed to fill a casual vacancy and the second was appointed as an additional director.

The Articles of Incorporation require that both directors retire and, being eligible, put themselves up for re-election at the AGM.

4. Directors' Remuneration

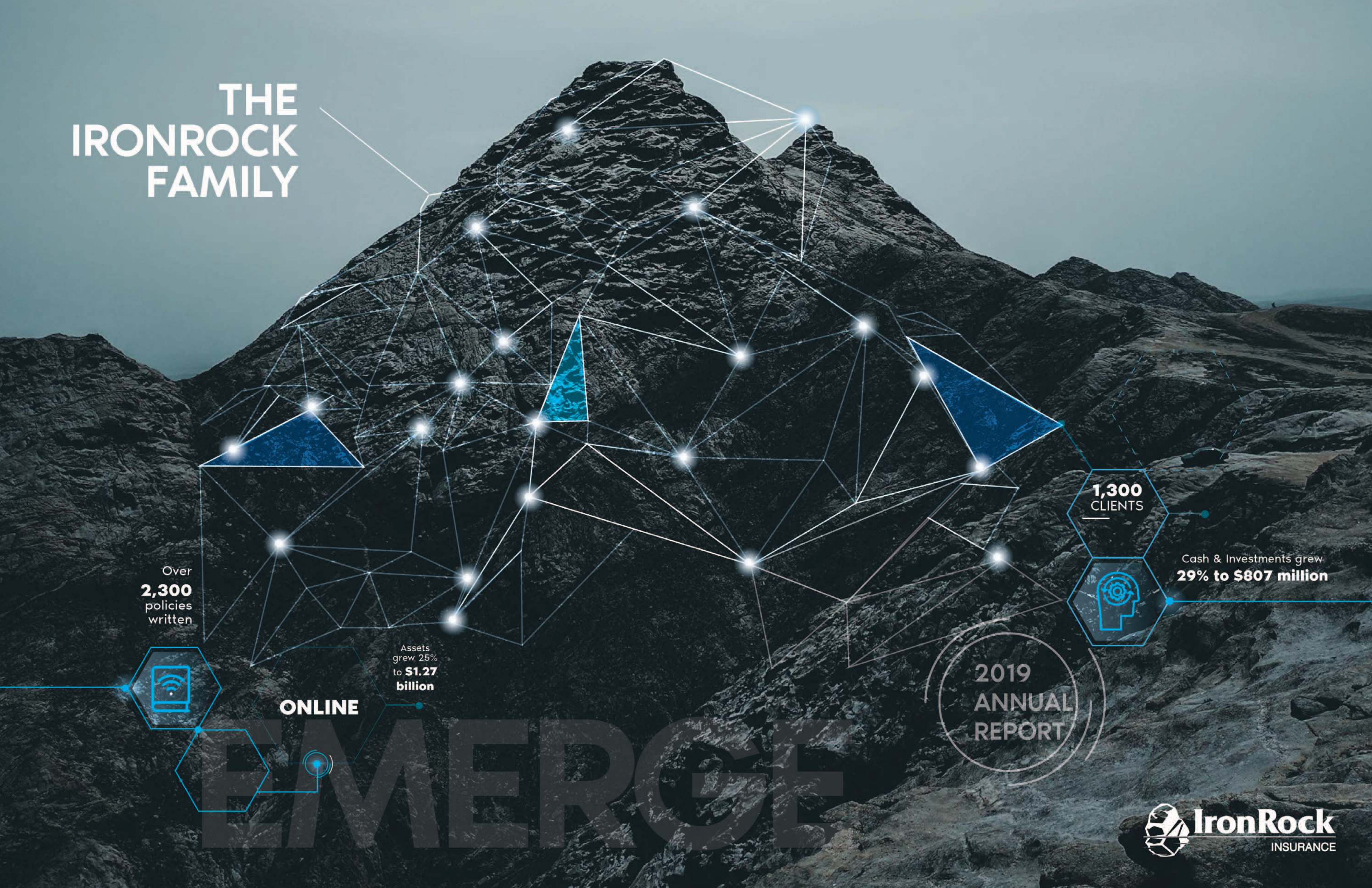
The Board seeks the customary authorisation to set the remuneration of the Directors inclusive of the executive and non-executive directors. It proposes to leave Directors' remuneration unchanged from 2019: see note 18 to the Financial Statements for details.

5. Re-Appointment of Auditors

In accordance with good governance practice, the auditors of the Company resign prior to the AGM, and, being eligible, have put themselves up for re-appointment. This resolution proposes to retain KPMG as the Company's auditor, as the Board considers that their service to the Company has been exemplary over the last three (3) financial years.

6. Remuneration of Auditors

This resolution provides the Board with the authority to negotiate the external auditors' service contract and to set their pay for services to the Company in the upcoming financial year.


THE IRONROCK FAMILY
1,300 CLIENTS
Cash & Investments grew 29% to $807 million
Over 2,300 policies written
Assets grew 25% to $1.27 billion
ONLINE
EMERGE
2019 ANNUAL REPORT
IronRock INSURANCE

Chairman´s Message to Shareholders

I am pleased to report to you that during 2019 we continued on our path of steady growth, with Gross Written Premium increasing by **23%** to **$701 million**. Despite an increase in our underwriting loss, we ended the year with a **Net Profit of $5.0 million** and total **Comprehensive Income of $34.7 million**, **up from $2.7 million and $2.4 million** respectively, in the prior year.

We are pleased with the performance of our investments, which produced a total realised return of $66.3 million, with Investment Income of $38.7 million and Realised Gains on the Sale of Investments contributing another $27.6 million.

Our Assets have grown to $1,273 million of which $807 million are represented by Cash and Investments, and I am pleased to report that Shareholder Equity remains strong and now totals $549 million, up from $515 million in 2018.

All of our reinsurance treaties have been renewed and we continue to benefit from the support of many of the largest, and strongest reinsurers in the world. During our renewal negotiations we detected unmistakable signs that the international reinsurance market has begun to harden, and management has already implemented operational strategies to respond to likely market changes.

IronRock has always utilised Information Systems & Technology to improve our operational efficiency and our 2019 results stand as testimony to the effectiveness of this strategy, as our gross expense ratio has improved to 23%, which is one of the lowest in the industry and our premium income growth has been accomplished without any increase in our underwriting staff compliment.

We increased our Marketing efforts during the year with a strong presence on social media platforms and this strategy has already begun to pay off, as direct business is now our fastest growing segment. To take full advantage of this success, in 2020 we have upgraded our website and introduced an e-commerce portal that, along with our Mobile App, will enhance our ability to transact business online with our retail clients. I am particularly pleased that the entire website upgrading project was managed and implemented in house by our staff members.

The coronavirus pandemic COVID-19 has had an immense impact on our society, altering our social and business interactions as we all try to slow the spread of the virus. In support of this effort, IronRock has implemented its remote work protocols and has transitioned seamlessly to a work from home operation. We now transact all our business electronically and I can report that we have maintained full operations while meeting our normal service standards.

The pandemic is causing unprecedented economic disruption that has already affected Jamaica´s economy, and IronRock has done its part by joining with the financial sector in agreeing to forgo the recently announced reduction in asset tax. Recognising the financial hardship that many of our clients are experiencing, we have introduced extended payment plans and waived all fees and interest charges.

Our management and staff have responded admirably to the constantly changing conditions and I wish to pay tribute to their professionalism in this challenging environment. I also acknowledge and thank our clients, brokers and agents for their support throughout the year.

W. David McConnell
Chairman
IronRock Insurance Company Limited

Directors´ Report

The Directors are pleased to submit herewith their Report together with the Audited Financial Statements of the Company for the year ended December 31, 2019.

The Directors hereby confirm that to the best of their knowledge the accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act.

Financial Highlights

(in thousands of Jamaican dollars)	2019	2018
Operating Results		
Gross written premium	701,418	571,838
Net premium	245,841	214,994
Change in Unearned Premium Reserve, UPR (net)	(23,966)	(30,777)
Claims incurred (net)	(133,434)	(72,387)
Commission (net)	11,002	6,292
Operating expenses	(163,616)	(160,099)
Underwriting loss	(64,173)	(41,977)
Other income	69,187	44,749
Net profit	5,014	2,772
Shareholder equity & insurance reserves		
Cash and Investments	807,057	624,362
Shareholders´ equity	549,380	514,713
Insurance contract provisions / Reserves	499,129	360,200

Dividends

No dividends were announced or paid to shareholders of the Company in the financial year 2019.

Directors

In accordance with the Articles of Incorporation of the Company, at least 1/3 of the Board of Directors must retire from office prior to each Annual General Meeting. Directors W. David McConnell and Christopher Berry are retiring this year and, being eligible, offer themselves for re-election by the shareholders. In addition, two new directors have been appointed since the last AGM, Christian Tavares-Finson and Raymond Therrien, and, being eligible, they offer themselves for re-election by the shareholders.

Auditors

The Auditors, KPMG, must also retire from office prior to each Annual General Meeting and being eligible express their willingness to continue in office in accordance with Section 154 of the Companies Act. A resolution authorising their re-appointment and another resolution authorising the Directors to fix their remuneration for the coming financial year will also be presented at the Annual General Meeting.

DATED THIS
24th day of April 2020
BY ORDER OF THE BOARD

Anthony Bell
Company Secretary
IronRock Insurance Company Limited

Board Member Profiles

W. DAVID MCCONNELL
Chairman

David McConnell was appointed Chairman of IronRock in October 2018. Mr. McConnell is also Co-Managing Director and Co-Founder of Select Brands Limited. In November 2017 he was appointed Chairman of Supreme Ventures Limited where he has overseen a revitalisation of the company's operations. Mr. McConnell was also appointed to the Board of Directors of Scotia Group Jamaica Limited in May 2018 . Previously he has held the position of Managing Director of Sales and Marketing for J Wray and Nephew Limited and General Manager for their Export Division.

Mr. McConnell has an MBA in Marketing Finance from the University of Miami and a Bachelors in Marketing and International Business from Florida International University.

R. E. D. THWAITES
Managing Director

Evan Thwaites is a Chartered Insurer and an Associate of the Chartered Insurance Institute (ACII). As the Managing Director of the Company he has primary oversight for its operations and the execution of its strategic business plan.

Mr. Thwaites was educated at Wolmer's Boys' School and completed management training courses in the U.S.A., the United Kingdom and Germany for the purposes of his professional development in the insurance and reinsurance industry. He spent over 30 years with Globe Insurance Company of Jamaica Limited (and its predecessor entity, Globe Insurance Company of the West Indies Limited), prior to its acquisition by Guardian Group, where he served as Managing Director. He subsequently worked as a consultant for Grace Kennedy Financial Services Limited and served as a Director of Jamaica International Insurance Company Limited, prior to forming IronRock.

WAYNE N. T. HARDIE
Finance Director

Wayne Hardie is a member of the Association of Chartered Certified Accountants (ACCA) and a past member of the Association of Accounting Technicians (AAT). As the Finance Director of the Company he has responsibility for accounting and investment operations, as well as regulatory compliance.

Mr. Hardie is a graduate of Calabar High School and received overseas training for the purposes of his professional development in the insurance industry in Canada. He spent nearly 30 years with Globe Insurance Company of Jamaica Limited (and its predecessor entity, Globe Insurance Company of the West Indies Limited), prior to its acquisition by Guardian Group, where he was Financial Controller. He subsequently joined Guardian General Insurance Company of Jamaica Limited where he was Associate Vice President, I.T., Risk and Compliance.

ANTHONY BELL
Company Secretary

Anthony Bell is an independent non-executive Director of the Company and brings to the Board his experience in management gained at a senior level in many prominent local companies.

Mr. Bell is a graduate of Jamaica College and South West London College, and he has worked as an accountant and financial controller throughout his career. He served as Managing Director of J. Wray and Nephew Limited and Chief Financial Officer of Lascelles de Mercado group of companies for over 30 years, retiring in 2011.

JAN POLACK
Independent Director

Jan Polack is currently the Chief Financial Officer of Couples Resorts, where her primary focus is to oversee the financial and administrative operations and continued expansion, in which she plays an integral role.

Ms. Polack joined IronRock in January 2017 as an independent non-executive Director.

Prior to these appointments Ms. Polack served as Financial Controller at a number of companies, most recently at Caribbean Producers, and is a former Director of the Montego Bay Chamber of Commerce and Industry. Ms. Polack is a Certified Public Accountant (CPA) and holds a bachelor of Accounting from St. Leo's College, Florida.

CHRISTOPHER BERRY
Non-executive Director

Christopher Berry who has served as the Executive Chairman of Mayberry Investments Limited since 1993, has over thirty years' experience in the securities industry having joined Mayberry Investments Limited in 1987 and served on the Board of the Jamaica Stock Exchange from 1993 to 2016.

He has been a Non-Executive Director of LASCO Financial Services Limited since June 12, 2015 and a Director of Supreme Ventures Limited since October 23, 2017. He also serves as a Director of Apex Health Care Associates Limited and Apex Pharmacy Limited.

GARY PEART
Non-executive Director

Gary H. Peart has been the Chief Executive Officer of Mayberry Investments Limited since 2005, and has served on its Board of Directors since 2006. He has over twenty years of experience in the Jamaican financial industry, having worked in senior positions at leading financial institutions throughout his career, gaining experience in almost every business line including Corporate Finance, Equity, Fixed Income and Treasury Management..

Mr. Peart also serves as the Deputy Chairman on the Board of the Jamaica Stock Exchange and currently serves as Treasurer of the Jamaica Securities Dealers Association. He also serves as a Director at several other well-known Jamaican institutions including; LASCO Financial Services Limited and Lasco Distributors Limited.

RAYMOND (RAY) THERRIEN
Independent Director

Raymond (Ray) Therrien joined IronRock on the 1st of January 2020 as an independent non-executive Director.

Mr. Therrien has been an executive Director of Fontana Limited for the past 18 years, and is the Chief Operations Officer of the company. At Fontana, Mr. Therrien oversees all aspects of Finance and the day to day operations of the organization, with key areas of focus being the pharmacy department and logistics for all overseas purchasing.

Prior to working at Fontana, Ray held senior sales and marketing roles for some of Canada's largest pharmaceutical companies – including Sanofi Aventis and Roche. Mr. Therrien holds a BSc in Mathematics from McMaster University, Hamilton, Canada.

CHRISTIAN TAVARES-FINSON
Non-executive Director

Christian Tavares-Finson joined IronRock on the 1st of January 2020 as a non-executive Director. Mr. Tavares-Finson is a prominent Attorney-at-law.

A graduate of McMasters University, he attended Norman Manley Law School and was admitted to the Jamaican Bar Association in 2009. In 2017 he was appointed as a Notary Public for the Parish of Kingston and St Andrew. He sits on several boards, including the Board of the Kingston Free Zone, and is passionate about charity work and his involvement in the 4Y's Foundation is testament to this.

Mr. Tavares-Finson was appointed Honorary Consul of the Kingdom of Netherlands in Jamaica in 2017 and serves as Justice of the Peace.

THE IRONROCK POSITION

2019 ANNUAL REPORT

EMERGE

IronRock
INSURANCE

Financial Highlights

As at or for the year ended 31 December

(in thousands of Jamaican dollars – except for per share data, ratios and employees)

	2019	2018
Income statement data		
Gross written premium	701,418	571,838
Underwriting loss	(64,173)	(41,977)
Net income	5,014	2,772
Earnings per share [(a)]	$ 0.02	$ 0.01
Balance sheet data		
Total assets	1,273,211	1,011,016
Cash and Investments	807,057	624,362
Insurance contract provisions / Reserves	499,129	360,200
Shareholders´ equity	549,380	514,713
Shareholders´ equity per share [(a)]	$ 2.57	$ 2.41
Selected ratios		
Minimum Capital Test (MCT) Ratio	296%	545%
Investment Income Yield [(b)]	6.2%	6.2%
Premium retention [(c)]	35%	38%
Gross expense ratio [(d)]	23%	28%
Earned loss ratio [(e)]	60%	39%
Combined ratio [(f)]	129%	123%
Market data		
Closing share price [(g)]	$ 3.53	$ 4.90
Shares outstanding	214,000,000	214,000,000
Market capitalisation	755,420	1,048,600
Employees	14	13

(a) Calculated using the weighted average number of shares outstanding in each respective period.

(b) Calculated as investment income divided by the average of: (i) end of year total investments less investment income and (ii) total investments at the start of the year.

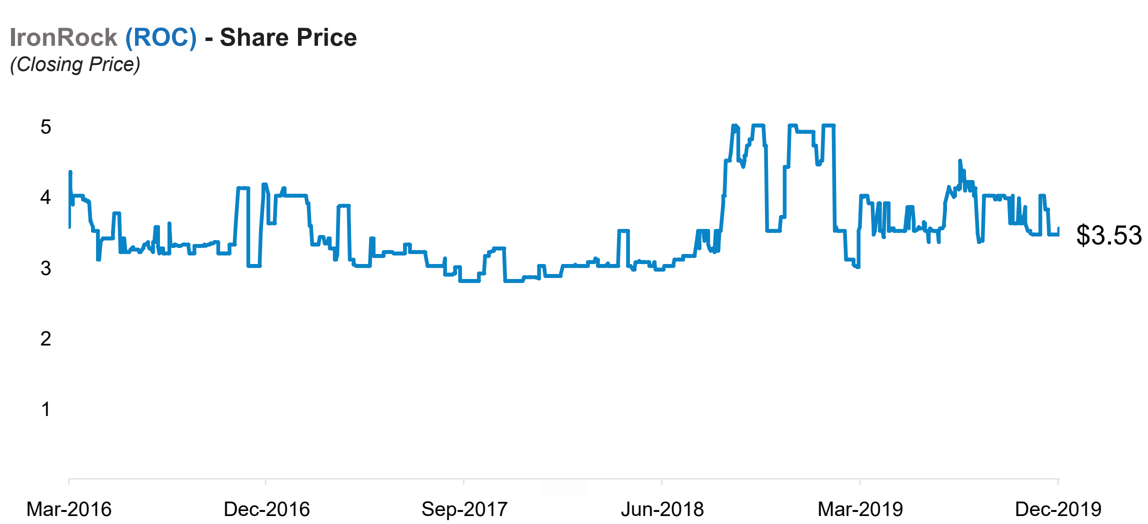
(c) Calculated as the ratio of the net written premium to gross written premium

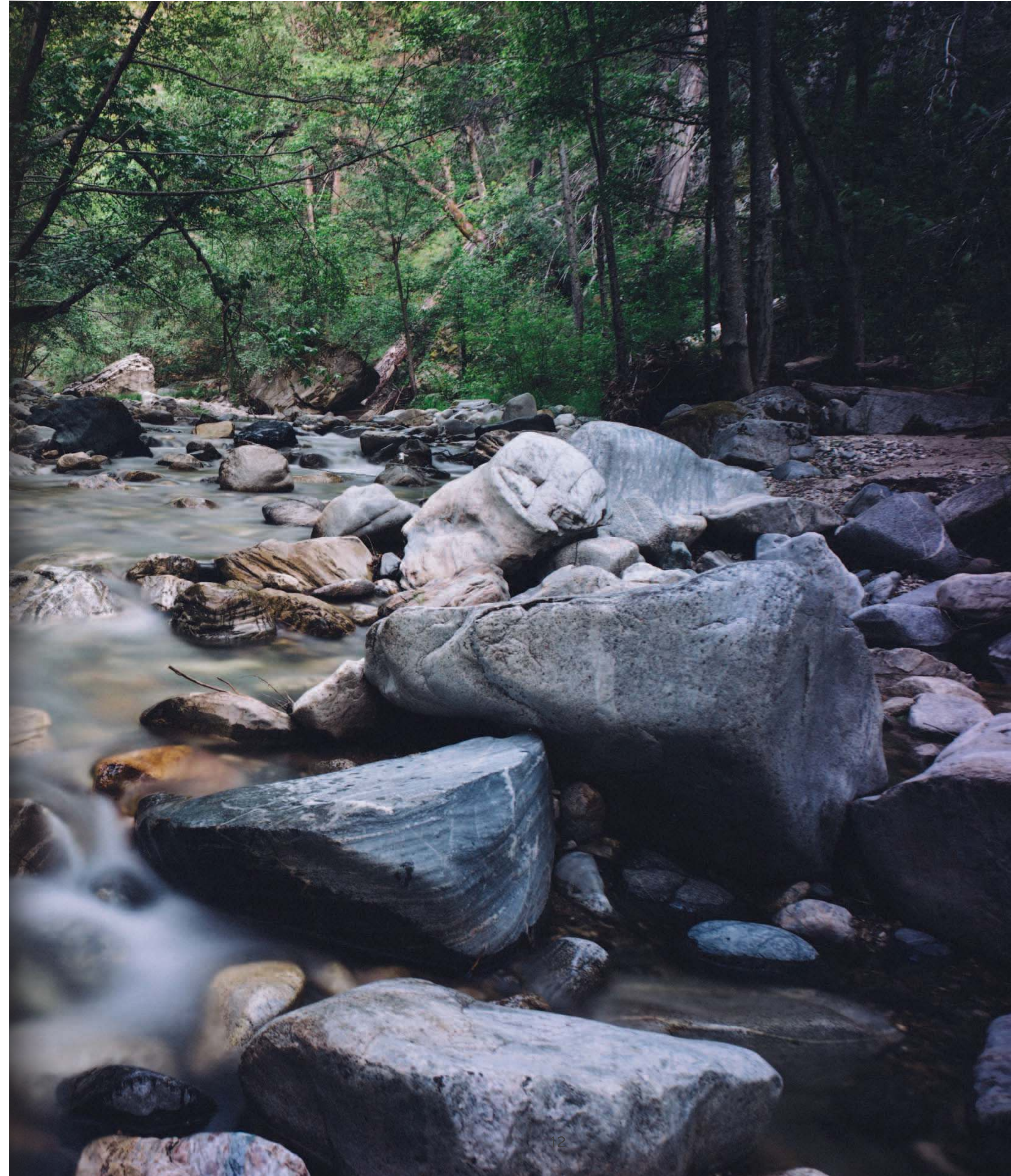
(d) Calculated as the ratio of the total of operating expenses to gross written premium.

(e) Calculated as the ratio of net claims incurred to net earned premium.

(f) Calculated as the ratio of the sum of operating expenses, net commissions and net claims incurred to net earned premium.

(g) Jamaica Stock Exchange Close Price for ROC as at 31 December.





Management's Discussion & Analysis

Solid as a Rock

IronRock began 2019 targeting further revenue growth, improved efficiency, and a continued positive return on investment. It is management's pleasure to advise that in 2019 we achieved all of these goals; gross premiums written grew 23%, our gross expense ratio[1] fell to 23% (from 28% in 2018) and total return on cash and investments[2] rose to 14% (from 6% in 2018).

With 14 employees, we serviced nearly 1,300 clients and wrote over 2,300 policies, generating a total of $701 million in gross premiums written (GPW). We paid out over $81 million in claim settlements and built $164 million in claims reserves on our balance sheet.

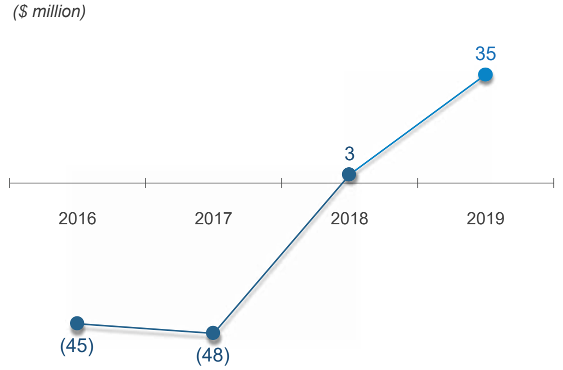
Most notably, we ended the year with comprehensive income of $35 million, and with a positive cash flow from operations of $104 million.

We are proud of our staff and the level of efficiency they have helped IronRock achieve.

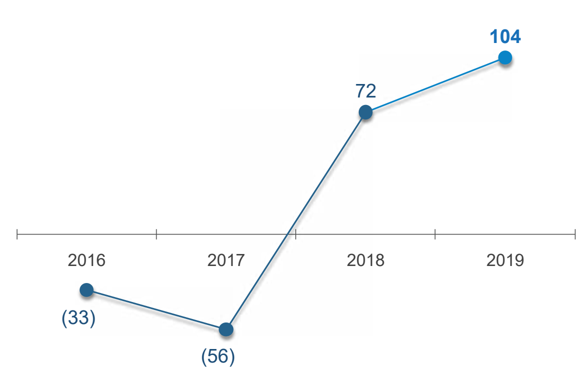
Together we have built a corporate culture that encourages independent thinking, constant communication, and seamless cooperation across departments. Ultimately this has helped us build, what we feel, is an adaptable, yet solid operation.

We would also like to thank our partners and clients for their continued support. We are proud of the service we offer, and we look forward to continuously improving our standards and offering the highest quality insurance service in Jamaica.

Total Comprehensive Income
($ million)



Cash from Operations
($ million)



Premium

At the end of 2019, IronRock's GPW increased by 23% to $701 million, from $572 million in 2018. With no additional underwriting staff, we wrote 27% more policies with an 83% client retention rate.

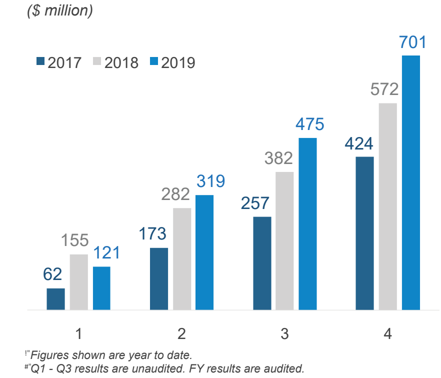
Revenue was noticeably down in the first quarter, as intense price competition in the property market left management unwilling to invite renewal for several accounts we felt were under-priced. Revenue then recovered strongly in the subsequent quarters, as price competition eased, and property rates levelled off.

As in previous years, most of our premium was written in the final quarter of the year, which meant that premiums receivable at year-end was higher than in any other quarter. We expect this effect to continue given the popularity of the '31st December' renewal date with commercial accounts; however, we expect the size of the variance to fall as we grow our personal lines portfolio.

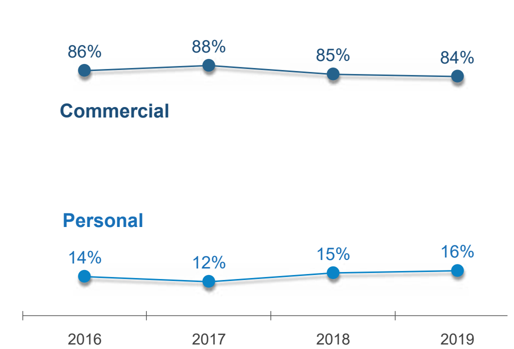
[1] Calculated as the ratio of the total of operating expenses to gross written premium.
[2] Calculated as the total of investment income and both realised and unrealised gains, divided by the average of (i) end of year cash & investments less investment income and realised gains and (ii) cash & investments at the start of the year.

"Assets grew **25%** to **$1.27 billion**"

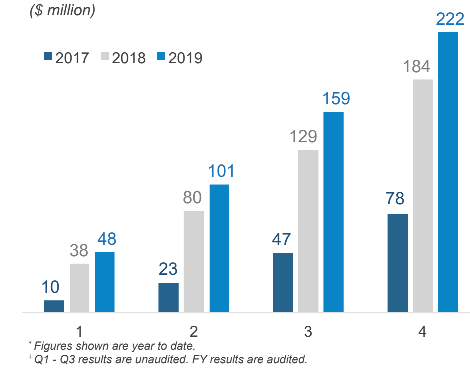
Gross Written Premium
($ million)



Personal vs. Commercial Premium
(% of Gross Premiums Written)



Net Earned Premium
($ million)



In line with management's targets, the majority of the portfolio's revenue was produced by the property and motor portfolios, which accounted for 51% and 27% of revenue, respectively. Revenue produced by the liability, accident and marine portfolios remained relatively unchanged from 2018. The engineering portfolio experienced the largest percentage increase, growing 47%, due to an uptick in construction projects across the island.

In early 2019, we successfully introduced our online marine cargo platform, which facilitates instant coverage for our clients and allows them to produce Insurance Certificates on demand. Straight through processing from the frontend to the backend has also helped reduce the administrative burden for our clients, intermediaries, and our underwriters.

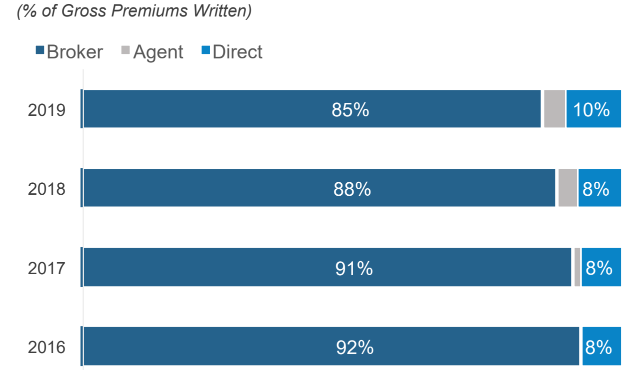
We made significant strides towards building our direct client book of business, with 22% of our clients insuring directly with us, generating $73 million, or 11% of our total revenue. Another 4% of revenue was produced through agents, and the remaining 85% flowed through our broker partners.

Consistent with our portfolio composition objectives, revenue produced by the personal insurance portfolio grew 29%, outpacing growth in the commercial insurance portfolio. This resulted in personal insurance policies accounting for 16% of total revenue in 2019, up from 15% in 2018.

Servicing personal lines policies in the Jamaican market has historically exacted high administrative costs, hurting profitability in what is already a low margin class of business to begin with. For example, in 2019, the average premium per policy in the personal portfolio was a fifth of that in the commercial portfolio. To address this, we have continued to focus on improving our online client interaction. We have continued to expand our digital platform by launching a mobile application and updating our website so that our direct clients may now renew their policy online, make payments, and generate documents on demand.

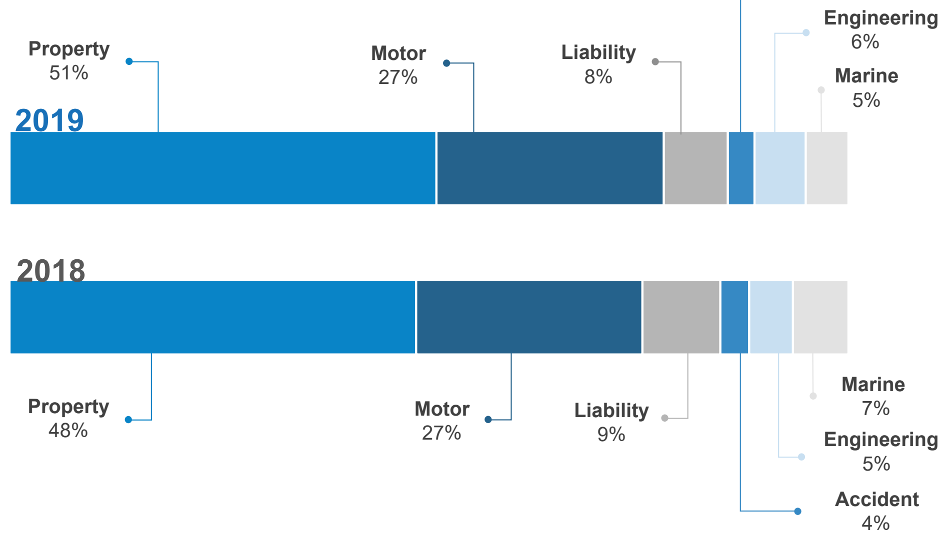
We will continue to target aggressive growth in the Company's motor portfolio, as we take advantage of our continued improvements in efficiency for this segment. Our growth targets for the property portfolio are less aggressive, consistent with our objective to further diversify the portfolio's exposure away from a concentration in commercial property.

Premium by Source
(% of Gross Premiums Written)



Management´s Discussion & Analysis continued

Premium by Class
(% of Gross Premiums Written)



Underwriting

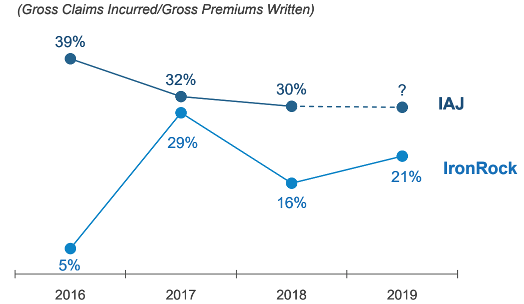
As anticipated by management in last year's discussion and analysis, our continued focus on revenue growth has improved our expense ratios but hurt our loss ratios. After achieving extraordinarily low loss ratios in 2018, this year the Company's loss ratios were more in line with industry averages.

IronRock's gross loss ratio for 2019 rose to 21%, from 16% in 2018, but was still comfortably below the industry's most recently reported gross loss ratio of 30% (published by the IAJ in October 2019). IronRock has therefore continued to outperform the industry's gross loss ratio in every year since the Company began operations. However, the Company's earned loss ratio increased steeply to 61%, from 39% in 2018. This is compared with the industry's most recently reported earned loss ratio of 58%.

Internally, management uses the gross loss ratio as a key metric in assessing the quality of our risk selection and pricing. Whereas the information communicated by the earned loss ratio is affected by reinsurance arrangements and large changes in the amount of gross premium written.

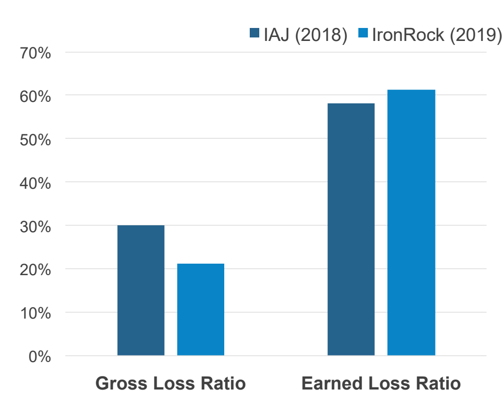
We are therefore very pleased with our current gross loss ratio performance, especially relative to the industry benchmark, and attribute our under performance of our earned loss ratio to a high level of growth in our top line, and a high level of reinsurance. IronRock has had to maintain prudent levels of reinsurance coverage, especially on the property portfolio, as the Company is still relatively young and has not built up optimum levels of reserves and investments.

Gross Loss Ratio - IronRock vs. IAJ
(Gross Claims Incurred/Gross Premiums Written)



** IAJ Statistics as at 31 Dec. 2019 have not yet been published.*

Loss Ratios - Industry Comparison



** 2018 IAJ Statistics are as at 31 Dec. 2018 and are the most recently available figures.*
† Gross Loss Ratio = Gross Written Premium / Gross Claims Incurred
Earned Loss Ratio = Net Earned Premium / Net Claims Incurred

"Cash & Investments grew **29%** **to $807 million**"

While loss ratios deteriorated in most lines of business, the major driving force behind the decline was a sharp increase in the claims experience in the motor portfolio. Motor claims accounted for 81% of the portfolio's total net claims, up from 71% in 2018, while the motor portfolio's gross loss ratio also increased to 58%, from 45% in 2018. Notably, we have not surpassed the industry's average motor gross loss ratio of 58%.

To address the performance of the motor portfolio, we have identified certain risk factors that are consistent in the majority of severe losses incurred during the year. We have also made adjustments in our reinsurance programme, which should ease the burden of the losses and help us build the portfolio faster, and with less risk. As we develop our motor portfolio further,we will introduce changes to our rating methodology and new products to better attract our preferred risk profiles.

When analysing the spike in the motor claims, we observed that a large amount of losses occurred in accidents where our client was not at fault. In these cases, we recover our loss from the third party's insurer; however, increasingly we are seeing where motorists have been sold policies with inadequate coverage. We believe this experience emphasises the need for higher Limits of Liability in the market, and has reinforced our position in providing more complete protection for our clients.

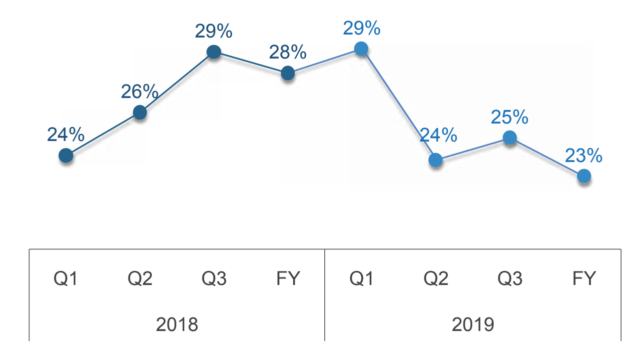
Operations

Strong revenue growth in the year helped drive the Company's gross expense ratio down to 23%, from 28% in 2018. Our net commission ratio also improved considerably, as we earned substantial profit commission under our reinsurance contracts – a further indication of the quality of the portfolio. Net Commissions also benefited from an increase in the size of the direct client portfolio.

Operating expenses remained mostly flat in each quarter, while the Company's expense ratios decreased gradually after the first quarter, due to higher premium growth. As in previous years, because the majority of premium is written in the final quarter, the ratio was lowest at year-end.

The increase in operating expenses was primarily driven by advertising & promotion costs and subscriptions – which increased as we recorded fees associated with IronRock joining the Insurance Association of Jamaica ("IAJ"). Savings came from reduced asset tax and reduced electricity costs owing to the installation of a solar power generation system at our office. Printing & stationery costs also fell substantially after we switched to

Gross Expense Ratio
[Operating Expenses / Gross Written Premium]



** Figures shown are year to date.*
† Q1 - Q3 results are unaudited. FY results are audited.

printing certificates on plain paper, as part of the industry's move towards verifying insurance using a shared database – and not security paper.

In 2019 we formed relationships with automobile dealerships and several individual agents. We believe that servicing clients through these channels has allowed us to build stronger relationships and better develop our brand within the personal lines segment. We remain alert to opportunities to partner with independent sales agents as we seek to build a more robust distribution network. We also expanded our distribution network for commercial business, by partnering with two new brokers both of whom have a strong track-record of developing profitable commercial accounts.

On 15 November 2019, the government of Jamaica passed amendments to the anti-money laundering legislations, so as to exclude general insurance companies. IronRock welcomes the recognition of the low risk profile of the general insurance industry as it pertains to money-laundering and looks forward to the potential for improved administrative efficiency in the industry. However, we still acknowledge the importance of knowing our clients and will continue to maintain identification procedures in line with directions issued by the Financial Services Commission ("FSC").

Management´s Discussion & Analysis continued

Capital and Investments

Shareholder equity grew by $35 million, or 7%, to end the year at $549million. Most of the increase being produced by our investment portfolio, which generated investment income of $39 million, realised gains of $28 million and unrealised gains of $30 million throughout the year.

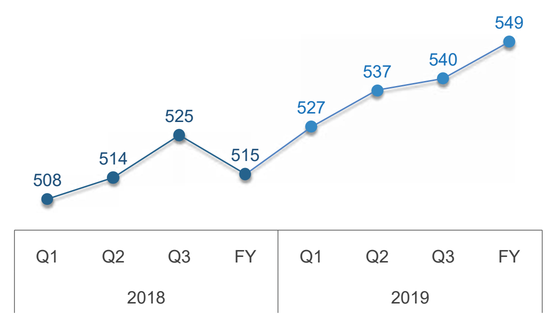
Assets grew 25% to $1.3 billion, driven primarily by an increase of $183 million, or 29%, in cash and investments, which totalled $807 million at year-end. Receivables only increased by 14%, or roughly half the rate of revenue growth, in what is a major credit to our accounting staff. Reinsurance assets increased roughly in line with revenue growth, as our reinsurance arrangements did not change dramatically from 2018.

Insurance contract provisions grew 39% to $499 million. The excess growth in these reserves, above GPW growth of 23%, is attributable to a substantial increase in our claim reserves, due to higher losses during the year. It is worth noting that the measured growth in our IBNR reserves, which increased 10% on a gross basis, reflected our actuaries' confidence in our loss reserves at year-end, and future outlook for our loss ratios.

At this time IronRock only underwrites insurance in Jamaican dollars and US dollar, therefore our foreign exchange gain/loss is dictated by changes in the USD/JMD rate and the timing of cross-currency transactions. Over the course of 2019, the Bank of Jamaica's weighted average buying rate increased from $125.9 on 31 December 2018, to $129.8 on 31 December 2019, which helped us to add $3 million in foreign exchange gains.

Investment income yield remained unchanged at 6.2% (2018: 6.2%), in spite of a continued decline in fixed income yields. It proved very difficult to source Government of Jamaica ("GOJ") or Bank of Jamaica ("BOJ") Jamaican Dollar ("JMD") denominated debt issues with satisfactory yields. As in 2018, there was a dearth of medium- to long-term GOJ debt issues in JMD. While yields on GOJ 3-month treasury bills continued their descent, dropping to 1.3% by year-end, from 2.0% at the end of 2018. Yields on BOJ 30-day Certificates of Deposit were cut cleanly in half, ending the year at 1.0%, from 2.0% at the end of 2018.

Shareholder Equity
($ million)



*Figures shown are year to date.
† Q1 - Q3 results are unaudited. FY results are audited.

Cash & Investments
($ million)

*Figures shown are year to date.
† Q1 - Q3 results are unaudited. FY results are audited.

Yields on JMD commercial debt also fell by roughly the same nominal amount, with the BOJ reporting that commercial banks' weighted loan interest rate on JMD commercial credit fell to 9.9% in December 2019, from 10.5% in December 2018. While over the same period, 12-month point-to-point inflation increased dramatically from 2.4% to 6.2%, putting significant pressure on real returns across JMD denominated securities.

Finding USD debt issues with satisfactory yields proved just as difficult. Prices of GOJ bonds denominated in USD continued an upward climb, suppressing yields. While returns on commercial bonds in the US market were also too low to justify the transaction costs of acquiring them. Locally issued USD commercial debt was scarce, and rates followed a similar downward trend due to increasing confidence in the outlook for the local economy (prior to COVID-19).

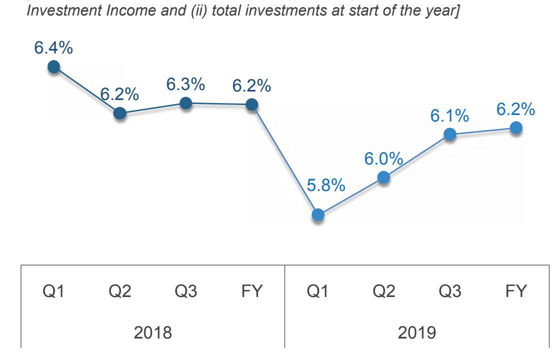
"Shareholder Equity increased **7% to $549 million**"

"Total Return on Cash & Investments rose to **14%** (from 6% in 2018)"

Against this backdrop, management employed a strategy of investing in longer-term instruments to obtain better yields, balanced by investments in unit trusts or high dividend equity stocks for shorter-term liquidity. Then, as the equity market strengthened during the year, we began de-risking our equity portfolio by realising some returns and re-balancing our investments.

We are proud of the investment portfolio's performance, and as investments continue to grow, management remains committed to creating a smooth maturity profile for our fixed income investments, and maintaining ample short-term, liquid investments, available to support large or catastrophic losses.

Investment Income Yield
[Investment Income (net) / Average of (i) end of period total investments less Investment Income and (ii) total investments at start of the year]



*Figures are calculated using year to date figures and rares are annualised.
† Q1 - Q3 results are unaudited. FY results are audited.

Outlook for 2020

As one of the few insurance companies that is not part of a larger financial conglomerate, IronRock is well placed to do things differently. And in 2020, we intend to do just that. We have moved to increase our online presence with the launch of a redesigned and updated website, that links to an integrated e-commerce platform. Through this website, our clients can now manage their accounts online, process renewals, access documents and make payments at their convenience.

The outbreak of the coronavirus pandemic has dramatically reshaped our vision for 2020. It has affected the health of the nation and placed an immeasurable burden on our health providers. It has also wreaked havoc on the local and global economy. Locally, the effective closure of the tourism industry and the forecasted reduction in remittance inflows will pose a major threat to the nation´s economy – the IMF is currently projecting Jamaica´s Real GDP to drop by over 5% in 2020. These macroeconomic conditions will test the insurance industry, driving changes in the way we deliver services and the size of the market. IronRock´s robust information technology platforms and systems have allowed us to seamlessly transition to a work from home model and has facilitated the efficient transaction of business remotely, with our direct clients, brokers and agents.

Investment markets have also been adversely affected by the COVID-19 pandemic and we suffered markdowns of many of our investments during the quarter ended March 31, 2020. We are pleased that investment markets have begun to recover and that our investments have already recouped much of their lost value. We continue to manage our investment portfolio conservatively, seeking to generate steady and predictable earnings, within an acceptable risk tolerance.

As always, we will maintain our focus on improving the risk profile of our existing underwriting portfolio, as we position IronRock as the leading risk management partner for commercial clients. While for our retail clients, we remain committed to providing the most dependable coverage, and the best customer service experience in the industry.

THE IRONROCK SET UP

Corporate Governance

The Board of Directors

The Board of Directors (the "Board") is responsible for ensuring IronRock's long-term prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its stakeholders.

The Board oversees the Chief Executive Officer (the "CEO") and other senior management in the competent and ethical operation of the Company and assures that the long term interests of the shareholders are being served. To satisfy its duties, directors are expected to take a proactive, focused approach to their position to ensure that the Company is committed to success through the maintenance of high standards of responsibility and ethics.

Board meetings are held quarterly, with a fifth meeting usually held in March to approve Audited Financial Statements and other reports that must be filed with the Jamaica Stock Exchange (JSE) and the Financial Services Commission (FSC).

The role of the Board includes the responsibility to:

1. establish IronRock's vision, mission and strategic goals;
2. guide the Company's operations as well as its risk control and accountability framework;
3. appoint the Managing Director and review his or her performance;
4. determine strategic options, select those to be pursued, and decide the means to implement and support them;
5. approve Company policies and ensure that they are effectively implemented;
6. delegate authority to management, and evaluate management performance;
7. ensure adequate resources are available for strategic initiatives and that they are managed effectively;
8. approve future plans and review past performance; and
9. establish the values to be promoted throughout the Company and work to enhance IronRock's public image.

Term of Office

In accordance with the Articles of Incorporation of the Company, at least 1/3 of the Board of Directors, or the number nearest 1/3, excluding the Managing Director, must retire from office prior to each Annual General Meeting. Those retiring each year shall be those who have been longest in office since their last election. Retiring directors are eligible for re election at the AGM.

Size of the Board

The Board must consist of a minimum of two (2) Directors (including the Chairman). However, currently, the Company's Articles of Incorporation do not limit the number of directors that may sit on the Board.

Corporate Governance Guidelines

The most recent version of our Corporate Governance Guidelines may be found in the Investors section of our website: www.ironrockjamaica.com

Governance Structure

The governance structure of the Company is designed to be a working structure for principled actions, effective decision making and appropriate monitoring of both compliance and performance.

Ethics and Conflicts of Interest

The Board expects its directors, as well as officers and employees, to act ethically. Directors are expected to adhere to the Company's Disclosure of Interest Policy, Insider Trading Policy and Code of Ethics.

Executive Directors

These are Directors who are employed by the Company and are normally responsible for aspects of the Company's day to day operations.

The term 'non-executive Director' therefore describes a Director who is not employed by the Company, nor responsible for its day to day operation.

Director Independence

The PSOJ defines an Independent Director as one who is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interest of the entity and its shareholders generally.

The Company endeavors to ensure that at least 30% of the directors on the Board satisfy this definition.

As of 31 December 2019, the following Directors on the Board of IronRock were deemed to be Independent, Non-Executive Directors:

1. Anthony Bell;
2. Jan Polack; and
3. Ray Therrien.

Chairman of the Board and Chief Executive Officer

The Board regularly evaluates whether or not the roles of Chairman of the Board and CEO should be separate and, if they are to be separate, whether the Chairman of the Board should be selected from the non employee directors or be an employee of the Company. The Board believes these issues should be considered as part of the Board's broader oversight and succession planning process.

Board Committees

The Board currently has the following Standing Committees:

(i) Audit Committee;
(ii) Corporate Governance & Conduct Review Committee
(iii) Nomination & Compensation Committee; and
(iv) Investment Committee.

From time to time, the Board may form new committees as it deems appropriate.

Size of Standing Committees: Every Board Committee shall consist of at least three (3) Board members.

Standing Committee Members: All of the members of the standing committees will meet the most recently effective criteria for independence established by the Jamaica Stock Exchange Junior Market Rules and the Insurance Regulations, 2001. The members of these committees also will meet the other membership criteria specified in the respective charters for these committees. At least one member of the Investment Committee will be a member of senior management.

Standing Committee Member Assignments and Rotation: The Corporate Governance & Conduct Review Committee makes recommendations to the Board concerning the structure and composition of the Board committees. The Board will designate the chair, committee members and, where applicable, alternate standing committee members, by the vote of a majority of the directors. From time to time, there will be occasions on which the Board may want to rotate standing committee members, but the Board does not believe that it should establish a formal policy of rotation.

Standing Committee Charters: Each standing committee will have its own charter. The charter will set forth the purpose, authority and responsibilities of the standing committee in addition to the qualifications for standing committee membership. The Charters for IronRock's Board Committees can be found in the 'About Us' section of our website: www.ironrockjamaica.com

Director Compensation

The Nomination & Compensation Committee reviews the form and amount of director compensation annually and recommends any changes to the Board.

For 2019, IronRock's independent non-executive Directors were paid $750,000, while (non-independent) non-executive Directors were paid $400,000.

Executive Directors are not paid additional compensation for their services as Directors to the Company.

Name of Director	Meeting of the Board of Directors	Committee Meetings			
		Audit	Corporate Governance	Investment	Nomination & Compensation
David McConnell	5 of 6	n/a	n/a	n/a	1 of 1
Evan Thwaites	6 of 6	n/a	n/a	4 of 4	n/a
Wayne Hardie	6 of 6	n/a	n/a	n/a	n/a
Anthony Bell	6 of 6	5 of 5	4 of 4	4 of 4	1 of 1
Matthew Hogarth	2 of 6	2 of 5	1 of 4	n/a	0 of 1
Christopher Berry	4 of 6	n/a	n/a	n/a	n/a
Jan Polack	4 of 6	3 of 5	3 of 4	3 of 4	n/a
Gary Peart	4 of 6	3 of 5	n/a	n/a	n/a

Risk Management

HOW IRONROCK MANAGES RISK

At IronRock we understand the term "Risk Management" to mean the continual process of identifying, analysing, prioritising, and, accepting, mitigating or avoiding the uncertainty in the decisions we make.
Insurance is founded on the concept of risk, and IronRock's ability to manage its risk exposure will ultimately define its success as an insurance company.

Risk is prevalent throughout all of our lives. Even if we are sure something is inevitable, we cannot know the exact time it will take place, nor the exact circumstances surrounding the event. It is therefore impossible for us to eliminate all the risks we face, and new risks will always emerge.
This is why at IronRock we understand risk management to be a continual process.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of the Company experiencing a direct or indirect loss arising from inadequate internal processes, personnel, or systems, or from external events – other than financial or compliance risks.
To control these risks, management implements processes and systems that reduce the Company's overall exposure, while continuing to foster a dynamic and innovative workplace for our employees.

Senior managers in each department are responsible for developing and applying operational controls within their remit. It is then the responsibility of the Audit Committee to ensure each department's compliance with the relevant internal control procedures – typically through the use of internal auditors.

The two operational risks most relevant to IronRock are discussed below.

INSURANCE RISK MANAGEMENT

Insurance is a risk management tool used by individuals and organisations to transfer their risk exposure to an insurer for a premium. The insurers themselves are therefore naturally exposed to risk.

Insurers manage their risk exposure by pooling a diverse set of risks. However, risk can still arise when an insurer determines:
- how to rate a proposed risk (Underwriting Risk);
- if its reinsurance treaties are adequate (Reinsurance Risk); and
- if its current insurance reserves are sufficient to cover future claims (Claims Risk).

Management's insurance risk management approach is therefore focused on continually working to reduce IronRock's exposure to these risks.

In particular, IronRock is committed to:
1. hiring and maintaining an experienced and competent senior management team – and a competent, efficient and diligent workforce in general;
2. underwriting a diversified portfolio of risks – consistent with IronRock's long-term underwriting strategy;
3. working closely with our reinsurers to provide the highest standard of security to our policyholders;
4. building and maintaining sufficient insurance reserves to cover future claims; and
5. staying current on disclosures and advancements in the global insurance industry.

Information Technology (IT) Risk Management

IT risk is the risk of financial loss, disruption or damage to the reputation of the Company owing to a failure of its information technology systems.

This could arise from physical damage to IT hardware, as well as intangible software damage due to system failures or malicious theft or corruption of internal data.

Globally, IT risks have gathered increased attention from legislators. The Government of Jamaica has already passed the Cybercrimes Act (2010) and is currently debating the Data Protection Act, which will enforce stronger statutory requirements on companies to control IT risk.

To ensure we offer our stakeholders the highest level of protection, IronRock has implemented an exhaustive IT policy which covers, among other areas of control, the following:
(1) Acceptable Use
(2) Backup and Security
(3) Data Management
(4) Security Monitoring
(5) Incident Management
(6) Network Configuration
(7) Network Access Security
(8) Mobile Devices
(9) Passwords
(10) Physical Security
(11) Server Hardening
(12) Virus Protection

"Gross expense ratio improved to **23%** (from 28% in 2018)"

COMPLIANCE RISK MANAGEMENT

Compliance risk is the threat posed to a company's operational, financial or reputational standing resulting from the violations of laws, or statutory regulations.

Being an insurance company, as well as a public company, IronRock is regulated by both the Financial Services Commission (FSC) and the Jamaica Stock Exchange (JSE).

In operating under such a heavy regulatory burden, management promotes the view that these additional regulations serve as a prudent extension to our own internal controls.

IronRock actively encourages and facilitates open dialogue with our regulators, with the intention of building healthy and lasting relationships for the benefit of all our stakeholders.

FSC Regulations

The FSC states that its purpose, relating to the supervision of general insurance companies, is to protect the interests of policyholders.

Direct supervision of the insurance industry is performed by the Insurance Division of the Commission, to ensure that:
1. solvency standards for all entities ensure policyholder protection;
2. the relationships between insurers and their holding company, subsidiaries and/or associated companies are in accordance with legislation;
3. regulators have access to information; and
4. industry players practice sound corporate governance, as they owe a duty of care to their clients and claimants.

An area of key concern for the FSC and insurers alike, is the Minimum Capital Test (MCT) – intended to assess the riskiness of an insurer's assets and policy liabilities by applying various factors and margins, ultimately comparing capital available to capital required.

As at 31 December 2019 IronRock's MCT Ratio was 296%, compared to the FSC required ratio of 250%.

JSE Regulations

The JSE reserves the right to, in its absolute discretion, delist or suspend trading of any listed company for failure to comply with all applicable rules and guidelines – which for IronRock are set out in the publicly available JSE Junior Market Rules.

Accordingly, and to protect the interests of our shareholders, IronRock strictly adheres to the JSE Junior Market Rules regarding disclosures, reporting, insider trading, related party transactions and corporate governance.

Note - the delisting of a company does not negate the value of its issued shares or the rights of its shareholders. However, it can make the trading of its shares significantly more difficult.

FINANCIAL RISK MANAGEMENT

Financial risk is the risk of the Company incurring a financial loss that could impair its ability to earn an adequate return or finance its debt.

Changes in the global political, social and economic spheres, all significantly impact financial risk. While this section outlines the major types of financial risk IronRock is exposed to, it is important to understand that financial risk is globally systematic and intersects with all other types of risk.

Financial risk management at IronRock is a comprehensive process that involves:
1. the Board of Directors, who establish and review the Company's financial risk management framework;
2. the Audit Committee, who asses the adequacy and appropriateness of the risk management framework and monitor internal compliance;
3. the Managing Director and Finance Director, who together develop and implement financial risk management policies, and regularly report to the Board;
4. the Investment Committee, who establish and review controls relating to the investment of the Company's assets; and
5. the FSC, who impose limits on how insurers can invest their capital.

Credit Risk Management

Credit risk is the risk of the Company incurring a financial loss, if a counterparty fails to make contractually required payments.

IronRock's key areas of exposure to credit risk include:
1. debt securities;
2. premiums due from policyholders and intermediaries; and
3. payments owed from reinsurers.

Management controls the Company's credit risk in respect of debt securities by placing limits on its exposure to any single counterparty – based on the credit rating of that counterparty. IronRock also has a policy of investing in only high quality corporate bonds and government issued debt contracts. IronRock's credit risk exposure to individual policy holders and intermediaries is monitored as part of the Company's credit control process. Analysis is regularly conducted to identify significant exposures to individual policyholders or intermediaries and the relevant action is taken to mitigate the risk posed to the Company.

In addition, all intermediaries must meet minimum financial requirements established and enforced by senior management. Our historical credit experience with intermediaries is also documented and monitored on a regular basis.

The credit worthiness of all current and prospective reinsurers is assessed directly by senior management through the review of A.M. Best and Standard & Poor's credit ratings, as well as any other publicly available information.

As a policy, IronRock only arranges contracts with reinsurers rated "A" or higher, by both A.M. Best and Standard & Poor's.

Further enquiry and vetting is performed by our reinsurance broker, Guy Carpenter, whose international presence and extensive relationships with reinsurers across the globe allow them to provide insights otherwise unavailable to the public.

We also seek to maintain diversity in our reinsurance arrangements, preferring to place contracts with reinsurers based in different markets around the world, while limiting our per risk and per event exposure to any one reinsurer.

Liquidity Risk Management

Liquidity risk is the risk that the Company will not be able to meet its short-term financial obligations, due to difficulties in converting its assets into cash.

Insurers are exposed to daily calls on their available cash resources, mainly arising from policyholder claims. Liquidity risk may arise from many potential areas, such as a duration mismatch between assets and liabilities and an unexpectedly high level of claims in a given period.

IronRock's approach to managing liquidity is to manage the maturity profile of the Company's fixed income portfolio and to ensure, as far as possible, that it maintains sufficient investments in marketable securities. This enables the Company to meet its liabilities when due, under both normal and stressful conditions – without incurring unacceptable losses or risking damage to its reputation.

Financial Market Risk Management

Financial market risk is the risk that the Company will suffer losses due to the overall performance of local or international financial markets.

IronRock is exposed to market risk on all of its financial assets. The objective of IronRock's financial market risk management strategy is therefore to manage and control exposures within acceptable parameters, while optimising the Company's investment return on risk.

IronRock's exposure to financial market risk can be understood through three major areas:
1. Equity Investment Risk;
2. Interest Rate Risk; and
3. Foreign Exchange Risk.

1. Equity Investment Risks

Equity investment risk is the financial risk involved in holding equity in a particular investment.

IronRock manages this risk by ensuring the mix of debt and equity securities in its portfolio are constantly managed and adjusted according to market expectations. The primary goal of the Company's investment strategy is to earn the maximum return at the lowest acceptable level of risk.

2. Interest Rate Risk

Interest rate risk arises primarily from IronRock's choice of debt security investments. IronRock manages its interest rate risk exposure by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.
Interest bearing financial assets are primarily represented by long-term investments, which have been contracted at fixed or floating interest rates for the duration of the term.

3. Foreign Exchange Risk

Foreign exchange risk describes the potential for the market value of financial instruments, or the value of the cash flows from such instruments, to vary due to exchange rate fluctuations.

IronRock incurs foreign currency risk on insurance and reinsurance contracts and investments that are denominated in any currency other than the Jamaican dollar. Currently, the principal foreign currency risk of the Company, are contracts and investments denominated in United States dollars.

Management controls this risk by, where possible, matching the value of its assets and liabilities denominated in a given currency, so that any movement in the exchange rate is offset, effectively hedging the Company's position.

Disclosure of Shareholdings

Shareholdings of Top Ten Shareholders

Shareholders	Connected Parties	Shares Held	Combined Holdings	% of Issued Shares
1. Granite Group Limited		109,000,000	109,000,000	50.93%
2. Mayberry Jamaican Equities Limited		37,523,971	37,523,971	17.53%
3. Mayberry Managed Client Accounts		7,404,973	7,404,973	3.46%
4. Catherine Adella Peart		7,000,000	7,000,000	3.27%
5. Sigma Global Venture		4,000,000	4,000,000	1.87%
6. Sharon Harvey-Wilson		1,563,360	3,768,339	1.76%
Jeremy Wilson	*2,204,979*			
7. Michelle A. Myers Mayne		3,000,000	3,000,000	1.40%
8. PWL Bamboo Holdings Limited		2,924,094	2,924,094	1.37%
9. W. David McConnell		2,420,000	2,420,000	1.13%
10. Apex Pharmacy Limited		1,989,266	1,989,266	0.93%
Total			**182,474,183**	**83.66%**
Total Issued Shares			**214,000,000**	**100.00%**

Shareholdings of Directors and Senior Officers (and connected parties)

Directors	Connected Parties	Shares Held	Combined Holdings	% of Issued Shares
W. David McConnell		2,420,000	112,231,000	**52.44%**
Granite Group Limited	109,000,000			
St. Elizabeth Holdings Limited	811,000			
Tania McConnell	2,420,000			
Richard Evan Thwaites		1,600,000	110,600,000	**51.68%**
Granite Group Limited	109,000,000			
Gary Peart		-	44,523,971	**20.81%**
Mayberry Jamaican Equities Limited	37,523,971			
Catherine Peart	7,000,000			
Christopher Berry		-	42,437,331	**19.83%**
Mayberry Jamaican Equities Limited	37,523,971			
PWL Bamboo Holdings Limited	2,924,094			
Apex Pharmacy Limited	1,989,266			
Wayne N. Hardie		1,025,727	1,025,727	**0.48%**
Anthony Bell		-	300,000	**0.14%**
Jean Bell	300,000			
Senior Officers				
Yvonne Daley		250,000	250,000	**0.12%**
Maurice Bolt		200,000	200,000	**0.09%**

Company Directory

BOARD OF DIRECTORS

- **W. David McConnell,**
  Chairman
- **R. E. D. Thwaites**
  Managing Director
- **Wayne N. T. Hardie**
  Finance Director
- **Anthony J. A. Bell, J.P.**
  Independent Non-Executive Director
- **Jan Polack**
  Independent Non-Executive Director
- **Gary Peart**
  Non-Executive Director
- **Christopher Berry**
  Non-Executive Director
- **Raymond Therrien**
  Independent Non-Executive Director
- **Christian Tavares-Finson**
  Non-Executive Director

AUDIT COMMITTEE

Anthony Bell.
Jan Polack
Gary Peart
Ray Therrien

CORPORATE GOVERNANCE COMMITTEE

Anthony J. A. Bell
Jan Polack
Ray Therrien

INVESTMENT COMMITTEE

Anthony Bell
Ray Therrien
Jan Polack
R. E. D. Thwaites

NOMINATION & COMPENSATION COMMITTEE

W. David McConnell
Anthony J. A. Bell
Ray Therrien

EXECUTIVE TEAM

- **R. E. D. Thwaites**
  Managing Director
- **Wayne N. T. Hardie**
  Finance Director
- **Christian Watt**
  GM – Marketing & Production
- **Maurice Bolt**
  GM – Technology & Operations

REINSURERS

Munich Re
Königinstr. 107
80802 Munich
Germany

R+V Versicherung
Raiffeisenplatz 1
Wiesbaden, 65189
Germany

SCOR Reinsurance
701 Brickell Avenue, #1270
Miami, 33131,
USA

QBE Re (Europe)
30 Fenchurch Street
London, EC3M 3BD
United Kingdom

Lloyd's Underwriter Syndicates
1 Lime Street
London, EC3M 7HA
United Kingdom

Peak Re
Room 2107-11, ICBC Tower,
3 Garden Road, Central,
Hong Kong

Sirius International Ins Group
Suite 1202
80 Bloor Street West
Toronto, M5S 2V1,
Canada

CCR Re
150 York Street, Suite 1010
Toronto, M5H 3S5
Canada

Solis Re
2601 South Bayshore Drive
Miami, 33133
USA

INDEPENDENT AUDITORS

KPMG
The Victoria Mutual Building
6 Duke Street
Kingston 1, Jamaica

INTERNAL AUDITORS

Smith and Associates
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THE IRONROCK AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IronRock Insurance Company Limited ("the company"), set out on pages 37 to 87, which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters

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

Key Audit Matter	**How was the matter addressed in our audit**
Estimates for outstanding claims Included in the company's outstanding claims liability is an actuarially determined estimate for claims incurred but not reported as at December 31, 2019. This is an area of audit focus as the determination of this estimate required significant judgement primarily in respect of key assumptions made and actuarial methodologies applied in the preparation of the estimate.	Our audit procedures included the following: • Challenging the assumptions applied by management's experts in the preparation of the annual valuation of the company's claims outstanding liabilities in accordance with accepted actuarial practice and regulatory requirements. • Involving our own actuarial specialist to assist us in evaluating the assumptions and methodologies used by management's experts, in particular the actuarial methods used to develop the selected ultimate expected losses. • Testing the controls over the claims payments process and the case reserving process. • Assessing the adequacy of the disclosures about the degree of estimation involved in arriving at the reported balance.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibility for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 35 and 36, forms part of our auditors' report.

Report on additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Nyssa Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

March 27, 2020

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Appendix to the Independent Auditors' report

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Appendix to the Independent Auditors' report (Cont'd)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Statement of **Financial Position**

As at **31 December 2019**

(expressed in Jamaican dollars)

	Notes	2019	2018
		$'000	$'000
Assets			
Property, plant and equipment	5	18,927	12,805
Intangible asset	6	4,475	5,118
Investments	7	672,918	434,587
Deferred acquisition costs	8	36,502	34,592
Reinsurance assets	9	223,983	176,745
Insurance and other receivables	10	161,834	142,134
Taxation recoverable		20,433	15,260
Short-term investments	11	30,000	108,317
Securities purchased under resale agreements	12	-	20,297
Cash and cash equivalents		104,139	61,161
		1,273,211	**1,011,016**
Liabilities and Shareholders' Equity			
Insurance and other payables	13	183,557	109,971
Insurance contract provisions	9	499,129	360,200
Lease liability	14	5,215	-
Deferred commission income	15	35,930	16,132
		723,831	**496,303**
Share capital	16	465,540	465,540
Capital reserves	17	139,340	139,340
Investment revaluation reserve		34,782	5,129
Accumulated deficit		(90,282)	(95,296)
		549,380	**514,713**
		1,273,211	**1,011,016**

The financial statements, on pages 37 to 87 were approved for issue by the Board of Directors on 25 March 2020 and signed on their behalf by:

______________________ Director

W. David McConnell

______________________ Director

R. Evan Thwaites

The accompanying notes form an integral part of the financial statements.

Statement of **Profit or Loss and Other Comprehensive Income**

For the year ended **31 December 2019**

(expressed in Jamaican dollars)

	Notes	2019	2018
		$'000	$'000
Gross premiums written	9(b),18	**701,418**	**571,838**
Change in gross provision for unearned premiums		(71,207)	(42,109)
Gross insurance premium revenue	9(b)	**630,211**	**529,729**
Written premiums ceded to reinsurers	9(b)	(455,577)	(356,844)
Reinsurers' share of change in provision for unearned premiums		47,241	11,332
Net insurance premium revenue	9(b)	**221,875**	**184,217**
Claims expenses incurred	9(a)	(148,801)	(93,422)
Reinsurers' share of claims and benefits incurred	9(a)	15,367	21,035
Net insurance claims		(133,434)	(72,387)
Commission expense	8	(75,249)	(60,022)
Commission income	15	86,251	66,314
Net commission income		11,002	6,292
Profit before operating expenses		**99,443**	**118,122**
Operating expenses	19(b)	(163,616)	(160,099)
Underwriting loss before other income		**(64,173)**	**(41,977)**
Investment income, net	20	38,709	32,218
Other Income		32	1,004
Foreign exchange gain		2,877	8,370
Gain on sale of investments		27,569	3,157
Profit for the year		**5,014**	**2,772**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value gains / (losses) on investments, being total other comprehensive income		29,653	(398)
Total comprehensive income for the year		**34,667**	**2,374**
Earnings per stock unit (based on stock units in issue)	21	**2 cents**	**1 cent**

The accompanying notes form an integral part of the financial statements.

Statement of **Changes in Shareholders' Equity**

For the year ended **31 December 2019**

(expressed in Jamaican dollars)

	Share Capital	Capital reserves	Investment revaluation reserve	Accumulated profit/(deficit)	Total
	$'000	$'000	$'000	$'000	$'000
	(note 16)	(note 17)			
Balances at December 31, 2017	**465,540**	**139,340**	**5,527**	**(98,068)**	**512,339**
Profit for the year	-	-	-	2,772	2,772
Other comprehensive income:					
Fair value loss on investments	-	-	(398)	-	(398)
Total comprehensive income / (loss)	-	-	(398)	2,772	2,374
Balances at December 31, 2018	**465,540**	**139,340**	**5,129**	**(95,296)**	**514,713**
Profit for the year	-	-	-	5,014	5,014
Other comprehensive income:					
Fair value gains on investments	-	-	29,653	-	29,653
Total comprehensive income	-	-	29,653	5,014	34,667
Balances at December 31, 2019	**465,540**	**139,340**	**34,782**	**(90,282)**	**549,380**

The accompanying notes form an integral part of the financial statements.

Statement of **Cash Flows**

For the year ended **31 December 2019**

(expressed in Jamaican dollars)

	Notes	2018	2017
		$'000	$'000
Cash Flows from Operating Activities			
Profit for the year		5,014	2,772
Adjustments for:			
Depreciation and amortisation	5,6	10,176	5,197
Lease interest expense	14	513	-
Write-off of property, plant and equipment		10	-
Insurance contract provisions		91,691	70,834
Interest income	20	(33,083)	(27,458)
Gain on sale of investment		(27,569)	(3,157)
		46,752	48,188
Changes in:			
Deferred acquisition costs		(1,910)	(10,942)
Insurance and other receivables		(18,975)	26,766
Insurance and other payables		73,586	9,289
Deferred commission income		9,798	4,780
Taxation paid		(5,173)	(6,100)
Net cash provided by operating activities		**104,078**	**71,981**
Cash Flows from Investing Activities			
Short term investments, net		78,317	63,034
Securities sold / (purchased) under resale agreements		20,297	(3,041)
Proceeds from disposal of investments		92,520	50,889
Investments, net		(273,629)	(202,107)
Acquisition of property, plant and equipment	5	(5,563)	(962)
Interest received		32,358	24,865
Net cash used by investing activities		**(55,700)**	**(67,322)**
Cash Flows from Financing Activity			
Lease liability, net, being net cash used by financing activity	14	(5,400)	-
Net increase in cash and cash equivalents		**42,978**	**4,659**
Cash and cash equivalents at beginning of the year		61,161	56,502
Cash and Cash Equivalents at End of the Year		**104,139**	**61,161**

The accompanying notes form an integral part of the financial statements.

1. Corporate structure and nature of business

IronRock Insurance Company Limited (the company) was incorporated June 9, 2015 and is domiciled in Jamaica, with its registered office at 1b Braemar Avenue, Kingston 10. It is a 50.9% subsidiary of Granite Group Limited, a company incorporated and domiciled in St. Lucia. The company is listed on the Junior Market of the Jamaica Stock Exchange.

The principal activity of the company is the underwriting of general insurance business. The company commenced trading March 2016.

2. Insurance licence

The company is registered under the Insurance Act 2001 (the Act).

3. Roles of the actuary and auditors

The actuary is appointed by the Board of Directors pursuant to the Act. With respect to preparation of financial statements, the actuary carries out an actuarial valuation of management's estimate of the company's policy liabilities and reports thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary, in his verification of the management information provided by the company, and which is used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors are appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent audit of the financial statements of the company in accordance with International Standards on Auditing and to report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

4. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act. This is the first set of the company's annual financial statements in which IFRS 16, *Leases* has been applied. The related changes to significant accounting policy is described in note 4(b).

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations not yet effective:

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations which were in issue but not effective at the reporting date and has not been early-adopted by the company. Those which are considered relevant to the company are as follows:

- IFRS 9 *Financial Instruments* - As an insurance company, the company has exercised the option to defer the effective date of the new standard to January 1, 2022, in line with IFRS 17 *Insurance Contracts* (see note 4b). The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting. The company's current analysis is that this will not have a material impact on the financial statements.

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2021 (although the IASB proposed to defer the effective date until January 1, 2022), replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder.
  - Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
  - Recognises and measures groups of insurance contracts at:
    a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and
    b) an amount representing the unearned profit in the group of contracts (the contractual service margin)
  - Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss-making, an entity recognizes the loss immediately.
  - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations not yet effective:

- IFRS 17 *Insurance Contracts* (cont'd)

  The key principles in IFRS 17 are that an entity (cont'd):

  - Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.
  - Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

  The company does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IFRS 9 *Financial Instruments,* effective retrospectively for annual reporting periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

  As disclosed in note 4(q)(iv), the company has exercised the option to defer the effective date of the adoption of IFRS 9 to January 1, 2022, and is assessing the impact that this amendment may have on its 2022 financial statements.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual reporting periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations that became effective:

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (cont'd)

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The company does not expect the amendment to have a significant impact on its financial statements.

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on the statement of financial position earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

  The company is assessing the impact that the amendments may have on its 2020 financial statements.

(b) Changes in accounting policies

The company initially applied IFRS 16 *Leases* from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the company's financial statements.

The company applied IFRS 16 using the modified retrospective approach, under which the right-of-use asset is equivalent to the lease liability, thereby no adjustments were recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

(i) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*, issued by the IFRS Interpretations Committee (IFRIC). The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(w).

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(ii) As a lessee

As a lessee, the company leases assets including property. The company previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property, the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at January 1, 2019 (see note 14). The company opted for the measurement of the right-of-use asset equal to the lease liability at transition date as permitted by IFRS 16 transition options.

The company has tested its right-of-use asset for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

(ii) As a lessee (cont'd)

Leases classified as operating leases under IAS 17 (cont'd)

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(iii) Impact on financial statements

Impact on transition

On transition to IFRS 16, the company recognised additional right-of-use asset and additional lease liability, at the same amount, thereby, no adjustment was made to the retained earnings at transition. The impact on transition is summarised below.

	January 1, 2019 $'000
Right-of-use asset – property, plant and equipment	10,102
Lease liability	(10,102)
Accumulated deficit	-

For the impact of IFRS 16 on profit or loss for the year, see note 14. For the details of accounting policies under IFRS 16 and IAS 17, see note 4(w).

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 6.5%.

	January 1, 2019 $'000
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the company's financial statements	2,448
Recognition exemption for leases with less than 12 months of lease transition	(2,448)
Extension options reasonably certain to be exercised	10,800
Discounted using the incremental borrowing rate at January 1, 2019	(698)
Lease liabilities recognised at January 1, 2019	10,102

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Basis of preparation:

The financial statements are prepared under the historical cost convention, modified for the inclusion of available-for-sale investments at fair value.

These financial statements are presented in Jamaica dollars ($), which is the functional currency of the company. The values presented in the financial statements have been rounded to the nearest thousand ($'000) unless otherwise stated.

(d) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means, *inter alia*, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate the company or curtail the scale of its operations. This is commonly referred to as the going concern basis.

At December 31, 2019, the company had an accumulated deficit of $90,282,000 (2018: $95,296,000) which is broadly in line with the projections. The company's existing capital is sufficient to meet prudent and regulatory capital requirements during this period as evidenced by its Minimum Capital Test result of 296% (2018: 545%) as compared to the regulatory requirement of 250%. Consequently, management is of the view that the going concern basis continues to be appropriate in the preparation of the financial statements.

(e) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Use of estimates and judgements (cont'd):

(ii) Outstanding claims:

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The loss and loss expense reserves have been estimated by the company's actuary using the company's and industry data.

Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Notes 9 and 23 contain information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts. Note 25 contains information about the risks and uncertainties associated with financial instruments.

(f) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and include short-term deposits and other monetary investments with maturities ranging between one and three months from the reporting date. These are not subject to significant risk of change in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities, and loans and receivables maturing within one year. They are acquired for their earnings potential and for balancing the company's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

(h) Insurance and other receivables:

Insurance and other receivables are measured at amortised cost less impairment losses.

(i) Insurance and other payables:

Insurance and other payables are measured at amortised cost.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(j) Provisions:

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

(k) Related parties:

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(k) Related parties (cont'd):

(b) (Cont'd):

(viii) The entity, or any member of a group of which it is apart provides key management services of the company.

A related party transaction involves transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The company has a related party relationship with its directors, parent company, and key management personnel. "Key management personnel" represents certain senior officers of the company.

(l) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are initially measured at cost and subsequently at amortised cost, using the effective interest method, less impairment losses.

Available-for-sale investments are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in investment revaluation reserve, except where there is evidence of impairment, in which event, reductions in fair value are recognised as impairment losses in profit or loss. The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company on the date they commit to purchase or sell the investments. Other investments are recognised or derecognised on the day they are transferred to/by the company.

(m) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Property, plant and equipment (cont'd):

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

Leasehold improvements	20%
Furniture, Fixtures and equipment	10%
Computer	33%
Right-of-use	50%

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

(n) Intangible assets and amortisation:

This includes computer software acquired by the company. This is measured at cost less accumulated amortisation and impairment losses. The estimated useful life of computer software is ten (10) years.

(o) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the relevant balances.

(p) Impairment:

Objective evidence that financial assets are impaired can include default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers.

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets with indefinite lives are assessed regardless of indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(p) Impairment (cont'd):

When a decline in fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amounts:

The recoverable amount of the company's receivables carried at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the assets.

Receivables with a short duration are not discounted. Impairment losses in respect of an available-for-sale investments are calculated by reference to its current fair value.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit or pool of assets to which the asset belongs.

(ii) Reversals of impairment:

Impairment losses in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

For all other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale investment recognised previously in other comprehensive income is transferred to profit or loss. For available-for-sale equity securities, the reversal is recognised in other comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(q) Insurance contracts recognition and measurement

(i) Recognition and measurement

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry and comply with the provisions of the Insurance Act 2001. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

Gross written premiums

Gross premiums reflect business written during the year and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Unearned premiums

Unearned premiums represent that proportion of the premiums written up to the reporting date which is attributable to subsequent periods and are calculated on the "three sixty-fifths" basis on the total premiums written.

Unexpired risks

Unexpired risks represent the amount set aside in addition to unearned premiums, in respect of risks to be borne by the company under contracts of insurance entered into before the end of the financial year and are actuarially determined.

Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses, plus a provision for losses incurred but not reported based on the historical experience of the company. The outstanding loss and loss expense reserves have been reviewed by the company's actuary using the past loss experience of the company and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by their actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Deferred acquisition cost and deferred commission income

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(q) Insurance contracts recognition and measurement (cont'd):

(ii) Reinsurance assets

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the "three sixty-fifths" basis on the total premiums ceded.

In the normal course of business, the company seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 23). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in the income statement.

(iii) Insurance receivable and insurance payable

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(iv) Temporary exemption to defer the implementation of IFRS 9 *Financial Instruments*

The company has applied the temporary exemption to defer the implementation of IFRS 9, *Financial Instruments*, as its activities met the requirements to demonstrate that their predominant activity is issuing insurance contracts within the scope of IFRS 17 *Insurance Contracts*.

The prescribed date of the assessment under the temporary exemption provisions is December 31, 2015, however, the company commenced operations in March 2016. The company evaluated its liabilities at December 31, 2016, and concluded that the liabilities were predominantly connected with insurance. 71% of the company's liabilities at December 31, 2016 are liabilities that arose from contracts within the scope of IFRS 17 and 23% of the company's liabilities at December 31, 2016 are liabilities that arise because the company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the company has not previously applied any version of IFRS 9. Therefore, the company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2019, there has been no change in the company's activities.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Revenue:

Revenue is measured based on the consideration specified in a contract with a policyholder. The company recognises revenue when it transfers control over a service to a policyholder.

Revenue comprises the following:

(i) Gross written premiums

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 4(q)(i).

(ii) Commission income

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts [see note 4(q)(ii)]. Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

(iii) Investment income

Investment income comprises income from financial assets. Income from financial assets comprises interest and dividends and realised gains/losses on financial assets. Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(s) Taxation:

Taxation of the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Taxation (cont'd):

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(t) Employee benefits:

(i) Pension contribution

Pension plan costs are contributions by the company to approved retirement schemes. Obligations for contributions by the company to the schemes are recognised as an expense in profit or loss as they fall due.

(ii) Other employee benefits

Employees' entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date.

(u) Securities purchased under resale agreements:

Securities purchased under resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending, classified as loans and receivables and measured at amortised cost. The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

(v) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The company's activities are limited to the provision of general insurance to Jamaican consumers, operating in a single segment. As such no additional segment information is provided.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(w) Leases

The company has applied IFRS 16 *Leases* using the modified retrospective approach and, therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 33.

Policy applicable from January 1, 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(w) Leases (cont'd)

Policy applicable from January 1, 2019 (cont'd)

As a lessee (cont'd)

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets in property plant and equipment, and lease liabilities in the statement of financial position.

Policy applicable before January 1, 2019

For contracts entered into before January 1, 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(w) Leases (cont'd)

Policy applicable from January 1, 2019 (cont'd)

As a lessee (cont'd)

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(x) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, investments, insurance receivables, and other accounts receivable. Financial liabilities include accounts payable and insurance payables.

(y) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

Notes to the Financial Statements
For the year ended **31 December 2019**
(expressed in Jamaican dollars unless otherwise stated)

5. Property, plant and equipment

	Building $'000	Furniture, fixtures and equipment $'000	Computer $'000	Leasehold improvement $'000	Total $'000
Cost:					
December 31, 2017	-	14,226	827	9,969	25,022
Additions	-	501	-	461	962
December 31, 2018	-	14,727	827	10,430	25,984
Balances at January 1, 2019	-	14,727	827	10,430	25,984
Recognition of right-of-use asset on initial application of IFRS 16 [note 14(a)]	10,102	-	-	-	10,102
Adjusted balances at January 1, 2019	10,102	14,727	827	10,430	36,086
Additions	-	762		4,801	5,563
Write-off	-	-	-	(15)	(15)
December 31, 2019	10,102	15,489	827	15,216	41,634
Accumulated depreciation:					
December 31, 2017	-	5,970	295	2,359	8,624
Charge for the year	-	3,227	197	1,131	4,555
December 31, 2018	-	9,197	492	3,490	13,179
Charge for the year	5,051	2,762	196	1,524	9,533
Write off	-	-	-	(5)	(5)
December 31, 2019	5,051	11,959	688	5,009	22,707
Net book values:					
December 31, 2019	5,051	3,530	139	10,207	18,927
December 31, 2018	-	5,530	335	6,940	12,805

6. Intangible asset

	Software $'000
December 31, 2017, 2018 and 2019	6,425
Amortisation:	
December 31, 2017	665
Charge for the year	642
December 31, 2018	1,307
Charge for the year	643
December 31, 2019	1,950
Net book value:	
December 31, 2019	4,475
December 31, 2018	5,118

7. Investments

	2019	2018
	$'000	$'000
Available-for-sale:		
Quoted equities	89,990	84,821
Units in unit trusts	31,887	21,648
Corporate Bonds	41,485	39,753
Global Bonds – TT	34,704	28,893
Government of Jamaica – Global bonds	152,174	72,786
Loans and receivables:		
Corporate Bonds	190,232	55,213
Government of Jamaica securities – J$ Bonds	100,000	100,000
Government of Jamaica securities – US$ Certificate of Deposit	32,446	31,473
	672,918	434,587

Investments include Government of Jamaica securities and corporate bonds denominated in foreign currency aggregating US$2,473,712 (2018: US$1,473,416).

A Jamaica dollar Government of Jamaica bond of $45,000,000 (2018: $45,000,000) is held to the order of the Financial Services Commission as required by the Insurance Act 2001.

Investments, excluding interest receivable, are due from the reporting date as follows:

	2019	2018
	$'000	$'000
No specific maturity	121,877	106,469
1 year to 5 years	63,118	108,962
Over 5 years	487,923	219,156
	672,918	434,587

The following table presents the fair value and the amount of change in the fair value of the company's financial assets as at and for the year ended December 31, 2019 and December 31, 2018, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

7. Investments (cont'd)

	December 31, 2019				
Financial asset	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
Investments:		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Quoted equities	89,990	-	-	89,990	-
Unit in unit trusts	31,887	-	-	31,887	-
Corporate bonds	231,717	231,717	-	-	-
Global bonds - TT	34,704	34,704	-	-	-
Government of Jamaica					
– Local bonds	132,446	161,696	29,250	-	-
– Global bonds	152,174	152,174	-	-	-
	672,918	580,291	29,250	121,877	-
Short-term investments	30,000	30,000	-	-	-

	December 31, 2018				
Financial asset	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
Investments:		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Quoted equities	84,821	-	-	84,821	-
Unit in unit trusts	21,648	-	-	21,648	-
Corporate bonds	94,966	103,304	8,338	-	-
Global bonds - TT	28,893	28,893	-	-	-
Government of Jamaica					
– Local bonds	131,473	165,989	34,516	-	-
– Global bonds	72,786	72,786	-	-	-
	434,587	370,972	42,854	106,469	-
Short-term investments	108,317	108,317	-	-	-
Securities purchased under resale agreement	20,297	20,308	11	-	-

7. Investments (cont'd)

Credit risk

The following table presents the fair value and the amount of the change in fair value of the company's financial assets as at and for the year ended December 31, 2019 and December 31, 2018, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

Credit rating	December 31, 2019 Carrying value Amount $'000	Fair value $'000	% of Fair value
Bonds and debentures and short-term investments			
Ba1	34,704	34,704	6%
B2	284,620	284,620	49%
B3	261,707	261,707	45%
	581,041	581,041	100%

Credit rating	December 31, 2018 Carrying value Amount $'000	Fair value $'000	% of Fair value
Bonds and debentures and short-term investments			
Ba1	28,893	28,893	6%
B3	204,259	204,259	47%
Caa1	203,283	203,283	47%
	436,435	436,435	100%
Securities purchased under resale agreement			
B3	20,297	20,308	100%

Notes to the Financial Statements
For the year ended **31 December 2019**
(expressed in Jamaican dollars unless otherwise stated)

8. Deferred acquisition costs

The analysis of the movement in deferred commission expense is as follows:

	2019 $'000	2018 $'000
Balance January 1	34,592	23,650
Commission paid during the year	77,159	70,964
Amounts recognised in income or expense during the year	(75,249)	(60,022)
Balance December 31	36,502	34,592

9. Reinsurance assets and insurance contract provisions

Analysis of movements in reinsurance assets and insurance contract provisions:

	2019 Gross $'000	2019 Reinsurance $'000	2019 Net $'000	2018 Gross $'000	2018 Reinsurance $'000	2018 Net $'000
Claims outstanding	163,845	30,499	133,346	96,123	32,576	63,547
Unearned premiums	335,284	193,484	141,800	264,077	144,169	119,908
	499,129	223,983	275,146	360,200	176,745	183,455

(a) Claims outstanding:

	2019 Gross $'000	2019 Reinsurance $'000	2019 Net $'000	2018 Gross $'000	2018 Reinsurance $'000	2018 Net $'000
Claims notified	60,912	19,231	41,681	49,537	38,375	11,162
Claims incurred but not reported	35,211	13,345	21,866	31,887	19,559	12,328
Balance at January 1	96,123	32,576	63,547	81,424	57,934	23,490
Claim incurred	148,801	15,367	133,434	93,422	21,035	72,387
Claims paid in year	(81,079)	(17,444)	(63,635)	(78,723)	(46,393)	(32,330)
Change in outstanding claims provision	67,722	(2,077)	69,799	14,699	(25,358)	40,057
Balance at December 31	163,845	30,499	133,346	96,123	32,576	63,547
Analysis:						
Claims notified	110,375	15,028	95,347	60,912	19,231	41,681
Claims incurred but not reported	53,470	15,471	37,999	35,211	13,345	21,866
Balance at December 31	163,845	30,499	133,346	96,123	32,576	63,547

9. Reinsurance assets and insurance contract provisions (cont'd)

(b) Unearned premiums:

	2019			2018		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at January 1	264,077	144,169	119,908	221,968	132,837	89,131
Portfolio transfer	-	2,074	(2,074)	-	-	-
Premiums written during the year	701,418	455,577	245,841	571,838	356,844	214,994
Premiums earned during the year	(630,211)	(408,336)	(221,875)	(529,729)	(345,512)	(184,217)
Balance at December 31	335,284	193,484	141,800	264,077	144,169	119,908

(c) Gross unearned premiums are analysed as follows:

	2019 $'000	2018 $'000
Motor	94,228	76,506
Property	180,455	136,819
Accident	10,928	10,422
Liability	25,624	23,923
Engineering	22,400	11,426
Marine	1,649	4,981
	335,284	264,077

Process used to determine the assumptions for measuring insurance contracts:

The company adopts a consistent process in the calculation of provisions for insurance contracts. The overriding aim is to establish reserves that are expected to be at least adequate and that there is consistency from year to year. Therefore the reserves are set at a level above the actuarial "best estimate" position. However, there is a risk that, due to unforeseen circumstances, the reserves may be insufficient to meet insurance claim liabilities reported in future years on post policy periods.

The claims outstanding provision at the reporting date comprises the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses less amounts already paid. This provision is not discounted for the time value of money.

The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available.

The outstanding claims provisions are estimated based on facts known at the date of estimation. Case estimates are generally set by skilled claims technicians, applying their experience and knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims is estimated using standard actuarial claims projection techniques.

9. Reinsurance assets and insurance contract provisions (cont'd)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- Changes in the mix of insurance contracts written; and
- Impact of large losses

Incurred but not reported provisions and provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The company purchases a range of excess of loss and other reinsurance contracts with sufficiently high retentions for only relatively few, large claims to be recoverable. The method uses gross incurred but not reported estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the reinsurance asset. Impairment of reinsurance asset is considered separately.

10. Insurance and other receivables

	2019 $'000	2018 $'000
Accrued investment income	11,284	10,559
Premiums receivable	145,590	117,694
Other receivables	4,960	13,881
	161,834	142,134

Information relating to credit risk management and the maturity profile of insurance receivables is outlined in more detail in note 25(a)(i) and (iii).

11. Short term investments

	2019 $'000	2018 $'000
Loans and receivable		
Corporate Bonds	30,000	58,930
Treasury Bill	-	49,387
	30,000	108,317

12. Securities purchased under resale agreements

The fair value of securities held as collateral for securities purchased under resale agreements as at December 31, 2019 was $ NIL (2018: $20,308,000).

13. Insurance and other payables

	2019 $'000	2018 $'000
Payables arising from insurance and reinsurance contracts due to other insurance companies	160,515	86,245
Other payables and accrued charges	23,042	23,726
	183,557	109,971

14. Leases

The company leases the property for its corporate office. The lease includes an option to renew after the lease period has ended. Lease payments are renegotiated after the end of the contract period to reflect market rentals. Previously, this lease was classified as operating lease under IAS 17.

Information about lease for which the company is a lessee is presented below.

(a) Right-of-use asset:

	Building $'000
Balance at January 1, 2019	10,102
Depreciation charge for the year	(5,051)
Balance at December 31, 2019	5,051

(b) Lease liability:

Maturity analysis – contractual undiscounted cash flows:

	2019 $'000
Less than one year	5,400
One to five years	-
Total undiscounted lease liability at December 31, 2019	5,400

Lease liability included in the statement of financial position at December 31, 2019

	2019 $'000
Current	5,215

14. Leases (cont'd)

(c) Amounts recognised in profit or loss:

	2019 $'000
Interest on lease liability	513

(d) Amounts recognised in the statement of cash flows:

	2019 $'000
Total cash outflow for lease	5,400

15. Deferred commission income

The analysis of the movement in deferred commission income is as follows:

	2019 $'000	2018 $'000
Balance January 1	26,132	21,352
Commission received during the year	96,049	71,094
Amounts recognised in income during the year	(86,251)	(66,314)
Balance December 31	35,930	26,132

16. Share capital

	2019 $'000	2018 $'000
Authorised:		
25,000,000,000 ordinary shares of no par value		
Stated capital:		
Issued and fully paid as stock units:		
214,000,000 ordinary shares of no par value	485,824	485,824
Less: Share issue costs	(20,284)	(20,284)
	465,540	465,540

17. Capital reserves

This represents contributed capital of $139,340,000 (2018: $139,340,000), from parent company.

18. Gross premiums written

	2019 $'000	2018 $'000
Motor	189,732	154,651
Property	357,019	277,937
Accident	22,568	19,581
Liability	53,125	52,602
Engineering	42,730	29,099
Marine	36,244	37,968
	701,418	571,838

19. Disclosure of expenses

Profit before taxation is stated after charging:

(a) Related party transactions :

	2019 $'000	2018 $'000
Compensation of key management personnel is as follows:		
Short term employment benefits	39,633	30,918
Pension contributions [see note 4(t)]	2,000	1,654
	41,633	32,572
Directors - Premiums	32,855	26,600

(b) Operating expenses:

	2019 $'000	2018 $'000
Computer expense and license fees	19,227	18,692
Depreciation – right-of-use asset	5,051	-
Depreciation – property, plant and equipment	4,482	4,555
Amortisation	643	642
Directors' emoluments		
Fees	3,456	3,450
Remuneration	27,548	20,330
Salaries and related costs	46,951	59,012
Auditors' remuneration	4,938	5,168
Advertising and promotion	12,660	6,374
Legal and professional fees	2,102	2,951
Motor vehicle expenses	11,192	10,945
Telephone	840	899
Stationery and office supplies	3,153	3,076
Bank interest and other charges	1,368	1,031
Lease interest expense	513	-
Other administrative expenses	19,492	22,974
	163,616	160,099

20. Investment income

	2019 $'000	2018 $'000
Interest income:		
Available-for-sale	21,303	6,873
Loans and receivables	11,780	20,585
	33,083	27,458
Dividend income	5,626	4,760
	38,709	32,218

21. Earning per share

Earning per ordinary stock unit, is calculated by dividing the profit attributable to shareholders by the number of stock units in issue during the year.

	2019 $'000	2018 $'000
Profit for the year	5,014	2,772
Number of ordinary stock unit in issue ('000)	214,000	214,000
Earning per share	2 cents	1 cent

22. Taxation

(a) The expense is based on the profit for the year adjusted for tax purposes and is made up as follows:

	2019 $'000	2018 $'000
Reconciliation of effective tax rate:		
Profit before taxation	5,014	2,772
Computed "expected" tax expense at 33⅓%	1,671	924
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	1,634	87
Items not allowed for tax purposes	(6,709)	(1,200)
Tax losses	3,169	438
Unrealised capital foreign exchange gain/(loss)	235	(249)
Actual tax expense	-	-

(expressed in Jamaican dollars unless otherwise stated)

22. Taxation (cont'd)

(b) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses aggregating approximately $127,883,000 (2018: $112,755,000) are available for set off against future taxable profits. If unutilised, these can be carried forward indefinitely, however the amount that can be utilised is restricted to 50% of chargeable income (before prior year) in any one year.

(c) The company's shares were listed on the Junior Market of the Jamaica Stock exchange, effective March 15, 2016. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years:

Year 1 to 5	100%
Year 5 to 10	50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

23. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

(a) Overview:

The company's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such the company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the company are as follows:

Liability insurance
Property insurance
Motor insurance

The company manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

23. Insurance risk management (cont'd)

Risk management objectives and policies for mitigating insurance risk (cont'd):

(a) Overview (cont'd):

Underwriting strategy:

The company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce underwriting results consistent with its long term objectives.

The board of directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objective.

Reinsurance strategy:

The company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 25(a).

(b) Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

Type of contract	**Terms and conditions**	**Key factors affecting future cash flows**
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to death, bodily injury, and damage to property.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively short tail and are settled in full within four years. In general, these contracts involve greater estimation uncertainty.

23. Insurance risk management (cont'd)

(b) Terms and conditions of general insurance contracts (cont'd):

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. The cost of repairing, rebuilding or replacement of assets and/or contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle theft. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity.

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For the year ended **31 December 2019**
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23. Insurance risk management (cont'd)

(c) Risk exposure and concentrations of risk:

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims.

The following table shows the company's exposure to general insurance risk (based on the carrying value of claims outstanding at the reporting date) per class of business.

	2019						
	Liability $'000	Property $'000	Motor $'000	Engineering $'000	Accident $'000	Marine $'000	Total $'000
Gross	39,686	8,482	95,920	10,587	6,658	2,512	163,845
Net of reinsurance	33,183	987	94,268	1,184	3,195	529	133,346

	2018						
	Liability $'000	Property $'000	Motor $'000	Engineering $'000	Accident $'000	Marine $'000	Total $'000
Gross	22,932	6,164	38,553	1,650	4,730	22,094	96,123
Net of reinsurance	16,342	986	37,693	326	2,067	6,133	63,547

(d) Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses paid and more information become known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

23. Insurance risk management (cont'd)

(d) Claims development (cont'd):

	Analysis of net claims development Accident year				
	2016	2017	2018	2019	Total
	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims at end of accident year	4,041	45,786	64,256	116,886	
-one year later	4,687	28,446	62,742		
-two years later	3,175	14,271	-		
-three years later	2,755	-	-		
Estimate of cumulative claims	2,755	14,271	62,742	116,886	196,654
Cumulative payments to date	(580)	(829)	(23,106)	(38,793)	(63,308)
Net outstanding claims liabilities	2,175	13,442	39,636	78,093	133,346

24. Contractual commitments

Lease commitments under operating leases December 31, are payable as follows:

	2019	2018
	$'000	$'000
Within one year	-	2,448
Between one year and three years	-	-
	-	2,448

During the year, the company adopted IFRS 16, *Leases* which recognises operating leases as right-of-use asset (see note 14). Payments made during the year ended December 31, 2019 aggregated $5,400,000 (2018: $2,670,746).

25. Financial risk management

The company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

25. Financial risk management (cont'd)

Risk management framework:

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's financial risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to established limits. The Chief Executive Officer and Chief Financial Officer are responsible for developing and monitoring the company's financial risk management policies. These persons report regularly to the Board on their activities. The Audit Committee oversees how management monitors compliance with the company's management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the, risk-adjusted net of taxes investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The Management team is responsible for the asset/liability management policy of the company. This policy details the framework for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the required monitoring processes. The matching of assets and liabilities is also governed by the existing regulatory framework.

The asset/liability matching process is largely influenced by estimates of the timing of payments. These estimates are revaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty fails to meet its contractual obligations. The company's key areas of exposure to credit risk include:

- debt securities, and cash and cash equivalents;
- amounts due from policyholders;
- amounts due from intermediaries;
- reinsurers' share of insurance liabilities; and
- amounts due from reinsurers in respect of payments already made to policyholders.

The nature of the company's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

25. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Management of credit risk

The company manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The company has a policy of investing only in high quality corporate bonds and government issued debts.

Its exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

All intermediaries must meet minimum requirements that are established and enforced by the company's management. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The company also operates a policy to manage its reinsurance counterparty exposures. The company assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

Exposure to credit risk

	2019							
	AA $'000	A $'000	BBB $'000	Ba1 $'000	B3 $'000	Caa1 $'000	Not rated $'000	Total $'000
Financial assets:								
Carrying amount	-	-	48,071	28,118	252,174	-	478,695	807,057
Reinsurance assets (excluding unearned premiums)								
Neither past due nor impaired	-	29,374	1,125	-	-	-	-	30,499
Insurance and other receivables:								
Neither past due nor impaired	-	-	-	-	-	-	121,730	121,730
Past due but not impaired	-	-	-	-	-	-	40,104	40,104
Carrying amount [note 25(a)(iii)]	-	-	-	-	-	-	161,834	161,834

	2018							
	AA $'000	A $'000	B $'000	Ba1 $'000	B3 $'000	Caa1 $'000	Not rated $'000	Total $'000
Financial assets:								
Carrying amount	-	-	-	28,893	224,556	203,284	167,630	624.361
Reinsurance assets (excluding unearned premiums)								
Neither past due nor impaired	19,816	12,760	-	-	-	-	-	32,576
Insurance and other receivables:								
Neither past due nor impaired	-	-	-	-	-	-	99,937	99,937
Past due but not impaired	-	-	-	-	-	-	42,197	42,197
Carrying amount [note 25(a)(iii)]	-	-	-	-	-	-	142,134	142,134

25. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Management of credit risk (cont'd)

The carrying amounts of financial assets and cash and cash equivalents do not include any assets that are either past due or impaired.

The company has no financial assets or reinsurance assets that would have been past due or impaired, whose terms have been renegotiated.

The company does not hold any collateral as security or any credit enhancements, (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

(ii) Concentration of credit risk for insurance and other receivables

The specific concentration of risk from counterparties where receivables for any one counterparty or group of connected counterparties is $3 million or more at the year-end is as follows:

	2019 $'000	2018 $'000
Assurance Brokers Jamaica Limited	6,484	4,500
Allied Insurance Brokers Limited	13,852	11,012
CGM Gallagher Insurance Brokers Jamaica Limited	8,152	11,675
JMMB Insurance Brokers Limited	4,803	4,353
Billy Craig Insurance Brokers Limited	7,729	9,012
Fraser Fontaine & Kong Insurance Brokers Limited	3,525	6,916
Thwaites Finson Sharpe Insurance Brokers Limited	56,375	52,662
	100,920	100,130

(iii) Aged analysis

The company has insurance and other receivables that are past due but not fully impaired at the reporting date (as indicated by the overall credit risk exposure analysis). An aged analysis of the carrying amounts of insurance and other receivables is presented below.

	2019				
	0 to 45 days $'000	46 to 60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
Receivable arising from insurance agents and brokers	82,318	9,770	16,972	23,860	132,920
Insurance premium	8,272	2,057	2,341	-	12,670
Other receivables	-	-	-	16,244	16,244
Carrying amount [Note 25(a)(i)]	90,590	11,827	19,313	40,104	161,834

25. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Aged analysis (cont'd)

	2018				
	0 to 45 days	46 to 60 days	61-90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000
Receivable arising from insurance agents and brokers	51,829	11,676	29,355	21,491	114,351
Insurance premium	1,274	643	391	1,035	3,343
Other receivables	4,595	174	-	19,671	24,440
Carrying amount [Note 25(a)(i)]	57,698	12,493	29,746	42,197	142,134

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims. The nature of the company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due and in the event of reasonably foreseeable abnormal circumstances. The company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines. The company is subject to an early warning ratio imposed by the Financial Services Commission (FSC). The key measure used for assessing liquidity risk is the liquid assets (as defined) to total liabilities ratio. The liquid assets to total liabilities ratio at the end of the year is 75% (2018: 111%). The FSC standard liquid assets to total liabilities ratio is 95%.

25. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

An analysis of the contractual maturities of the company's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

	2019					
		Contractual undiscounted cash flows				
	Carrying Amount	Total cash outflow	Less than 1 year	1-2 years	2-5 years	5-10 years
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities:						
Lease liability	5,051	5,400	5,400	-	-	-
Insurance and other payable	183,557	183,557	179,592	3,965	-	-
Total financial liabilities	188,608	188,957	184,992	3,965	-	-
Insurance contract liabilities:						
Claims liabilities	163,845	163,845	159,498	4,347	-	-
	347,402	347,402	339,090	8,312	-	-

	2018					
		Contractual undiscounted cash flows				
	Carrying Amount	Total cash outflow	Less than 1 year	1-2 years	2-5 years	5-10 years
	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities:						
Insurance and other payable	109,971	109,971	109,971	-	-	-
Total financial liabilities	109,971	109,971	109,971	-	-	-
Insurance contract liabilities:						
Claims liabilities	96,123	96,123	73,191	22,932	-	-
	206,094	206,094	183,162	22,932	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises in the company due to fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on all of its financial assets.

25. Financial risk management (cont'd)

(c) Market risk (cont'd)

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

Management of market risk

The Investment Committee manages market risks in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the company at the reporting date to each major risk are addressed below.

(i) Interest rate risk

Interest rate risk arises primarily from the company's investments. The company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest bearing financial assets are primarily represented by long term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

The nature of the company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period.

At the reporting date the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2019	2018
	$'000	$'000
Fixed rate instruments:		
Financial assets	579,024	487,652

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect fair value changes in profit before tax.

An increase or decrease in interest rates at the reporting date would have decreased/ (increased) equity as outlined below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

25. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity	Effect on Equity		Effect on Equity	
	Increase	Decrease	Increase	Decrease
			$'000	$'000
December 31, 2019				
Fixed rate instruments – J$	1%	1%	2,670	(2,670)
– US$	1%	1%	2,445	(2,445)
December 31, 2018				
Fixed rate instruments – J$	1%	1%	2,826	(2,826)
– US$	1%	1%	1,977	(1,977)

(ii) Currency risk

Currency risk is the risk that the market value of or cash flows from financial instruments will vary because of exchange rate fluctuations.

The company incurs foreign currency risk primarily on insurance and reinsurance contracts and investments that are denominated in a currency other than the Jamaica dollar. Such exposure comprises the monetary assets and liabilities of the company that are not denominated in that currency. The principal foreign currency risk of the company is denominated in United States dollars (US$).

At the reporting date, the company's exposure to foreign currency risk is as follows:

	2019	2018
Foreign currency assets:	US$'000	US$'000
Investments	2,085	1,570
Premium receivable	514	429
Cash and cash equivalents	575	51
Interest receivable	41	47
	3,215	2,097
Foreign currency liabilities:		
Insurance and other payables	739	440
Net foreign currency assets	2,476	1,657

Exchange rates for the US dollar, in terms of Jamaica dollars were as follows:

At December 31, 2019: $129.78
At December 31, 2018: $127.72

25. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Currency risk (cont'd)

Sensitivity analysis

A 4% (2018: 2%) strengthening of the Jamaica dollar against the United States dollar at December 31, would have increase the profit before tax for the year by $12,854,000 (2018: $4,172,000).

A 6% (2018: 4%) weakening of the Jamaica dollar against the United States dollar at December 31, would have increased the profit before tax for the year by $19,281,000 (2018: $8,344,000).

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 10% (2018: 10%) increase or decrease in the bid price at the reporting date would cause an increase or an equal decrease respectively in equity of $8,990,000 (2018: $8,482,000).

26. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. The Audit Committee monitors each department to ensure compliance with the company's internal control procedures.

27. Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital test and the possible suspension or loss of its insurance license (see note 2). The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statements of financial position, are:

(i) To comply with the capital requirements set by the regulators of the insurance industry;

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

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

Capital adequacy is managed by the company's management. It is calculated by management, certified by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the company seeks to maintain internal capital adequacy ratios at levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, the company currently uses the Minimum Capital Test (MCT) as stipulated by the insurance regulations.

The regulator requires general insurance companies to achieve a Minimum Capital Test Ratio of 250%. At December 31, 2019, the company's capital ratio was 296% (2018: 545%)

28. Fair value of financial instruments

(a) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where a quoted market price is not available, fair value is computed using alternative techniques, making use of available input data; the company uses observable data as far as possible.

Fair values are categorized into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

28. Fair value of financial instruments (cont'd)

(b) Techniques for measuring fair value of financial instruments

Type of financial instrument	Method of estimation of fair value
Government of Jamaica securities	Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker.
Government of Jamaica US$ Global bonds	Prices of bonds at reporting date as quoted by broker/dealer, where available.
Cash equivalents, resale agreements, insurance and other receivables, insurance and other payables, reinsurance assets and insurance contract provisions.	Considered to approximate their carrying values, due to their short-term nature.
Units in unit trusts	Prices quoted by unit trust managers.
Quoted equities and unitised funds	Bid prices published by the Jamaica Stock Exchange and fund managers respectively.
Corporate bonds	Prices of bonds at reporting date as quoted by broker/dealer where available.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on exchanges.

Level 2 – 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). This includes financial assets with fair values based on broker quotes and investments in funds with fair values obtained via fund managers.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

There were no transfers between levels during the year.

Notes to the Financial Statements
For the year ended **31 December 2019**
(expressed in Jamaican dollars unless otherwise stated)

28. Fair value of financial instruments (cont'd)

(c) Accounting classification and fair values

The tables below analyses financial instruments carried at fair value (which are classified as available for sale) and those not carried at fair value (which are classified as loans and receivables) but for which fair value has been disclosed.

The fair value of certain short-term financial instruments such as cash and cash equivalents securities under resale agreement, premiums and other receivables was determined to approximate their carrying value and are not disclosed in the tables below.

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000
			2019		
Available for sale financial assets:					
Units in unit trusts	31,887	-	31,887	-	31,887
Other bonds	228,363	-	228,363	-	228,363
Quoted equities	89,990	89,990	-	-	89,990
	350,240	89,900	260,250	-	350,240
			2018		
Available for sale financial assets:					
Units in unit trusts	21,648	-	21,648	-	21,648
Other bonds	141,432	-	141,432	-	141,432
Quoted equities	84,821	84,821	-	-	84,821
	247,901	84,821	163,080	-	247,901

29. Subsequent event

Subsequent to the year end, the World Health Organisation declared the Corona virus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica declaring Jamaica a disaster area on March 13, 2020. This has disrupted business operations, caused a downturn in the economy and significantly increased economic uncertainty.

Accordingly the company expects this to have adverse effects on its financial performance. However, an estimate of the amount was not made as at the authorisation date of the financial statements due to unavailability of sufficient information.

29. Subsequent event (continued)

In response, management has activated its business continuity plan and has initiated its remote work protocols. All staff members are now working from home and, in keeping with advice from the relevant authorities to enforce social distancing, the office has been closed to the public. Communication with clients, brokers, agents and business partners is now conducted electronically and the company is maintaining full operations, including renewal of policies, underwriting of new business, processing of transactions, management of both new and existing claims, premium collection and the payment of claims and other payables.

PROXY FORM

Place
$100
Stamp
here

IronRock Insurance Company Limited
1b Braemar Avenue
Kingston 10, Saint Andrew
Jamaica

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to vote on his/her behalf. A Proxy need not be a member. A suitable form of Proxy is below.

The Proxy must be signed and deposited, duly stamped, at the registered office of IronRock Insurance Company Limited at 1b Braemar Avenue, Kingston 10, Saint Andrew, Jamaica, not less than forty-eight (48) hours prior to the Annual General Meeting of the Company.

I/We, ____

(Name(s) of Shareholder(s))

of, ____

(Address(es) of Shareholder(s))

in the parish of ____________________, being a member(s) of IronRock Insurance Company Limited

hereby appoint, ____

(Name of Proxy)

of, ____

(Address of Proxy)

or failing him, ____

(Name of Alternative Proxy)

of, ____

(Address of Alternative Proxy)

as my Proxy/our Proxy to vote for me/us on my/our behalf at the Annual General Meng of the Company to be held at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 10, on September 16, 2020 at 3:00 p.m., and at any adjournment thereof.

This form is to be used IN FAVOUR of resolutions numbered________________.

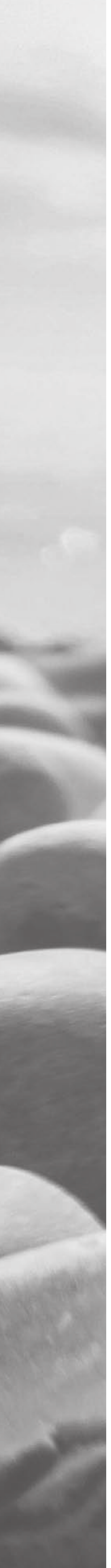
This form is to be used AGAINST resolutions numbered____________________.

Signed this ______ day of ______________ 2020.

____

Signatures(s) of Shareholder(s)

Notes



Notes