IronRock INSURANCE

# ANNUAL REPORT 2021

#InsuranceSimplified

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.

#InsuranceSimplified


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ANNUAL REPORT | 2021

# INSIDE



IronRock INSURANCE

# NOTICE OF ANNUAL GENERAL MEETING

Pursuant to the Order of the Supreme Court of Jamaica dated the 31st day of May 2021 in the matter SU 2021 CD 00196 (which can be found at www.ironrockjamaica.com)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of IronRock Insurance Company Limited (the "Company") will be held virtually at **www.ironrockjamaica.com/agm**, on **Monday, 15th of August 2022** 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 2021 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 Christopher Berry be and is hereby re-elected a Director of the Company."
b. "That Gary Peart be and is hereby re-elected a Director of the Company."
c. "That Christian Tavares-Finson be and is hereby re-elected a Director of the Company."

### RESOLUTION NO. 3 – DIRECTORS' REMUNERATION

"THAT the Board be and is hereby authorised to fix the remuneration of the Directors for the financial year ending 31 December 2022."

### RESOLUTION NO. 4 – 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. 5 – 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 2022."

DATED THIS
8th day of July 2022

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 2022** (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 to attend and vote at the AGM in the usual way.

## NOTES ON THE PROPOSED RESOLUTIONS FOR THE AGM

### 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 2021.

It also provides shareholders with the opportunity to ask questions about the Financial Statements and Reports, and about the performance of the Company in general.

### 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 offer themselves for re-election at the AGM. The detailed biography of each Director is included in the Annual Report and can also be found on the Company's website (www.ironrockjamaica.com).

### DIRECTORS' REMUNERATION

The Board seeks the customary authorisation to set the remuneration of the Directors inclusive of the executive and non-executive directors.

### 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.

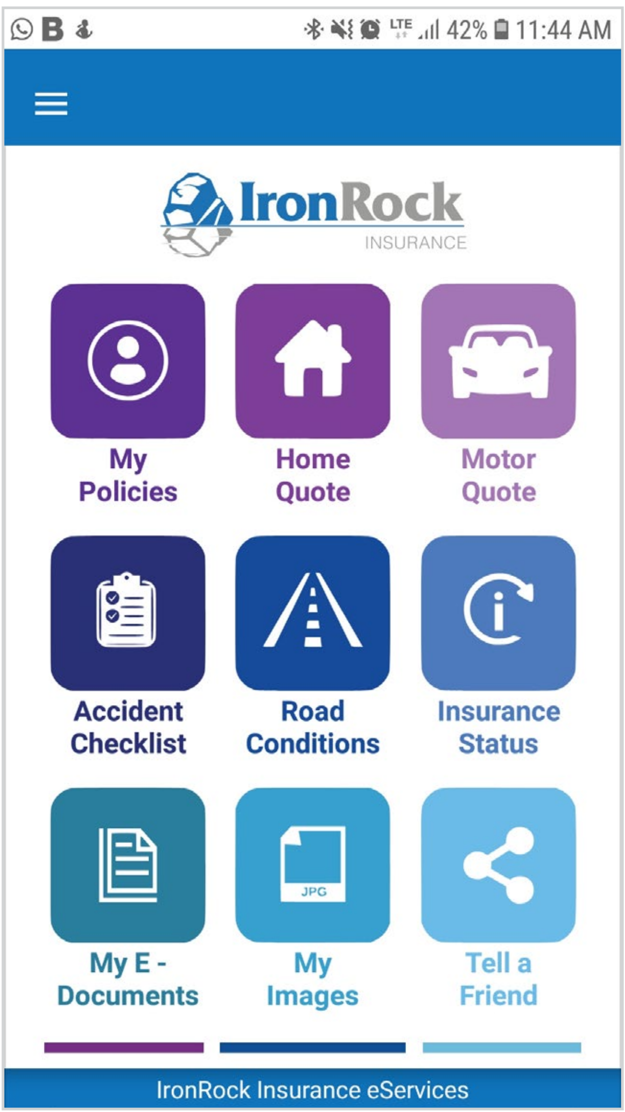
### REMUNERATION OF AUDITORS

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.

# CHAIRMAN'S MESSAGE TO SHAREHOLDERS

I am pleased to report on IronRock's performance and progress during 2021.

The operational and financial challenges that the COVID-19 pandemic presented, continued in 2021 and I am pleased that IronRock was able to maintain efficient and effective operations despite the numerous lockdowns and curfews that were mandated under the Disaster Risk Management Act.




Our direct clients continue to benefit from our digital channels which allow them to manage their policies and make payment virtually, and we saw strong growth in utilization, which more than doubled, spurred on in no small part by the effects of the pandemic. It is gratifying to report that in 2021 we received nearly 20% of our premium payments via these channels.

Digital channels offer ease and convenience to our customers and greatly improve our reach, while breaking the correlation between revenue growth and increased acquisition costs. As such, and leveraging the lessons we have learnt as early pioneers within our industry, we will continue to invest in expanding the functionality available to our clients. The transition to technologically enabled business channels necessitates the need for improved infrastructure and redundancy of our systems and we have completed several projects to facilitate improved robustness of our Information Systems.

During the second half of the year, conditions improved, and the Government began easing restrictions. Economic activity increased and we were able to resume our marketing activities targeted to our insurance brokers, which had been severely curtailed during the height of the pandemic, as most broker offices were closed to visitors. These activities are an important part of our growth strategy, and I am pleased to report that we saw an immediate increase in the volume of business we receive from our broker partners.

Gross Written Premium amounted to $881 million, whilst Net Commissions continue to grow, increasing by 30% to total $71 million. Net Claims remained relatively flat at $91 million, as did our operating expenses which amounted to $188 million. Accordingly, our underwriting result improved considerably, moving to a loss of $18 million from a loss of $27.4 million in the previous year.

Financial markets continued to improve during the year, with valuations across most asset classes recovering to pre pandemic levels. During the year, supply chain disruptions began to emerge, and this caused the inflation rate to increase and exceed the target range set by the Bank of Jamaica (BOJ). Consequently, local interest rates, which had hit record lows by mid-year, started to trend higher as the BOJ raised interest rates to counter the increase in the inflation rate.

Despite these challenges, our Investment Income grew to $43.9 million, an increase of 9% when compared to the prior year and our investment portfolio produced a total return of $53.7 million, up from $48.3 million in 2020.

In spite of the uncertainty caused by the pandemic, I am pleased to report that IronRock had a very successful year with pre-tax profit increasing by 85% to total $60.8 million. We recorded growth in Assets, and Shareholder Equity which ended the year at $1,547 million and $619.6 million respectively.

I wish to thank our management and staff for their commitment and professionalism during the course of a very difficult year. I also acknowledge and thank our clients, brokers and agents for their support throughout the year.

**W. David McConnell**
*Chairman*

# 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, 2021.

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) | 2021 | 2020 |
|---|---|---|
| **Operating Results** | | |
| Gross written premium | 881,209 | 836,971 |
| Net premium | 194,449 | 189,698 |
| Change in Unearned Premium Reserve, UPR (net) | (4,171) | 3,354 |
| Claims incurred (net) | (91,074) | (89,556) |
| Commission (net) | 71,556 | 55,108 |
| Operating expenses | (188,781) | (186,067) |
| Underwriting loss | (18,021) | (27,463) |
| Other income | 78,865 | 60,293 |
| Taxation | (7,132) | 15,124 |
| Net profit | 53,712 | 47,954 |
| **Shareholder equity & insurance reserves** | | |
| Cash and Investments | 800,287 | 721,651 |
| Shareholders' equity | 619,645 | 567,101 |
| Insurance contract provisions / Reserves | 647,546 | 574,078 |

## DIVIDENDS

No dividends were announced or paid to shareholders of the Company in the financial year 2021.

## 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 Christopher Berry, Gary Peart and Christian Tavares-Finson are retiring this year and, being eligible, 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

8th day of July 2022

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.

## GARY PEART
### NON-EXECUTIVE DIRECTOR

**Mr. 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.

# BOARD MEMBER PROFILES CONT'D

## CHRIS BERRY

### NON-EXECUTIVE DIRECTOR

**Mr. 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.

## 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.

## JANENE SHAW

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Janene Shaw joined IronRock's Board of Directors in May 2021 as an independent non-executive Director.**

Ms. Shaw is a qualified Chartered Accountant with over 25 years' experience and a proven track record in financial management, accounting and auditing.

Prior to joining the Board of IronRock, Ms. Shaw was the Finance Director of Carreras from where she was responsible for the Strategic Financial Management of the Company and also acted as Company Secretary. Prior to that, Ms. Shaw was employed at J. Wray & Nephew Limited / Lascelles deMercado & Co. Limited where she held various senior finance positions being General Manager, Finance & Administration – JWN Agricultural Division, Group Financial Officer and Accounting and Treasury Director. Prior to that, Janene was employed at PriceWaterhouseCoopers where she gained progressive audit experience to the level of Audit Manager.

## RAYMOND 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.

# FINANCIAL HIGHLIGHTS

| As at or for the year ended 31 December (in thousands of Jamaican dollars – except for per share data, share units, ratios and employees) | 2021 | 2020 |
|---|---|---|
| **Income statement data** | | |
| Gross premiums written | 881,209 | 836,971 |
| Underwriting loss before other income | (18,021) | (27,463) |
| Profit for the year | 53,712 | 47,954 |
| Earnings per stock unit | $ 0.25 | $ 0.22 |
| **Balance sheet data** | | |
| Total assets | 1,547,410 | 1,399,522 |
| Cash and Investments | 800,287 | 721,651 |
| Insurance contract provisions / Reserves | 647,546 | 574,078 |
| Shareholders' equity | 619,645 | 567,101 |
| Shareholders' equity per share | $ 2.90 | $ 2.65 |
| **Selected ratios** | | |
| Minimum Capital Test (MCT) Ratio | 282% | 289% |
| Investment income yield (a) | 6.0% | 5.9% |
| Premium retention (b) | 22% | 23% |
| Gross expense ratio (c) | 21% | 22% |
| Net commission earned ratio (d) | 38% | 29% |
| Earned loss ratio (e) | 48% | 46% |
| Combined ratio (f) | 109% | 114% |
| **Market data** | | |
| Closing share price (g) | $ 3.10 | $ 3.80 |
| Shares outstanding | 214,000,000 | 214,000,000 |
| Market capitalisation | 663,400 | 813,200 |
| Employees | 15 | 15 |

a. *Calculated as Investment income (net) divided by the average of: (i) end of year total investments less Investment income and (ii) total investments at the start of the year.*

b. *Calculated as Gross premiums written less Written premiums ceded to reinsurers divided by Gross premiums written.*

c. *Calculated as Operating expenses divided by Gross premiums written.*

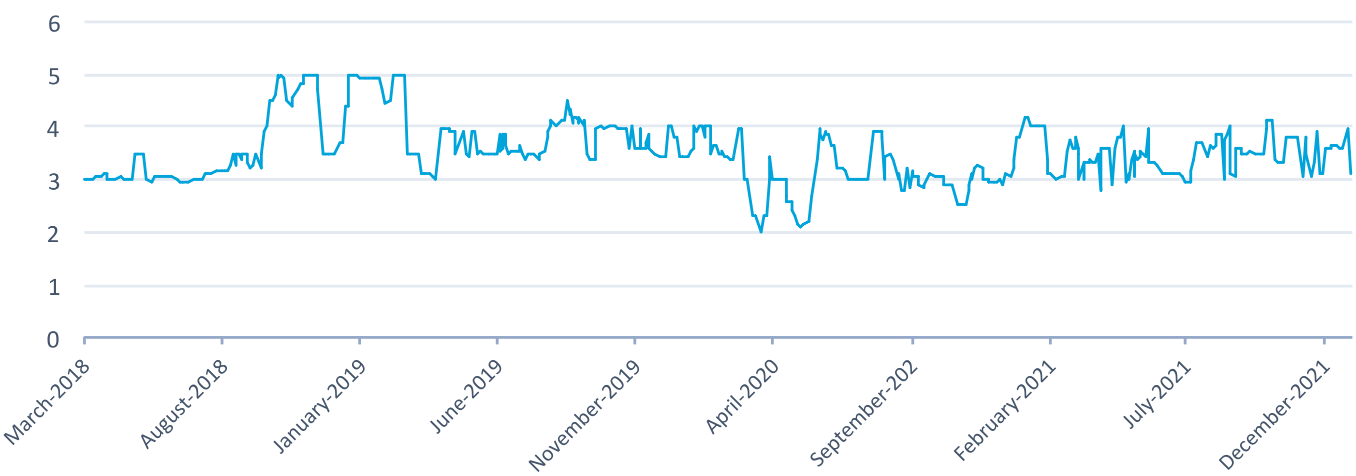
d. *Calculated as Net commission income divided by Net insurance premium revenue.*

e. *Calculated as Net insurance claims divided by Net insurance premium revenue.*

f. *Calculated as the sum of Operating expenses, Net insurance claims and Net commission income, divided by Net insurance premium revenue.*

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

## IRONROCK (ROC) - SHARE PRICE ($) (Closing Price - $3.10)



ANNUAL REPORT | 2021

# MANAGEMENT'S DISCUSSION & ANALYSIS

## INSIDE



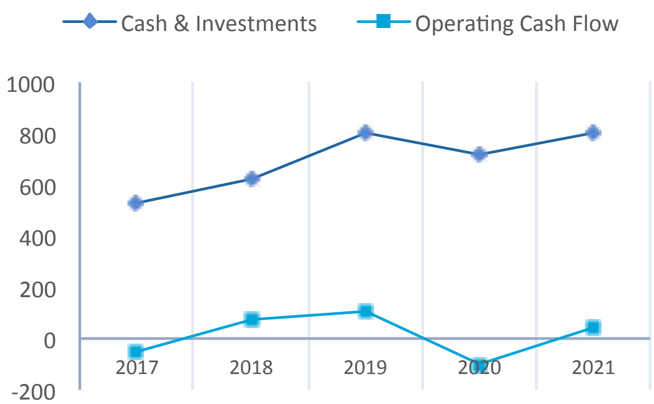
IronRock INSURANCE

# FORGING AHEAD

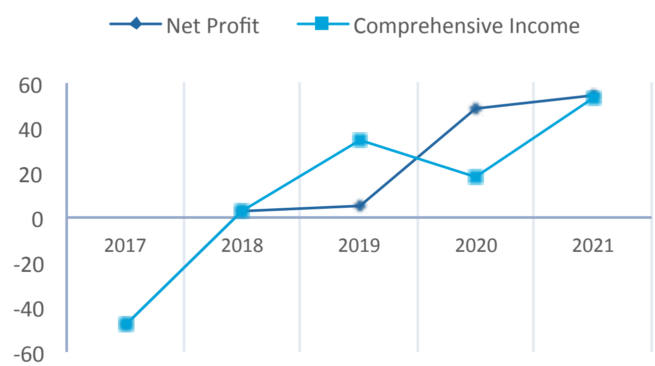
The 2021 financial year provided signs of economic recovery across various industries. While the impact of movement restrictions had a significant effect throughout the island, the steady decline in COVID-19 cases brought optimism to both persons and businesses. At IronRock, our continued focus on efficiency, technology and professionalism were key elements in our ability to navigate the ongoing effects of the pandemic, and once again produce strong financial results for the financial year ending 2021.

IronRock generated a Profit for the year of $53.7 million, further improving on our previous record high of $47.9 million (2020). Gross Premiums Written (GPW) grew by 5.3% to $881 million and our share of the industry's Gross premiums written remained relatively flat at 1.5%. This continued positive result is evidence that the Company's prudent underwriting standards have been maintained, while optimizing the utilization of our reinsurance arrangements.

### CASH & INVESTMENTS AND OPERATING CASH FLOW ($ MILLION)



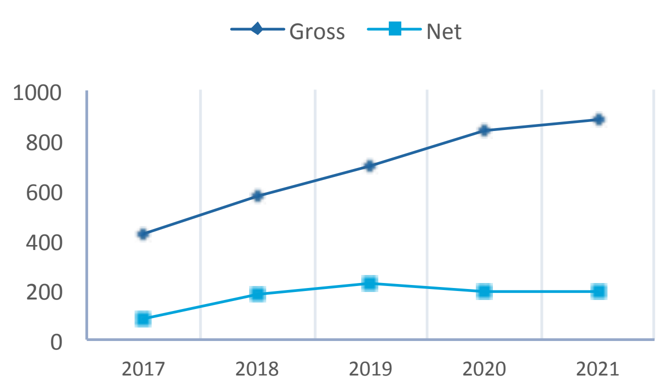

### EARNINGS - NET PROFIT VS COMPREHENSIVE INCOME ($ MILLION)



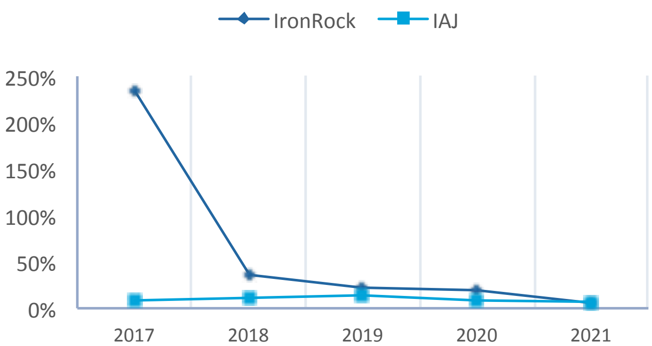

# PREMIUM

Despite signals of hardening rates in the property market, price competition remained intense for the 2021 financial year, and resulted in slower than expected growth of Gross premiums written ("GPW"), which increased by 5.3% to $881 million.

### PREMIUM - GROSS VS NET



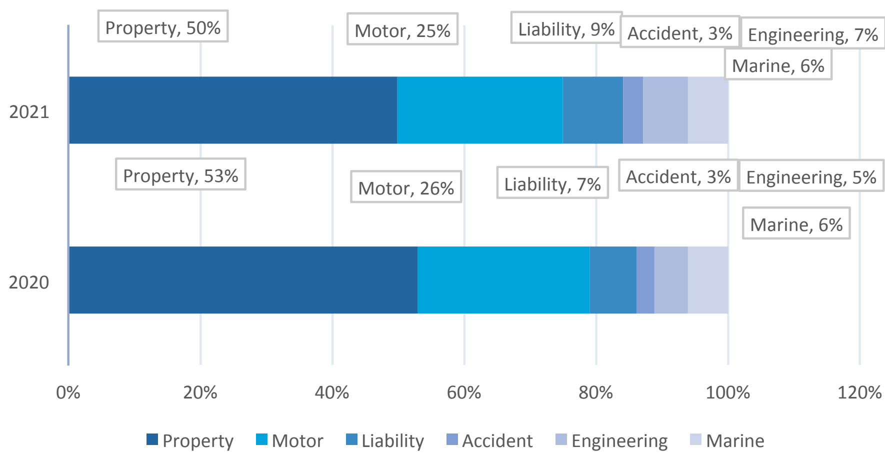
## PREMIUM GROWTH RATE




While the growth in our overall Property portfolio was flat, the management team is pleased with the performance of the Residential portfolio in particular, which grew by 12.6%. The other segment of the market which has also experienced severe price competition is the Motor segment, where the company also ended the year relatively flat, achieving 0.6% growth in GPW. The bulk of the company's overall GPW growth was primarily driven by our Liability and Accident Portfolios (including Marine), which grew by 21% and 25%, respectively.

The company's portfolio composition did not change materially during the year, with Property continuing to be our largest class, accounting for 50% of GPW. The next largest classes were Motor and Liability, accounting for 25% and 7% of GPW, respectively.

## PREMIUM BY CLASS




Our Broker partners and Sales Agents continue to be the company's primary source of GPW, with 90% of our premium income derived from our intermediaries. Notwithstanding this, management's strategic objective of growing the Direct portfolio continued to bear fruit as that segment saw a considerable increase of 18% in GPW.

We remind all stakeholders of the significant operational efficiencies we are able to take advantage of in the Direct Lines segment, which make it strategically important to our overall performance. As we continually improve our technology, we have been able to engage with our customer base in a more efficient and cost-effective manner, the benefit of which will ultimately redound to our customers through lower premiums and our shareholders through improved results. During the 2021 financial year, we have seen our online platform transactions grow by 100%, with approximately 40% of our customers now transacting with us digitally (up from 30% in 2020).

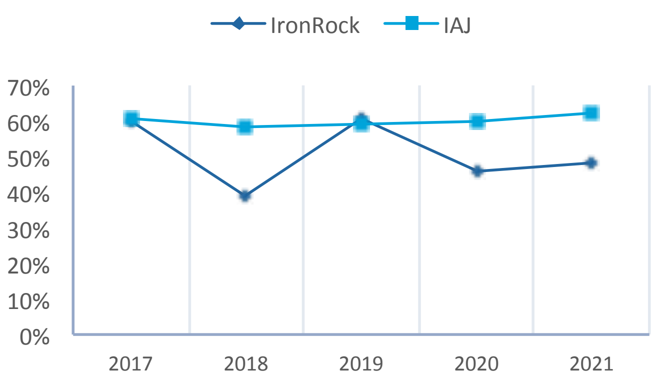
Our net insurance premium revenue ("Earned premium") declined slightly by 1.4% to $190 million, as a result of further adjustments to our reinsurance programme. It is important to note that this shortfall was more than offset by an increase in net commission income, primarily driven by profit commission earned under our reinsurance treaty. Therefore, despite the decline in Earned Premium, our overall performance significantly improved year on year, highlighting the company's efforts to ensure that our risk exposures are adequately covered and management's ability to negotiate favorable terms with our reinsurance partners.

# UNDERWRITING

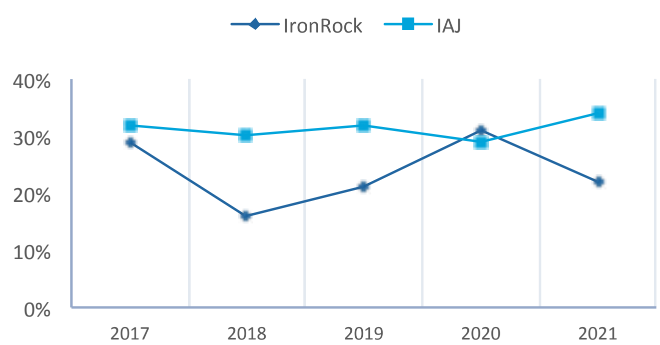
Climate change and the Caribbean's vulnerability to natural disasters remained at the centre of the driving forces behind the reinsurance landscape in the local market. As the 2020 Hurricane season came to a close, it was recorded as the most active Hurricane season on record, with 30 named storms, 14 of which developed into hurricanes, and a record-tying seven major hurricanes. The result was continued increases in reinsurance costs and a further reduction in reinsurance capacity available to the local market for 2021.

Against this backdrop, our Earned Loss Ratio ("ELR") was marginally impacted, increasing to 48%, from 46% in 2020. Notwithstanding, this slight deterioration in our ELR, our Gross Loss Ratio ("GLR") improved significantly, reducing from 31% in 2020 to 22% at the end of 2021. The company has also performed better than the industry average in respect of both metrics (ERL – 48% vs 62%; GLR – 22% vs 34%), which highlights the quality of our overall portfolio and the maintenance of our prudent underwriting standards.

## EARNED LOSS RATIO




## GROSS LOSS RATIO

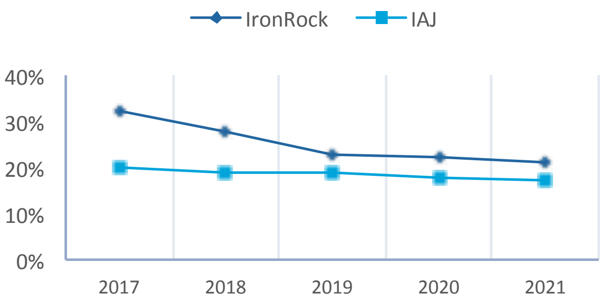



Management is particularly pleased with the 12-month performance of our recently launched motor packages, which were designed to target specific niches in the motor segment, LadyDriven, MatriMotor, ExecuMotor and HybridMotor. All four packages experienced steady growth throughout 2021 and significantly outperformed the loss ratio of the overall motor portfolio.

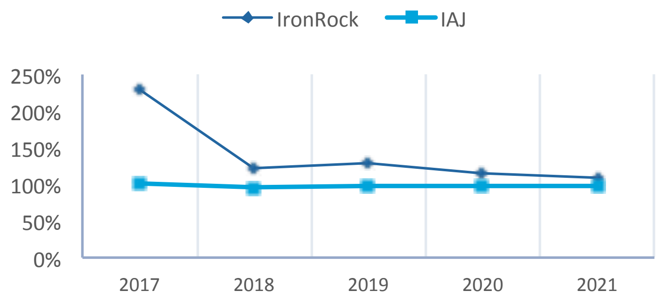
# OPERATIONS

IronRock's premium productivity remained above the industry average, generating $55 million in GPW per employee versus the estimated industry average of $40 million per employee. At the end of 2021, our Gross expense ratio improved to 21%, despite a 1% increase in Operating expenses to $188 million. Given the relatively small size of our portfolio, our operating efficiency is critical to our Underwriting result. This can be seen when comparing the Gross expense ratio graph to the Combined ratio graph – as they track very closely together.

## GROSS EXPENSE RATIO




## COMBINED RATIO



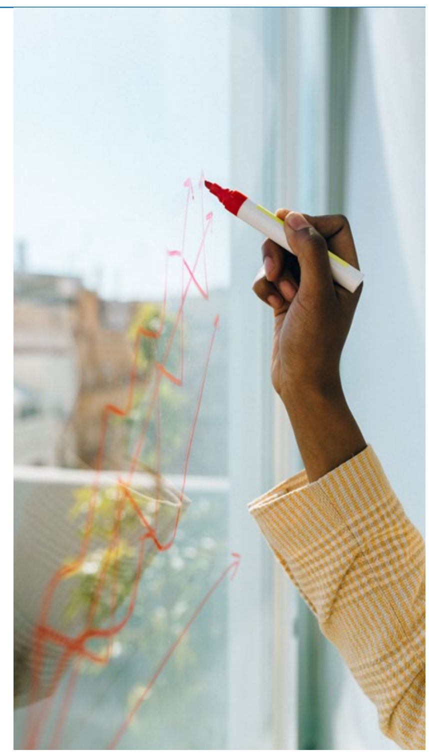

Despite the reopening of several industries, the relaxation of Covid-19 protocols, and employees returning to their offices, IronRock as changemakers in the insurance landscape continued to maintain a complete WFH protocol for Staff. As the Company grows, we will continue to leverage this policy to manage our operational expenses, a substantial portion of which relate to physical office space required for employees.

# CAPITAL AND INVESTMENTS

Despite the ongoing pandemic, global economies have slowly started to reopen allowing for global markets to start their recovery process. Jamaica's tourism sector has seen positive signs as the country welcomed tourists back to the island sparking a turnaround for local industries that heavily benefit from tourist activity. The entertainment sector has also seen an upturn with government allowing for events in controlled settings. However, inflation has become an issue, driven primarily by global supply chain issues, causing central banks to respond by increasing their respective interest rates. With the local inflation rate increasing beyond the BOJ's targeted range in the latter part of 2021, BOJ has also responded by increasing interest rates, which is likely to potentially improve our investment income in the short run.

The collection process for receivables, despite having seen improvement from the previous year, remains a challenge for most insurers. At IronRock, we continue to focus our efforts on receivables management in order to maintain a strong liquidity position. The need for liquidity in our line of business is paramount in meeting our financial obligations and improving our investment postion.

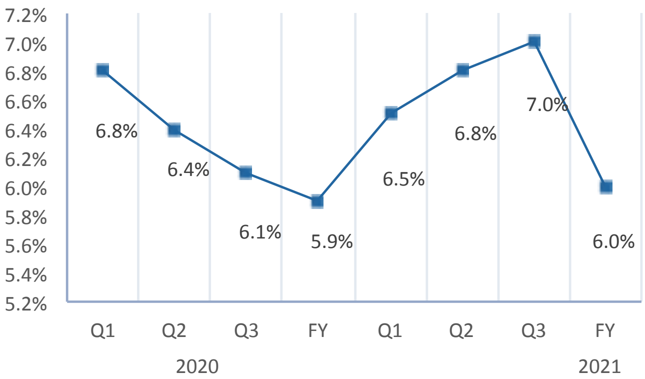
In the second half of the year global financial markets began their gradual recovery and our asset position in our investment portfolio in 2021 likewise increased. The US financial markets were particularly fast to rebound, with all major stock indices reaching new highs by the end of the year. However, the Jamaican equity market remained stagnant as tourism activities remained subdued. By the end of 2021, IronRock's Investment revaluation appreciated by $40 million, with $9.8 million of that recognized as Gains on sale of investments.



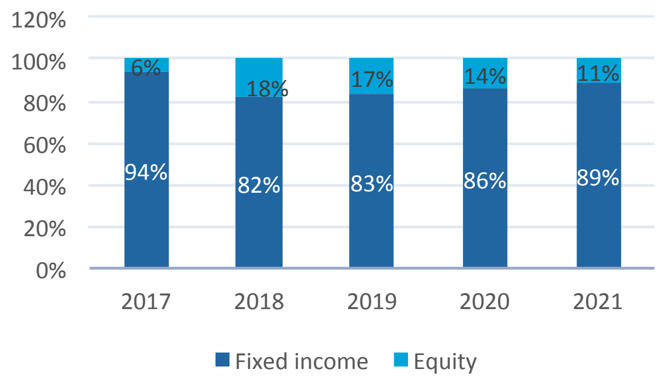
We are pleased that IronRock achieved an investment yield of approximately 6.8%, a meaningful accomplishment given that the local interest rates hit record lows during the course of last year.

Management is cautiously optimistic that the improvement in the Jamaican economy will gain momentum in 2022, as the tourism sector benefits from increased travel following the easing of COVID-19 restrictions. We anticipate that the interest rate increases that began at the end of 2021 will continue in 2022. We will therefore position the Company's portfolio to take advantage of these opportunities, in accordance with our Investment Policy.

### INVESTMENT INCOME YIELD




### INVESTMENT PORTFOLIO EXPOSURE




# OUTLOOK FOR 2022

Notwithstanding widespread vaccine deployment and easing of pandemic-related restrictions, it is clear that COVID-19 is far from over, and a level of uncertainty will likely persist for some time. However, as the economy begins to show signs of recovery, confidence has started to return among consumers and businesses alike.

The insurance industry's outlook heading into 2022 suggests that despite ongoing COVID-19 concerns, insurers in general anticipate more rapid growth, particularly in the construction industry. Both private and government infrastructure projects have been increasing, resulting in an increased demand for construction and property insurance. Notwithstanding the challenges faced due to supply chain disruption issues and rising inflation, several sectors continue to return to normality and generate increased economic activity. Additionally, the local economy has recovered over the past four quarters in GDP, largely due to the re-opening of the tourism industry, and in our view, we remain cautiously optimistic anticipating that the road to recovery for the Jamaican economy will be slow and steady.

We cannot overstate the impact that climate change will continue to have on our industry, as the increasing threat of potential catastrophe losses will likely result in the further reduction of reinsurance capacity and the imposition of more onerous terms from the reinsurance industry. The result of which, will likely translate to increases in property insurance rates within the local market. Although price competition in the Motor segment remains relatively strong, foreign exchange risk will continue to have an impact on the industry's claims costs, which may result in pricing adjustments for that segment.

The effectiveness of insurers to manage their investments in people and emerging technologies will be crucial. Flexible work models, balancing automation with the need to maintain a human touch, and being more proactive in bolstering stakeholders' trust should be among the industry's strategic priorities, all of which we have chosen to prioritize at IronRock.

# 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 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 2021, 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.
4. Janene Shaw

## 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 compensation for both directors and members of senior management annually and recommends any changes to the Board.

IronRock's Directors waived their Director's Fees for the financial year ending December 2021.

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 | Nominations & Compensation |
| David Mcconnell | 6 of 6 | 1 of 5 | 3 of 4 | 2 of 3 | n/a |
| Evan Thwaites | 6 of 6 | 5 of 5 | 4 of 4 | 3 of 3 | 1 of 1 |
| Wayne Hardie | 6 of 6 | 5 of 5 | 4 of 4 | 3 of 3 | 1 of 1 |
| Anthony Bell | 4 of 6 | 3 of 5 | 2 of 4 | 3 of 3 | n/a |
| Christopher Berry | n/a | n/a | n/a | n/a | n/a |
| Gary Peart | 4 of 6 | 2 of 5 | n/a | n/a | n/a |
| Jan Polack | 5 of 6 | 3 of 5 | 4 of 4 | 2 of 3 | n/a |
| Raymond Therrien | 5 of 6 | 4 of 5 | 4 of 4 | n/a | 1 of 1 |
| Christian Tavares-Finson | 6 of 6 | 1 of 5 | n/a | 1 of 3 | 1 of 1 |
| Janene Shaw | 3 of 6 | 2 of 5 | 1 of 4 | 2 of 3 | 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 captures the uncertainties and hazards a Company experience from its daily operations. Creating 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 threat posed to a company's business data, critical systems and business processes, that may lead to financial loss, disruption or damage to the reputation of the Company.

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 recently passed the Data Protection Act (2020), 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

## 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 2021 IronRock's MCT Ratio was 282%, 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

| | | 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 | | 39,583,721 | 39,583,721 | 18.62% |
| 3. | Catherine Adella Peart | | 7,000,000 | 7,000,000 | 3.27% |
| 4. | Mayberry Managed Client Accounts | | 6,615,592 | 6,615,592 | 3.09% |
| 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** | | | **180,301,012** | **84.25%** |
| | **Total Issued Shares** | | | **214,000,000** | **100.00%** |

## SHAREHOLDINGS OF DIRECTORS AND SENIOR OFFICERS (AND CONNECTED PARTIES)

| | | Connected Parties | Shares Held | Combined Holdings | % of Issued Shares |
|---|---|---|---|---|---|
| | **Directors** | | | | |
| | W. David McConnell | | 2,420,000 | 112,231,000 | 52.44% |
| | *Granite Group Limited* | 109,000,000 | | | |
| | *St. Elizabeth Holdings Limited* | 811,000 | | | |
| | Richard Evan David Thwaites | | 1,700,000 | 110,700,000 | 51.73% |
| | *Granite Group Limited* | 109,000,000 | | | |
| | Gary Peart | | - | 46,583,721 | 21.77% |
| | *Mayberry Jamaican Equities Limited* | 39,583,721 | | | |
| | *Catherine Peart* | 7,000,000 | | | |
| | Christopher Berry | | - | 44,497,081 | 20.79% |
| | *Mayberry Jamaican Equities Limited* | 39,583,721 | | | |
| | *PWL Bamboo Holdings Limited* | 2,924,094 | | | |
| | *Apex Pharmacy Limited* | 1,989,266 | | | |
| | Wayne N. Hardie | | 1,025,727 | 1,025,727 | 0.48% |
| | Christian Tavares Finson | | 666,000 | 666,000 | 0.31% |
| | 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% |

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

**W. David McConnell**
Chair

**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 H. Peart**
Non-Executive Director

**Christopher W. Berry**
Non-Executive Director

**Raymond Therrien**
Independent Non-Executive Director

**Christian Tavares-Finson**
Non-Executive Director

**Janene Shaw**
Independent Non-Executive Director

### Audit Committee

Anthony Bell, Chair
Jan Polack
Gary Peart
Ray Therrien
Janene Shaw

### Corporate Governance Committee

Anthony Bell, Chair
Jan Polack
Ray Therrien

### Investment Committee

Anthony Bell, Chair
Jan Polack
R. E. D. Thwaites
Janene Shaw

### Nomination & Compensation Committee

Ray Therrien, Chair
Anthony J. A. Bell
Christian Tavares-Finson

## EXECUTIVE TEAM

**R. E. D. Thwaites**
Managing Director

**Wayne N. T. Hardie**
Finance Director

**Maurice Bolt**
GM – Technology & Operations

**Christian Watt**
GM – Marketing & Production

## PRIMARY REINSURERS

**R+V Versicherung**
Raiffeisenplatz 1
Wiesbaden, 65189
Germany

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

**Munich Re**
Königinstr. 107
80802 Munich
Germany

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

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

**QBE Reinsurance**
30 Fenchurch Street
London, EC3M 3BD
United Kingdom

**Sirius America Ins Company**
Suite 1202
80 Bloor Street West
Toronto, M5S 2V1,
Canada

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

**Echo Re**
Brandschenkestrasse 18-20
8001 Zürich
Switzerland

## REINSURANCE BROKER

**AON Reinsurance Canada ULC**
20 Bay Street
Suite 2300
Toronto, Ontario
Canada

## INDEPENDENT AUDITORS

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

## INTERNAL AUDITORS

**Smith and Associates**
16 Hope Road
Kingston 10, Jamaica

## ACTUARY

**Kevin A. Lee, FCIA, FCAS, MAAA**
AON Risk Solutions
225 King Street West,
Toronto, M5V 3M2
Canada

## BROKERS

**Allied Ins Brokers**
26 Belmont Road
Kingston 5, Jamaica

**Assurance Brokers Ja**
1a Braemar Avenue
Kingston 10, Jamaica

**BCMG Ins Brokers**
17 Seaview Avenue
Kingston 6, Jamaica

**Caribbean Assurance Brokers**
94d Old Hope Road
Kingston 6, Jamaica

**Desmond Mair Ins Brokers**
59 Hope Road
Kingston 6, Jamaica

**FFK Ins Brokers**
28 Pawsey Place
Kingston 5, Jamaica

**Gallagher Ins Brokers Ja**
7-9 Harbour Street
Kingston 5, Jamaica

**Jamaica Citadel Ins Brokers**
36-40 Fort Street
Montego Bay, Jamaica

**JMMB Ins Brokers**
8 Dominica Drive
Kingston 5, Jamaica

**Marathon Ins Brokers**
46 Trinidad Terrace
Kingston 5, Jamaica

**NPG Ins Brokers**
27 Tobago Ave
Kingston 5, Jamaica

**Pinnacle Ins Brokers**
7 Merrick Ave
Kingston 10, Jamaica

**Spectrum Ins Brokers**
7 ½ Haining Road
Kingston 10, Jamaica

**TFS Ins Brokers**
6 Trinidad Terrace
Kingston 5, Jamaica

## SALES REPRESENTATIVES

**Sandra Mattis**
34 Sheffield Road
Kingston 2, Jamaica
+1 (876) 564-1964

## INVESTOR RELATIONS OFFICER

**Dwayne Taylor**
+1 (876) 656-8533
dtaylor@ironrockjamaica.com

## REGISTERED OFFICE

**IronRock Insurance Co. Limited**
1b Braemar Avenue
Kingston 10, Jamaica
+1 (876) 946-1595
ironrockjamaica.com

ANNUAL REPORT | 2021

# FINANCIAL STATEMENTS

## DECEMBER 31, 2021

## INSIDE



IronRock INSURANCE

KPMG
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

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 35 to 84, which comprise the statement of financial position as at December 31, 2021, 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, 2021, 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 International Code of Ethics for Professional Accountants including International Independence Standards (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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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*<br><br>Included in the company's outstanding claims liability is an actuarially determined estimate for claims incurred but not reported as at December 31, 2021.<br><br>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 [See notes 4(p)(i),10]. | Our audit procedures included the following:<br><br>• 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.<br><br>• 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.<br><br>• Testing the controls over the claims payments process and the case reserving process.<br><br>• 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 33 and 34, 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

April 25, 2022

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, actions taken to eliminate threats or safeguards applied.

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

DECEMBER 31, 2021

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | $'000 | $'000 |
| **ASSETS** | | | |
| Property, plant and equipment | 5 | 20,485 | 11,795 |
| Intangible asset | 6 | 3,190 | 3,833 |
| Deferred taxation | 7 | 7,992 | 15,124 |
| Investments | 8 | 634,850 | 565,306 |
| Deferred acquisition costs | 9 | 46,849 | 40,437 |
| Reinsurance assets | 10 | 408,323 | 362,532 |
| Due from related party | 11 | 2,984 | - |
| Insurance and other receivables | 12 | 224,334 | 217,507 |
| Taxation recoverable | | 32,966 | 26,643 |
| Short-term investments | 13 | 80,525 | 30,000 |
| Securities purchased under resale agreements | 14 | 15,275 | 94,764 |
| Cash and cash equivalents | | 69,637 | 31,581 |
| | | 1,547,410 | 1,399,522 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Insurance and other payables | 15 | 224,917 | 211,050 |
| Insurance contract provisions | 10 | 647,546 | 574,078 |
| Deferred commission income | 17 | 55,302 | 47,293 |
| | | 927,765 | 832,421 |
| Share capital | 18 | 465,540 | 465,540 |
| Capital reserves | 19 | 139,340 | 139,340 |
| Investment revaluation reserve | | 3,381 | 4,549 |
| Accumulated profit/(loss) | | 11,384 | ( 42,328) |
| | | 619,645 | 567,101 |
| | | 1,547,410 | 1,399,522 |

The financial statements, on pages 35 to 84 were approved for issue by the Board of Directors on April 19, 2022 and signed on their behalf by:

R. Evan Thwaites — Director

W. David McConnell — Director

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

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## YEAR ENDED DECEMBER 31, 2021

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | $'000 | $'000 |
| Gross premiums written | 10(b),20 | 881,209 | 836,971 |
| Change in gross provision for unearned premiums | | ( 43,113) | ( 29,910) |
| Gross insurance premium revenue | 10(b) | 838,096 | 807,061 |
| Written premiums ceded to reinsurers | 10(b) | (686,760) | (647,273) |
| Reinsurers' share of change in provision for unearned premiums | | 38,942 | 33,264 |
| Net insurance premium revenue | 10(b) | 190,278 | 193,052 |
| Claims expenses incurred | 10(a) | (189,603) | (262,048) |
| Reinsurers' share of claims and benefits incurred | 10(a) | 98,529 | 172,492 |
| Net insurance claims | | ( 91,074) | ( 89,556) |
| Commission expense | 9 | (101,630) | ( 93,588) |
| Commission income | 17 | 173,186 | 148,696 |
| Net commission income | | 71,556 | 55,108 |
| Profit before operating expenses | | 170,760 | 158,604 |
| Operating expenses | 21(b) | (188,781) | (186,067) |
| Underwriting loss before other income | | ( 18,021) | ( 27,463) |
| Investment income, net | 22 | 43,869 | 40,206 |
| Other income | | 13 | 161 |
| Foreign exchange gain | | 25,131 | 11,820 |
| Gain on sale of investments | | 9,852 | 8,106 |
| Profit before taxation | | 60,844 | 32,830 |
| Taxation | 24 | ( 7,132) | 15,124 |
| Profit for the year | | 53,712 | 47,954 |
| **Other comprehensive income** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Fair value losses on investments, being total other comprehensive income | | ( 1,168) | ( 30,233) |
| **Total comprehensive income for the year** | | 52,544 | 17,721 |
| **Earnings per stock unit** | | | |
| Based on stock units in issue | 23 | 25 cents | 22 cents |

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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### YEAR ENDED DECEMBER 31, 2021

| | Share capital $'000 (note 18) | Capital reserves $'000 (note 19) | Investment revaluation reserve $'000 | Accumulated profit/(loss) $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balances at December 31, 2019 | 465,540 | 139,340 | 34,782 | (90,282) | 549,380 |
| Profit for the year | - | - | - | 47,954 | 47,954 |
| Other comprehensive loss: | | | | | |
| Fair value losses on Investments | - | - | (30,233) | - | ( 30,233) |
| Total comprehensive (loss)/income | - | - | (30,233) | 47,954 | 17,721 |
| Balances at December 31, 2020 | 465,540 | 139,340 | 4,549 | (42,328) | 567,101 |
| Profit for the year | - | - | - | 53,712 | 53,712 |
| Other comprehensive loss: | | | | | |
| Fair value losses on Investments | - | - | ( 1,168) | - | ( 1,168) |
| Total comprehensive (loss)/income | - | - | ( 1,168) | 53,712 | 52,544 |
| Balances at December 31, 2021 | 465,540 | 139,340 | 3,381 | 11,384 | 619,645 |

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

## STATEMENT OF CASH FLOWS

### YEAR ENDED DECEMBER 31, 2021

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 53,712 | 47,954 |
| Adjustments for: | | | |
| Depreciation and amortisation | 5,6 | 4,035 | 10,453 |
| Deferred taxation | 7 | 7,132 | ( 15,124) |
| Lease interest expense | 16 | - | 185 |
| Gain on disposal of property, plant and equipment | | - | ( 120) |
| Insurance contract provisions | | 27,676 | ( 63,600) |
| Interest and dividend income | 22 | ( 43,869) | ( 40,206) |
| Gain on sale of investment | | ( 9,852) | ( 8,106) |
| | | 38,834 | ( 68,564) |
| Changes in: | | | |
| Deferred acquisition costs | | ( 6,412) | ( 3,935) |
| Insurance and other receivables | | ( 6,589) | ( 58,503) |
| Due from related party | | ( 2,984) | - |
| Insurance and other payables | | 13,867 | 27,493 |
| Deferred commission income | | 8,009 | 11,363 |
| Taxation paid | | ( 6,323) | ( 6,210) |
| Net cash provided/(used) by operating activities | | 38,402 | ( 98,356) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Short term investments | | ( 50,525) | - |
| Securities sold/(purchased) under resale agreements | | 79,489 | ( 94,764) |
| Proceeds from disposal of investments | | 113,976 | 200,323 |
| Acquisition of investments | | (174,836) | (114,838) |
| Acquisition of property, plant and equipment | 5 | ( 12,082) | ( 2,679) |
| Proceeds from disposal of property, plant and equipment | | - | 120 |
| Interest and dividend received | | 43,632 | 43,036 |
| Net cash (used)/ provided by investing activities | | ( 346) | 31,198 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Lease liability, net, being net cash used by financing activity | 16 | - | ( 5,400) |
| Net increase/(decrease) in cash and cash equivalents | | 38,056 | ( 72,558) |
| Cash and cash equivalents at beginning of the year | | 31,581 | 104,139 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | 69,637 | 31,581 |

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 made by regulatory authorities. The actuary's report outlines the scope of his work and opinion. An actuarial evaluation is prepared annually.

The external auditors are appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the company in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the 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.

Certain new and amended standards and interpretations came into effect during the current financial year, none of which had any impact on these financials 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 not yet effective:**

At the date of authorisation of these financial statements, certain new 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:

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS *9 Financial Instruments,* IFRS 16 *Leases* and are effective for annual periods beginning on or after January 1, 2022.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

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

- IFRS 17 Insurance Contracts, effective for annual reporting periods beginning on or after January 1, 2023 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).

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 (cont'd):**

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

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

  - 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 recognises the loss immediately.

  - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

  - 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 is assessing the impact that the standard will have on its 2023 financial statements.

- Amendments to IFRS 17 *Insurance Contracts,* effective for annual reporting periods beginning on or after January 1, 2023 and provides for the following amendments to the standard:

  - Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.

  - For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

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 (cont'd):**

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

  In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.

  Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

  In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

  For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

  There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

  The company is assessing the impact that the amendment will have on its 2023 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 not yet effective (cont'd):**

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The company is assessing the impact that the amendments will have on its 2023 financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's 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 not yet effective (cont'd):**

- Amendments to IAS 1 *Presentation of Financial Statements* (cont'd)

  The amendments are consistent with the refined definition of material:

  *"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".*

  The company is assessing the impact that the amendment will have on its 2023 financial statements.

- 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, 2023, in line with IFRS 17 Insurance Contracts [See note 4(p)(iv)]. The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting.

  The company is assessing the impact that the amendment will have on its 2023 financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The company is assessing the impact that the amendment will have on its 2023 financial statements.

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

(b) 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.

(c) 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, 2021, the company had accumulated profits of $11,384,000 (2020: an accumulated deficit of $42,328,000) 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 282% (2020: 289%) 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.

(d) 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.

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

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

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.

(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 10 and 25 contain information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts. Note 26 contains information about the risks and uncertainties associated with financial instruments.

(e) 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.

(f) 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.

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

(g) Insurance and other receivables:

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

(h) Insurance and other payables:

Insurance and other payables are measured at amortised cost.

(i) 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.

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

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

(j) Related parties (cont'd):

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

(iv) 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.

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

(vi) 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).

(vii) 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.

(k) 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.

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

(l) 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.

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% |

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

(m) 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.

(n) 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.

(o) 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.

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

(o) Impairment (cont'd):

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.

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)

(p) 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)

(p) 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 25). 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, 2021, there has been no change in the company's activities.

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

(q) 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(p)(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(p)(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.

(r) 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)

(r) 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.

(s) 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.

(t) 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.

(u) 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)

(v) Leases:

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.

*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.

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.

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

(v) Leases (cont'd):

*As a lessee (cont'd)*

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.

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.

(w) 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.

(x) 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 (CONTINUED)

YEAR ENDED DECEMBER 31, 2021

## 5. Property, plant and equipment

| | Building $'000 | Computer $'000 | Leasehold improvement $'000 | Furniture, fixtures and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| December 31, 2019 | 10,102 | 15,489 | 827 | 15,216 | 41,634 |
| Additions | - | 2,614 | - | 65 | 2,679 |
| Disposals | - | ( 849) | - | - | ( 849) |
| December 31, 2020 | 10,102 | 17,254 | 827 | 15,281 | 43,464 |
| Additions | - | 12,082 | - | - | 12,082 |
| Disposal | (10,102) | - | - | - | (10,102) |
| December 31, 2021 | - | 29,336 | 827 | 15,281 | 45,444 |
| Accumulated depreciation: | | | | | |
| December 31, 2019 | 5,051 | 11,959 | 688 | 5,009 | 22,707 |
| Charge for the year | 5,051 | 3,042 | 139 | 1,579 | 9,811 |
| Disposals | - | ( 849) | - | - | ( 849) |
| December 31, 2020 | 10,102 | 14,152 | 827 | 6,588 | 31,699 |
| Charge for the year | - | 2,109 | - | 1,283 | 3,392 |
| Disposal | (10,102) | - | - | - | (10,102) |
| December 31, 2021 | - | 16,261 | 827 | 7,871 | 24,959 |
| Net book values: | | | | | |
| December 31, 2021 | - | 13,075 | - | 7,410 | 20,485 |
| December 31, 2020 | - | 3,102 | - | 8,693 | 11,795 |

## 6. Intangible asset

| | Software $'000 |
|---|---|
| Cost: | |
| December 31, 2020 and 2021 | 6,425 |
| Amortisation: | |
| December 31, 2019 | 1,950 |
| Charge for the year | 642 |
| December 31, 2020 | 2,592 |
| Charge for the year | 643 |
| December 31, 2021 | 3,235 |
| Net book value: | |
| December 31, 2021 | 3,190 |
| December 31, 2020 | 3,833 |

7. Deferred taxation

Deferred income taxes are calculated using a principal tax rate of 16.67% (33 1/3% restricted to 50% based on remission years 5 to 10).

Deferred tax asset is attributable to the following:

| | December 31, 2019 $'000 | Recognised in income $'000 (note 24) | December 31, 2020 $'000 | Recognised in income $'000 (note 24) | December 31, 2021 $'000 |
|---|---|---|---|---|---|
| Property plant and equipment | - | ( 109) | ( 109) | ( 245) | ( 354) |
| Insurance and other receivables | - | ( 1,409) | ( 1,409) | 330 | ( 1,079) |
| Unrealised foreign exchange gains | - | - | - | ( 171) | ( 171) |
| Tax losses | - | 16,642 | 16,642 | ( 7,046) | 9,596 |
| | - | 15,124 | 15,124 | ( 7,132) | 7,992 |

8. Investments

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Available-for-sale: | | |
| Quoted equities | 123,507 | 67,035 |
| Units in unit trusts | 13,272 | 31,911 |
| Corporate Bonds – US$ | 57,117 | 47,423 |
| Global Bonds – TT – US$ | - | 38,755 |
| Loans and receivables: | | |
| Corporate Bonds – J$ | 155,135 | 191,046 |
| Corporate Bonds – US$ | 117,753 | 53,944 |
| Government of Jamaica securities – J$ Bonds | 129,878 | 100,000 |
| Government of Jamaica securities – US$ Certificate of Deposit | 38,188 | 35,192 |
| | 634,850 | 565,306 |

Investments include Government of Jamaica securities and corporate bonds denominated in foreign currency aggregating US$1,395,000 (2020: US$1,245,000).

A Jamaica dollar Government of Jamaica bond of $45,000,000 (2020: $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:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| No specific maturity | 136,778 | 98,946 |
| 1 year to 5 years | 421,775 | 252,940 |
| Over 5 years | 76,297 | 213,420 |
| | 634,850 | 565,306 |

8. Investments (cont'd)

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, 2021 and December 31, 2020, 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"):

December 31, 2021

| 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 | 123,507 | - | - | 123,507 | 4,478 |
| Unit in unit trusts | 13,272 | - | - | 13,272 | 1,307 |
| Corporate bonds | 330,005 | 330,005 | - | - | - |
| Government of Jamaica – Local bonds | 168,066 | 195,916 | ( 1,121) | - | - |
| | 634,850 | 525,921 | ( 1,121) | 136,779 | 5,785 |
| Short-term investments | 80,525 | 80,525 | - | - | - |

December 31, 2020

| 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 | 67,035 | - | - | 67,035 | (21,865) |
| Unit in unit trusts | 31,911 | - | - | 31,911 | 86 |
| Corporate bonds | 292,413 | 292,413 | - | - | - |
| Global bonds - TT | 38,755 | 38,755 | 4,051 | - | - |
| Government of Jamaica – Local bonds | 135,192 | 162,504 | 808 | - | - |
| | 565,306 | 493,672 | 4,859 | 98,946 | (21,779) |
| Short-term investments | 30,000 | 30,000 | - | - | - |

8. 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, 2021 and December 31, 2020, 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"):

| | December 31, 2021 | | |
|---|---|---|---|
| Credit rating | Carrying value Amount $'000 | Fair value $'000 | % of Fair value |
| Bonds and debentures and short-term investments | | | |
| Ba2 | 87,667 | 87,667 | 14% |
| B2 | 445,103 | 472,953 | 78% |
| B3 | 45,826 | 45,826 | 8% |
| | 578,596 | 606,446 | 100% |

| | December 31, 2020 | | |
|---|---|---|---|
| Credit rating | Carrying value Amount $'000 | Fair value $'000 | % of Fair value |
| Bonds and debentures and short-term investments | | | |
| Ba1 | 38,755 | 38,755 | 7% |
| B2 | 135,192 | 162,504 | 31% |
| B3 | 322,413 | 322,413 | 62% |
| | 496,360 | 523,672 | 100% |

9. Deferred acquisition costs

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Balance January 1 | 40,437 | 36,502 |
| Commission paid during the year | 108,042 | 97,523 |
| Amounts recognised in income or expense during the year | (101,630) | (93,588) |
| Balance December 31 | 46,849 | 40,437 |

10. Reinsurance assets and insurance contract provisions

Analysis of movements in reinsurance assets and insurance contract provisions:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross $'000 | Reinsurance $'000 | Net $'000 | Gross $'000 | Reinsurance $'000 | Net $'000 |
| Claims outstanding | 239,239 | 116,908 | 122,331 | 208,884 | 102,162 | 106,722 |
| Unearned premiums | 408,307 | 291,415 | 116,892 | 365,194 | 260,370 | 104,824 |
| | 647,546 | 408,323 | 239,223 | 574,078 | 362,532 | 211,546 |

(a) Claims outstanding:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross $'000 | Reinsurance $'000 | Net $'000 | Gross $'000 | Reinsurance $'000 | Net $'000 |
| Claims notified | 126,186 | 63,234 | 62,952 | 110,375 | 15,028 | 95,347 |
| Claims incurred but not reported | 82,698 | 38,928 | 43,770 | 53,470 | 15,471 | 37,999 |
| Balance at January 1 | 208,884 | 102,162 | 106,722 | 163,845 | 30,499 | 133,346 |
| Claim incurred | 189,603 | 98,529 | 91,074 | 262,048 | 172,492 | 89,556 |
| Claims paid in year | (159,248) | (83,783) | (75,465) | (217,009) | (137,224) | ( 79,785) |
| Portfolio transfer | - | - | - | - | 36,395 | ( 36,395) |
| Change in outstanding claims provision | 30,355 | 14,746 | 15,609 | 45,039 | 71,663 | ( 26,624) |
| Balance at December 31 | 239,239 | 116,908 | 122,331 | 208,884 | 102,162 | 106,722 |
| Analysis: | | | | | | |
| Claims notified | 120,048 | 53,641 | 66,407 | 126,186 | 63,234 | 62,952 |
| Claims incurred but not reported | 119,191 | 63,267 | 55,924 | 82,698 | 38,928 | 43,770 |
| Balance at December 31 | 239,239 | 116,908 | 122,331 | 208,884 | 102,162 | 106,722 |

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

(b) Unearned premiums:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross $'000 | Reinsurance $'000 | Net $'000 | Gross $'000 | Reinsurance $'000 | Net $'000 |
| Balance at January 1 | 365,194 | 260,370 | 104,824 | 335,284 | 193,484 | 141,800 |
| Portfolio transfer | - | (7,897) | 7,897 | - | 33,622 | ( 33,622) |
| Premiums written during the year | 881,209 | 686,760 | 194,449 | 836,971 | 647,273 | 189,698 |
| Premiums earned during the year | (838,096) | (647,818) | (190,278) | (807,061) | (614,009) | (193,052) |
| Balance at December 31 | 408,307 | 291,415 | 116,892 | 365,194 | 260,370 | 104,824 |

(c) Gross unearned premiums are analysed as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Motor | 104,341 | 98,724 |
| Property | 226,891 | 205,165 |
| Accident | 13,648 | 12,890 |
| Liability | 34,501 | 27,883 |
| Engineering | 21,500 | 15,071 |
| Marine | 7,426 | 5,461 |
| | 408,307 | 365,194 |

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.

10. 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.

11. Due from related party

This balance is due from Granite Group Limited. The amount is unsecured and payable on demand. Other terms are to be determined. There was no other transaction with Granite Group Limited during the year.

12. Insurance and other receivables

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Accrued investment income | 8,691 | 8,454 |
| Premiums receivable | 213,830 | 197,347 |
| Other receivables | 1,813 | 11,706 |
| | 224,334 | 217,507 |

Information relating to credit risk management and the aging analysis of insurance receivables is outlined in more detail in note 26(a)(i) and (iii).

13. Short term investments

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Loans and receivable | | |
| Corporate Bonds | 80,525 | 30,000 |

14. Securities purchased under resale agreements

The fair value of securities held as collateral for securities purchased under resale agreements as at December 31, 2021 was $15,275,000 (2020: $94,764,000).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2021

15. Insurance and other payables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Payables arising from insurance and reinsurance contracts due to other insurance companies | 199,146 | 179,471 |
| Other payables and accrued charges | 25,771 | 31,579 |
| | 224,917 | 211,050 |

16. Leases

The company leases the property for its corporate office. The lease included an one year option to renew after the lease period had ended in December 2019. Lease payments are renegotiated after the end of the contract period to reflect market rentals. As at December 31, 2021 the contract was not renewed.

Information about lease for which the company is a lessee is presented in property, plant and equipment (note 5).

(a) Right-of-use asset:

Right-of-use asset related to leased property is presented as property, plant and equipment (note 5).

| | Building | |
|---|---|---|
| | 2021 | 2020 |
| | $'000 | $'000 |
| Balance at beginning of the year | - | 5,051 |
| Depreciation charge for the year | - | (5,051) |
| Balance at end of year | - | - |

(b) Amounts recognised in profit or loss:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest on lease liability | - | 185 |

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Total cash outflow for lease | - | 5,400 |

17. Deferred commission income

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Balance January 1 | 47,293 | 35,930 |
| Commission received during the year | 181,195 | 157,898 |
| Portfolio transfer | - | 2,161 |
| Amounts recognised in income during the year | (173,186) | (148,696) |
| Balance December 31 | 55,302 | 47,293 |

18. Share capital

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Authorised: | | |
| 25,000,000,000 ordinary shares of no par value | | |
| Stated capital: | | |
| Issued and fully paid as stock units: | | |
| 214,000,000 (2020: 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 |

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

19. Capital reserves

This represents contributed capital of $139,340,000 (2020: $139,340,000), from parent company.

20. Gross premiums written

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Motor | 219,596 | 218,203 |
| Property | 442,266 | 440,970 |
| Accident | 27,541 | 26,247 |
| Liability | 75,718 | 62,585 |
| Engineering | 58,832 | 38,110 |
| Marine | 57,256 | 50,856 |
| | 881,209 | 836,971 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## YEAR ENDED DECEMBER 31, 2021

21. Disclosure of expenses

Profit before taxation is stated after charging:

(a) Related party transactions :

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Compensation of key management personnel is as follows: | | |
| Short term employment benefits | 41,771 | 42,133 |
| Pension contributions [see note 4(s)] | 2,200 | 2,200 |
| | 43,971 | 44,333 |
| Directors - Premiums | 53,295 | 36,483 |
| - Claims paid | 1,827 | 1,358 |

(b) Operating expenses:

| | 2021 | 2020 |
|---|---|---|
| Computer expense and license fees | 23,480 | 16,213 |
| Depreciation – right-of-use asset | - | 5,051 |
| Depreciation – property, plant and equipment | 3,392 | 4,760 |
| Amortisation | 643 | 642 |
| Directors' emoluments | | |
| Fees | - | 3,775 |
| Remuneration | 28,639 | 28,905 |
| Salaries and related costs | 68,907 | 67,105 |
| Auditors' remuneration | 5,608 | 5,853 |
| Advertising and promotion | 11,626 | 14,757 |
| Legal and professional fees | 3,255 | 4,478 |
| Motor vehicle expenses | 10,396 | 9,981 |
| Telephone | 1,114 | 1,308 |
| Stationery and office supplies | 1,825 | 2,142 |
| Occupancy costs | 6,000 | - |
| Bank interest and other charges | 1,837 | 1,435 |
| Lease interest expense | - | 185 |
| Other administrative expenses | 22,059 | 19,477 |
| | 188,781 | 186,067 |

22. Investment income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest income: | | |
| Available-for-sale | 1,650 | 3,433 |
| Loans and receivables | 36,475 | 33,243 |
| | 38,125 | 36,676 |
| Dividend income | 5,744 | 3,530 |
| | 43,869 | 40,206 |

## 23. Earnings 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. The basic earnings per ordinary stock unit and diluted earnings per ordinary stock unit are the same as there are no dilutive potential shares.

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Profit for the year | 53,712 | 47,954 |
| Number of ordinary stock unit in issue ('000) | 214,000 | 214,000 |
| Earnings per share | 25 cents | 22 cents |

## 24. Taxation

(a) The charge for taxation is based on profit for the year adjusted for tax purposes and comprises the following:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| (i) Current taxation: | | |
| Income tax at 16.67% [note 24(c)] | - | - |
| (ii) Deferred taxation: | | |
| Origination and reversal of temporary differences (note 7) | 7,132 | (15,124) |
| | 7,132 | (15,124) |

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Reconciliation of effective tax rate: | | |
| Profit before taxation | 60,844 | 32,830 |
| Computed "expected" tax expense at 16.67 % [note 24(c)] | 10,143 | 10,943 |
| Difference between profit for financial statements and tax reporting purposes on: | | |
| Depreciation charge and capital allowances | 442 | 2,269 |
| Items not allowed for tax purposes | ( 1,286) | ( 2,246) |
| Tax losses | ( 376) | (26,750) |
| Unrealised capital foreign exchange (loss)/gain | ( 1,791) | 660 |
| Actual tax expense | 7,132 | (15,124) |

24. Taxation (cont'd)

(b) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses aggregating approximately $57,564,000 (2020: $99,852,000) 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 tax rate applicable to the company is 33⅓%. However, due to the 50% remission, a tax rate of 16.67% is applied.

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

25. 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.

25. 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 26(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.<br><br>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. |

25. 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.<br><br>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.<br><br>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. |

25. 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.

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Liability<br>$'000 | Property<br>$'000 | Motor<br>$'000 | Engineering<br>$'000 | Accident<br>$'000 | Marine<br>$'000 | Total<br>$'000 |
| Gross | 62,268 | 30,567 | 121,948 | 13,161 | 6,215 | 5,080 | 239,239 |
| Net of reinsurance | 32,544 | 4,059 | 77,190 | 1,346 | 5,806 | 1,386 | 122,331 |

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Liability<br>$'000 | Property<br>$'000 | Motor<br>$'000 | Engineering<br>$'000 | Accident<br>$'000 | Marine<br>$'000 | Total<br>$'000 |
| Gross | 38,561 | 25,767 | 109,540 | 27,016 | 5,208 | 2,792 | 208,884 |
| Net of reinsurance | 27,767 | 2,069 | 68,895 | 3,044 | 4,045 | 902 | 106,722 |

(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.

25. Insurance risk management (cont'd)

(d) Claims development (cont'd):

| | Analysis of net claims development Accident year | | | | |
|---|---|---|---|---|---|
| | 2018 $'000 | 2019 $'000 | 2020 $'000 | 2021 $'000 | Total $'000 |
| Estimate of cumulative claims | | | | | |
| at end of accident year | 83,731 | 117,211 | 71,753 | 75,490 | - |
| -one year later | 79,768 | 66,120 | 46294 | - | - |
| -two years later | 48,738 | 40,081 | - | - | - |
| -three years later | 35,941 | - | - | - | - |
| Estimate of cumulative claims | 35,931 | 40,081 | 46,294 | 75,490 | 197,796 |
| Cumulative payments to date | (10,472) | ( 7,141) | (24,340) | (33,512) | ( 75,465) |
| Net outstanding claims liabilities | 25,459 | 32,940 | 21,954 | 41,978 | 122,331 |

26. Financial risk management

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

Credit risk
Liquidity risk
Market risk

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.

26. Financial risk management (cont'd)

Risk management framework (cont'd):

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.

(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.

26. Financial risk management (cont'd)

(a) Credit risk (cont'd)

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

*Exposure to credit risk*

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AA<br>$'000 | A<br>$'000 | Ba2<br>$'000 | B2<br>$'000 | B3<br>$'000 | Caa1<br>$'000 | Not rated<br>$'000 | Total<br>$'000 |
| Financial assets: | | | | | | | | |
| Carrying amount | - | - | 87,667 | 445,103 | 45,826 | - | 221,691 | 800,287 |
| Reinsurance assets (excluding unearned premiums) | | | | | | | | |
| Neither past due nor impaired | 83,885 | 24,975 | 8,048 | - | - | - | - | 116,908 |
| Insurance and other receivables: | | | | | | | | |
| Neither past due nor impaired | | | | | | | | |
| Past due but not impaired | - | - | - | - | - | | 158,986 | 158,986 |
| Carrying amount | - | - | - | - | - | - | 65,348 | 65,348 |
| [note 26(a)(iii)] | - | - | - | - | - | - | 224,334 | 224,334 |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AA<br>$'000 | A<br>$'000 | B<br>$'000 | Ba1<br>$'000 | B3<br>$'000 | Caa1<br>$'000 | Not rated<br>$'000 | Total<br>$'000 |
| Financial assets: | | | | | | | | |
| Carrying amount | - | 14,798 | 32,624 | - | 38,755 | - | 635,474 | 721,651 |
| Reinsurance assets (excluding unearned premiums) | | | | | | | | |
| Neither past due nor impaired | 75,174 | 20,551 | - | - | - | - | 6,435 | 102,162 |
| Insurance and other receivables: | | | | | | | | |
| Neither past due nor impaired | - | - | - | - | - | - | 148,919 | 148,919 |
| Past due but not impaired | - | - | - | - | - | - | 68,588 | 68,588 |
| Carrying amount [note 25(a)(iii)] | - | - | - | - | - | - | 217,507 | 217,507 |

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).

26. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(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:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Assurance Brokers Jamaica Limited | 4,690 | 9,499 |
| Allied Insurance Brokers Limited | 14,267 | 17,957 |
| CGM Gallagher Insurance Brokers Jamaica Limited | 13,146 | 12,611 |
| JMMB Insurance Brokers Limited | 3,776 | 3,946 |
| Billy Craig Insurance Brokers Limited | 39,463 | 48,274 |
| Fraser Fontaine & Kong Insurance Brokers Limited | 3,879 | 2,896 |
| Thwaites Finson Sharpe Insurance Brokers Limited | 57,237 | 58,019 |
| | 136,458 | 153,202 |

(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.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | 0 to 45 days<br>$'000 | 46 to 60 days<br>$'000 | 61-90 days<br>$'000 | More than 90 days<br>$'000 | Total<br>$'000 |
| Receivable arising from insurance agents and brokers | 67,554 | 24,052 | 36,179 | 60,720 | 188,505 |
| Insurance premium | 10,197 | 9,170 | 1,330 | 4,628 | 25,325 |
| Other receivables | - | - | 10,504 | - | 10,504 |
| Carrying amount [Note 25(a)(i)] | 77,751 | 33,222 | 48,013 | 65,348 | 224,334 |

26. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Aged analysis (cont'd)

| | 2020 | | | | |
|---|---|---|---|---|---|
| | 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 | 85,287 | 14,372 | 26,631 | 58,145 | 184,435 |
| Insurance premium | 10,294 | 330 | 1,531 | 757 | 12,912 |
| Other receivables | - | 2,020 | 8,454 | 9,686 | 20,160 |
| Carrying amount [Note 26(a)(i)] | 95,581 | 16,722 | 36,616 | 68,588 | 217,507 |

(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 94% (2020: 92%). The FSC standard liquid assets to total liabilities ratio is 95%.

26. 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.

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Contractual undiscounted cash flows | | | | |
| | Carrying Amount $'000 | Total cash outflow $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2-5 years $'000 | 5-10 years $'000 |
| Financial liabilities: | | | | | | |
| Insurance and other payable | 224,917 | 224,917 | 224,917 | - | - | - |
| Total financial Liabilities | 224,917 | 224,917 | 224,917 | - | - | - |
| Insurance contract liabilities: | | | | | | |
| Claims liabilities | 239,239 | 239,239 | 239,239 | - | - | - |
| | 464,156 | 464,156 | 464,156 | - | - | - |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | Contractual undiscounted cash flows | | | | |
| | Carrying Amount $'000 | Total cash outflow $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2-5 year $'000 | 5-10 years $'000 |
| Financial liabilities: | | | | | | |
| Insurance and other payable | 211,050 | 211,050 | 208,118 | 2,932 | - | - |
| Total financial Liabilities | 211,050 | 211,050 | 208,118 | 2,932 | - | - |
| Insurance contract liabilities: | | | | | | |
| Claims liabilities | 208,884 | 208,884 | 208,884 | - | - | - |
| | 419,934 | 419,934 | 417,002 | 2,932 | - | - |

(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.

26. 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 | |
|---|---|---|
| | 2021 | 2020 |
| | $'000 | $'000 |
| Fixed rate instruments: | | |
| Financial assets | 578,596 | 504,946 |

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 2020.

26. 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<br>$'000 | Decrease<br>$'000 |
| December 31, 2021 | | | | |
| Fixed rate instruments – J$ | 3% | 0.5% | 11,820 | (1,970) |
| – US$ | 1% | 1% | 3,041 | (3,041) |
| December 31, 2020 | | | | |
| Fixed rate instruments – J$ | 1% | 1% | 3,190 | (3,190) |
| – US$ | 1% | 1% | 1,665 | (1,665) |

(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:

| | 2021<br>US$'000 | 2020<br>US$'000 |
|---|---|---|
| Foreign currency assets: | | |
| Investments | 1,679 | 1,885 |
| Premium receivable | 545 | 545 |
| Cash and cash equivalents | 109 | 98 |
| Interest receivable | 19 | 18 |
| | 2,352 | 2,546 |
| Foreign currency liabilities: | | |
| Insurance and other payables | 396 | 203 |
| Net foreign currency assets | 1,956 | 2,343 |

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

At December 31, 2021: $152.75
At December 31, 2020: $140.77

26. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Currency risk (cont'd)

Sensitivity analysis

A 2% (2020: 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 $5,976,000 (2020: $6,596,000).

A 8% (2020: 6%) weakening of the Jamaica dollar against the United States dollar at December 31, would have increased the profit before tax for the year by $23,902,000 (2020: $19,789,000).

(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 5% (2020: 7%) increase in the bid price at the reporting date would cause an increase in equity of $6,175,000 (2020: $4,692,000).

A 5% (2020: 12.5%) decrease in the bid price at the reporting date would cause a decrease in equity of $6,175,000 (2020: $8,379,000).

27. 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 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.

28. 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, 2021, the company's capital ratio was 282% (2020: 289%)

29. 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:

29. 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.

29. 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.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Available for sale financial assets: | | | | | |
| Units in unit trusts | 13,272 | - | 13,272 | - | 13,272 |
| Corporate bonds | 57,117 | - | 57,117 | - | 57,117 |
| Quoted equities | 123,507 | 123,507 | - | - | 123,507 |
| Loans & receivables: | | | | | |
| Corporate bonds | 272,888 | - | 272,888 | - | 272,888 |
| GOJ Bonds | 168,066 | - | 195,916 | - | 195,916 |
| | 634,850 | 123,507 | 539,193 | - | 662,700 |
| Short-term investments | 80,525 | - | 80,525 | - | 80,525 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Available for sale financial assets: | | | | | |
| Units in unit trusts | 31,911 | - | 31,911 | - | 31,911 |
| Global Bonds – TT | 38,755 | - | 38,755 | - | 38,755 |
| Corporate bonds | 47,423 | - | 47,423 | - | 47,423 |
| Quoted equities | 67,035 | 67,035 | - | - | 67,035 |
| Loans & receivables: | | | | | |
| Corporate bonds | 244,990 | - | 244,990 | - | 244,990 |
| GOJ Bonds | 135,192 | - | 162,504 | - | 162,504 |
| | 565,306 | 67,035 | 525,583 | - | 592,618 |
| Short-term investments | 30,000 | - | 30,000 | - | 30,000 |

30. Impact of Covid 19

The World Health Organization (WHO) declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020 which was subsequently removed on March 18, 2022. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices.

At the date of approving the financial statements, whilst the full impact of the pandemic on the company's markets and businesses remains unknown, economic conditions have improved considerably. Management anticipates that the Jamaican economy will continue its gradual recovery, however, they will continue to monitor developments and respond appropriately.

# FORM OF PROXY

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 Meeting of the Company to be held virtually at www.ironrockjamaica.com/agm, on Monday, August 15, 2022 starting 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 ______________ 2022.

_______________________________

Signatures(s) of Shareholder(s)

IronRock INSURANCE

1B BRAEMAR AVENUE
Kingston 10, Saint Andrew
Jamaica

#InsuranceSimplified