JN GENERAL INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2018

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
JN GENERAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN General Insurance Company Limited ("the company"), set out on pages 4 to 61, which comprise the statement of financial position as at December 31, 2018, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

Report on the Audit of the Financial Statements (Continued)

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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN GENERAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

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.

KPMG

Chartered Accountants
Kingston, Jamaica

March 15, 2019

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Financial Position
December 31, 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Intangible asset	6	39,075	65,479
Property, plant and equipment	7	265,473	297,345
Investment properties	8	141,665	145,897
Deferred taxation	9	96,736	87,484
Investments	10	5,498,967	5,542,716
Reinsurance assets	11	1,207,828	1,528,343
Securities purchased under resale agreements	12	1,229,097	1,481,721
Insurance receivables and deferred expenses	13	777,857	606,638
Taxation recoverable		-	28.312
Due from related entities		71,768	63,488
Other accounts receivable		100,590	232,781
Accrued investment income		85,746	95,694
Cash and cash equivalents		55,751	185,655
		9,570,553	10,361,553
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Bank overdraft		7,311	9,197
Accounts payable and accrued charges	14	164,724	137,182
Insurance payables and deferred income	15	587,209	560,934
Taxation payable		18,376	-
Insurance contract provisions	11	3,971,054	4,451,858
Due to related entities		4,800	20,893
Retirement benefits obligation	16	202,492	225,700
		4,955,966	5,405,764
Shareholders' equity:			
Share capital	17	72,900	72,900
Capital reserve	18	11,197	11,197
Investment revaluation reserve	19	396,197	286,826
Retained earnings		4,134,293	4,584,866
		4,614,587	4,955,789
		9,570,553	10,361,553

The financial statements on pages 4 to 61 were approved for issue by the Board of Directors on March 15, 2019, and signed on its behalf by:

Kathleen A. J. Moss Chairman

Christopher Hind Director

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2018

	Notes	2018 $'000	2017 $'000
Gross premiums written	11(c)	4,875,520	5,203,371
Change in gross provision for unearned premiums		10,734	20,492
Gross insurance premium revenue	11(c)	4,886,254	5,223,863
Written premiums ceded to reinsurers	11(c)	(2,632,751)	(3,065,542)
Reinsurers' share of change in provision for unearned premiums		(69,485)	(23,013)
Net insurance premium revenue		2,184,018	2,135,308
Claims expenses incurred	11(b)	(1,125,718)	(1,468,762)
Reinsurers' share of claims and benefits incurred	11(b)	61,816	383,248
Net insurance claims		(1,063,902)	(1,085,514)
Commission income	15	586,093	420,886
Commission expense	13	(308,642)	(286,883)
Net commission income		277,451	134,003
Net underwriting income before operating expenses		1,397,567	1,183,797
Operating expenses	20	(1,344,949)	(1,251,445)
Underwriting profit/(loss) before other income/(expense) and taxation		52,618	(67,648)
Investment income, net	21	450,531	630,184
Impairment of investments		(29,529)	-
Gain on disposal of intangible asset and property, plant and equipment		3,661	3,734
Other income	22	17,916	79,812
Foreign exchange gains/(losses)		24,882	(5,343)
Contributions to JN Foundation		(16,911)	(18,792)
Profit before taxation		503,168	621,947
Taxation	23	(142,057)	(138,773)
Profit for the year		361,111	483,174
Other comprehensive income/(loss):			
Items that will never be reclassified to profit or loss:			
Remeasurement of retirement benefits obligation	16(d)	49,764	(32,551)
Deferred tax on retirement benefits obligation	9	(16,588)	10,850
		33,176	(21,701)
Items that are or may be reclassified to profit or loss:			
Net change in fair value of available for sale assets		217,177	258,085
Released on disposal of investments		(107,806)	(122,180)
	23(c)	109,371	135,905
Total other comprehensive income for the year		142,547	114,204
Total comprehensive income for the year		503,658	597,378

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2018

	Share capital (note 17) $'000	Capital reserve (note 18) $'000	Investment revaluation reserve (note 19) $'000	Retained earnings $'000	Total $'000
Balances at December 31, 2016	72,900	11,197	150,921	4,673,253	4,908,271
Comprehensive income:					
Profit for the year	-	-	-	483,174	483,174
Other comprehensive income:					
Remeasurement of retirement benefit obligation [note 16(d)]	-	-	-	(32,551)	(32,551)
Deferred tax on employee benefits obligation (note 9)	-	-	-	10,850	10,850
Net change in fair value of available for sale assets	-	-	258,085	-	258,085
Released on disposal of investments	-	-	(122,180)	-	(122,180)
Total comprehensive income for the year	-	-	135,905	461,473	597,378
Dividends:					
Preference (20%)	-	-	-	(4,860)	(4,860)
Ordinary ($11.213992 per share)	-	-	-	(545,000)	(545,000)
Total dividends	-	-	-	(549,860)	(549,860)
Balances at December 31, 2017	72,900	11,197	286,826	4,584,866	4,955,789
Comprehensive income:					
Profit for the year	-	-	-	361,111	361,111
Other comprehensive income:					
Remeasurement of retirement benefit obligation [note 16(d)]	-	-	-	49,764	49,764
Deferred tax on retirement benefits obligation (note 9)	-	-	-	(16,588)	(16,588)
Net change in fair value of available for sale assets	-	-	217,177	-	217,177
Released on disposal of investments	-	-	(107,806)	-	(107,806)
Total comprehensive income for the year	-	-	109,371	394,287	503,658
Dividends:					
Preference (20%)	-	-	-	(4,860)	(4,860)
Ordinary ($17.283951 per share)	-	-	-	(840,000)	(840,000)
Total dividends	-	-	-	(844,860)	(844,860)
Balances at December 31, 2018	72,900	11,197	396,197	4,134,293	4,614,587

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		361,111	483,174
Adjustments for:			
Amortisation of intangible asset	6	40,949	35,620
Depreciation on property, plant and equipment	7	43,253	53,543
Depreciation on investment properties	8	4,338	4,309
Gain on disposal of intangible asset and property, plant and equipment		(3,661)	(3,734)
Gain on disposal of investments	21	(103,270)	(138,963)
Gain on disposal of subsidiary	22	-	(63,313)
Insurance contract provisions, net		(160,289)	(192,735)
Post-retirement benefit		26,556	20,589
Unrealised foreign exchange (gains)/losses		(24,882)	5,343
Interest income	21	(335,949)	(470,970)
Impairment of investments		29,529	-
Current tax expense	23(a)	167,897	164,508
Deferred taxation	9,23(a)	(25,840)	(25,735)
		19,742	(128,364)
Changes in:			
Insurance receivables and deferred expenses		(171,219)	71,272
Other accounts receivable		132,191	(153,545)
Accounts payable and accrued charges		27,542	(5,684)
Insurance payables and deferred income		26,275	53,577
Due to related entities		(24,373)	(42,595)
Due to JN Bank Limited		-	(57)
Due to subsidiary		-	(11,272)
		10,158	(216,668)
Interest received		345,897	479,013
Taxes paid		(121,209)	(189,734)
Net cash provided by operating activities		234,846	72,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible asset	6	(14,545)	(20,568)
Additions to property, plant and equipment	7	(11,381)	(14,453)
Additions to investment properties	8	(106)	(1,435)
Additions to investments, net		496,875	380,429
Proceeds on disposal of subsidiary		-	63,313
Proceeds on disposal of intangible asset and property, plant and equipment		3,661	3,742
Net cash provided by investing activities		474,504	411,028
Net cash from operating and investing activities c/f		709,350	483,639

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Cash Flows (Continued)
Year ended December 31, 2018

	Notes	2018 $'000	2017 $'000
Net cash from operating and investing activities b/f		709,350	483,639
CASH FLOWS FROM FINANCING ACTIVITIES			
Ordinary dividends paid	17	(840,000)	(545,000)
Preference dividends paid		(4,860)	(4,860)
Net cash used by financing activities		(844,860)	(549,860)
Net decrease in cash and cash equivalents		(135,510)	(66,221)
Effect of exchange rate changes on cash and cash equivalents		7,492	1,850
Cash and cash equivalents at beginning of year		176,458	240,829
Cash and cash equivalents at end of year		48,440	176,458
Comprised of:			
Cash and cash equivalents		55,751	185,655
Bank overdraft		(7,311)	(9,197)
		48,440	176,458

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2018

1. The company

JN General Insurance Company Limited ("the company") is incorporated and domiciled in Jamaica. The registered office is located at 9 King Street, Kingston. The company is a 99.5% subsidiary of JN Financial Group Limited ("parent company") which is 100% owned by The Jamaica National Group Limited ("ultimate parent"). These entities were incorporated in Jamaica under the Jamaican Companies Act. On February 1, 2017, the parent Society (The Jamaica National Building Society) was converted to a commercial bank and renamed JN Bank Limited. Simultaneously, the ordinary shares of the company were transferred to JN Financial Group Limited under a court approved Scheme of Arrangement.

The principal activity of the company is the underwriting of general insurance business.

Up to February 1, 2017 the company had a 100% interest in The Jamaica Automobile Association (Services) Limited (JAA). Under the Scheme of Arrangement by which JN Group has been reorganised under three distinct holding companies, ownership of JAA passed to MCS Group Limited with The Jamaica National Group Limited being the ultimate parent company.

2. Licence and regulations

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

3. Responsibilities of the appointed actuary and external auditors

Xavier Benarosch of Eckler Partners Limited has been appointed actuary by the Board of Directors pursuant to the Act. With respect to the preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the company's policy liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, less reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation. 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, in his verification of the management information provided by the company, and used in valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been 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 and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

Details of the company’s accounting policies, including changes during the year, are included in notes 33 and 34.

(b) Basis of preparation and measurement:

The financial statements are prepared on the historical cost basis, except for the following:

- available-for-sale financial assets are measured at fair value.
- the liability for defined-benefit obligations is recognised as the present value of the defined-benefit obligations.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the company, and are expressed in thousands of dollars unless otherwise stated.

(d) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expenses for the year then ended. Although these estimates are based on management’s best knowledge of current events and actions, actual amounts could differ from these estimates.

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in note 5.

(e) Comparative information:

Wherever necessary, the comparative figures are reclassified to conform to current year's presentation.

5. Accounting estimates and judgements

Note 26 contains information about the assumptions and uncertainties relating to insurance liability and discloses the risk factors in these contracts. Note 29 contains information about the risks and uncertainties associated with financial instruments.

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:

(a) Key sources of estimation uncertainty:

(i) Post-retirement medical benefits:

The amounts recognised in the statement of financial position and profit or loss and other comprehensive income for post-retirement medical benefits and supplementary pensions paid to certain pensioners, are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the company's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(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 determined by the company's actuary using the company's past loss experience and industry data.

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

Management believes, based on the analysis completed by its 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.

5. Accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd):

(iii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, through default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(iv) Valuation of financial instruments:

The company's accounting policy on fair value measurements is discussed in notes 34 (d) and 34 (q).

The company measures fair values using the fair value hierarchy [note 28(ii)] that reflects the significance of the inputs used in making the measurements:

(a) Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.

(b) Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(c) Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the company determines fair values using valuation techniques.

5. Accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd):

(iv) Valuation of financial instruments (cont'd):

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values for levels 2 and 3. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(v) Residual value and expected useful life of property, plant and equipment and investment property:

The residual value and expected useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the assets expected utility to the company.

(b) Critical accounting judgements in applying accounting policies:

(i) Impairment of investment in equity securities:

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [note 34(n)].

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the company regards a decline in fair value in excess of 20 percent to be "significant" and a decline in a quoted market price that persists for nine months or longer to be "prolonged".

(ii) Deferred tax asset:

The recognition of a deferred tax asset requires management to make assumptions concerning future taxable profits against which deferred tax assets can be recovered.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

6. Intangible asset

	Computer software $'000
At cost:	
December 31, 2016	253,480
Additions	20,568
December 31, 2017	274,048
Additions	14,545
December 31, 2018	288,593
Amortisation:	
December 31, 2016	172,949
Charge for the year	35,620
December 31, 2017	208,569
Charge for the year	40,949
December 31, 2018	249,518
Carrying amount:	
December 31, 2018	39,075
December 31, 2017	65,479

7. Property, plant and equipment

	Land and buildings $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
At cost:				
December 31, 2016	322,385	373,971	50,991	747,347
Additions	-	14,453	-	14,453
Disposals	-	(20)	(9,708)	(9,728)
December 31, 2017	322,385	388,404	41,283	752,072
Additions	-	8,293	3,088	11,381
Disposals	-	(38)	(7,459)	(7,497)
December 31, 2018	322,385	396,659	36,912	755,956
Depreciation:				
December 31, 2016	81,777	293,336	35,791	410,904
Charge for the year	7,509	38,456	7,578	53,543
Eliminated on disposals	-	(12)	(9,708)	(9,720)
December 31, 2017	89,286	331,780	33,661	454,727

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

7. Property, plant and equipment (cont'd)

	Land and buildings $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Depreciation (cont'd):				
December 31, 2017	89,286	331,780	33,661	454,727
Charge for the year	7,509	29,818	5,926	43,253
Eliminated on disposals	-	(38)	(7,459)	(7,497)
December 31, 2018	96,795	361,560	32,128	490,483
Carrying amounts:				
December 31, 2018	225,590	35,099	4,784	265,473
December 31, 2017	233,099	56,624	7,622	297,345

Included in land and buildings is the cost of land at $18,466,000 (2017: $18,466,000).

8. Investment properties

	Total $'000
At cost:	
December 31, 2016	172,022
Additions	1,435
December 31, 2017	173,457
Additions	106
December 31, 2018	173,563
Depreciation:	
December 31, 2016	23,251
Charge for the year	4,309
December 31, 2017	27,560
Charge for the year	4,338
December 31, 2018	31,898
Carrying amount:	
December 31, 2018	141,665
December 31, 2017	145,897

8. Investment properties (cont'd)

	2018 $'000	2017 $'000
Fair value of investment properties (see note below)	237,600	237,600
Income earned from the properties	14,408	16,093
Expenses incurred by the properties	12,495	8,807

Investment properties are valued every three years by an independent professional valuator and in the intervening years by management, based on professional advice received.

Investment properties were valued between October and December 2017 by The C.D. Alexander Company Realty Limited on the open market basis.

Measurement of fair value:

The company's accounting policy on investment properties is disclosed in note 34(c). The following table shows the valuation technique used in measuring the fair value as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter relationship between key inputs and fair measurement**
Income approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream. The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.	• Expected market rental growth yields • Rental rates	The estimated fair value would increase/(decrease) if: (a) Expected market rental growth were higher/(lower); (b) The occupancy rates were higher/(lower); (c) Rent-free periods were shorter/(longer); or (d) Yields were lower/(higher)

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

9. Deferred taxation

Deferred taxation assets are attributable to the following:

	Assets	
	2018	2017
Intangible asset	29,988	20,320
Property, plant and equipment	25,616	21,621
Accrued investment income	(27,226)	(30,611)
Other accounts payable	1,756	1,855
Investment properties	(949)	(880)
Gain on exchange	54	(54)
Retirement benefits	67,497	75,233
Net deferred tax assets	96,736	87,484

Movement in temporary differences during the year are as follows:

	2018 $'000	Recognised in income $'000 (note 23)	Recognised in other comprehensive income $'000	2017 $'000	Recognised in income $'000 (note 23)	Recognised in other comprehensive income $'000	2016 $'000
Intangible asset	29,988	9,668	-	20,320	8,732	-	11,588
Property, plant and equipment	25,616	3,995	-	21,621	6,077	-	15,544
Accrued investment income	(27,226)	3,385	-	(30,611)	3,968	-	(34,579)
Other accounts payable	1,756	(99)	-	1,855	85	-	1,770
Investment properties	(949)	(69)	-	(880)	(98)	-	(782)
Gain on exchange	54	108	-	(54)	108	-	(162)
Retirement benefits obligation	67,497	8,852	(16,588)	75,233	6,863	10,850	57,520
	96,736	25,840	(16,588)	87,484	25,735	10,850	50,899

10. Investments

	2018 $'000	2017 $'000
Available-for-sale securities:		
Quoted equities	488,518	451,227
Unit trust	37,369	30,496
Government of Jamaica Securities:		
J$ local bonds	2,986,631	2,928,991
US$ global bonds	215,276	-
Treasury bills	90,377	157,467
Fixed rate indexed note	69,945	-
Certificates of deposit	150,000	-
Government of Barbados bond (i)	34,310	51,501
Other bonds, secured	62,581	635,916
Other bonds, unsecured	991,443	286,985
Certificates of deposit	372,517	1,000,133
	5,498,967	5,542,716

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

10. Investments (cont'd)

(i) This is stated after deducting provision for impairment of $29,529,000 (2017: $Nil).

Investments totalling $45,000,000 (2017: $45,000,000) are held to the order of the Financial Services Commission as required by the Insurance Act 2001 and $8,000,000 (2017: $8,000,000) to the order of National Commercial Bank Jamaica Limited as guarantee for the bank overdraft facility.

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

	2018 $'000	2017 $'000
No specific maturity	525,887	481,723
Within 3 months	1,403,521	875,591
3 months to 1 year	1,155,993	834,884
1 year to 5 years	1,676,725	2,463,330
Over 5 years	736,841	887,188
	5,498,967	5,542,716

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 period ended December 31, 2018, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

Financial asset	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Securities purchased under resale agreement	1,229,097	1,408,090	178,993	-	-
Other investments	682,839	682,839	-	-	-
Bonds and debentures	4,290,241	4,290,241	-	-	-
Quoted equities	488,518	-	-	488,518	-
Unit Trust	37,369	-	-	37,369	-
	6,728,064	6,381,170	178,993	525,887	-

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

10. Investments (cont'd)

Credit risk:

The following table presents the credit risk ratings of SPPI financial assets as at December 31, 2018:

Credit rating	Carrying value amount $'000	Fair value $'000	% of fair value
Bonds and debentures and other investments:			
B3	4,938,770	4,938,770	99%
SD	34,310	34,310	1%
	4,973,080	4,973,080	100%
Securities purchased under resale agreement:			
B3	1,229,097	1,408,090	100%

11. Reinsurance assets and insurance contract provisions

(a) Analysis of movements in insurance contract provisions:

	2018			2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims outstanding	1,749,037	125,608	1,623,429	2,219,107	376,638	1,842,469
Unearned premiums	2,222,017	1,082,220	1,139,797	2,232,751	1,151,705	1,081,046
	3,971,054	1,207,828	2,763,226	4,451,858	1,528,343	2,923,515

(b) Claims outstanding:

	2018			2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims notified	1,515,162	346,307	1,168,855	1,534,353	193,389	1,340,964
Claims incurred but not reported	703,945	30,331	673,614	719,501	22,740	696,761
Balance at January 1	2,219,107	376,638	1,842,469	2,253,854	216,129	2,037,725
Claims incurred	1,125,718	61,816	1,063,902	1,468,762	383,248	1,085,514
Claims paid in year	(1,595,788)	(312,846)	(1,282,942)	(1,503,509)	(222,739)	(1,280,770)
Change in outstanding claims provision	(470,070)	(251,030)	(219,040)	(34,747)	160,509	(195,256)
Balance at December 31	1,749,037	125,608	1,623,429	2,219,107	376,638	1,842,469
Claims notified	1,027,091	88,335	938,756	1,515,162	346,307	1,168,855
Claims incurred but not reported	721,946	37,273	684,673	703,945	30,331	673,614
Balance at December 31	1,749,037	125,608	1,623,429	2,219,107	376,638	1,842,469

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

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

(b) Claims outstanding (cont'd):

Outstanding claims include gross claims payable of $30,846,000 (2017: $11,398,000) under policies issued to related parties.

(c) Unearned premiums:

	2018			2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance January 1	2,232,751	1,151,705	1,081,046	2,253,243	1,174,718	1,078,525
Premiums written during the year	4,875,520	2,632,751	2,242,769	5,203,371	3,065,542	2,137,829
Premiums earned during the year	(4,886,254)	(2,702,236)	(2,184,018)	(5,223,863)	(3,088,555)	(2,135,308)
Balance December 31	2,222,017	1,082,220	1,139,797	2,232,751	1,151,705	1,081,046

(d) Gross unearned premiums are analysed as follows:

	2018 $'000	2017 $'000
Liability	137,127	136,591
Motor	909,166	869,944
Pecuniary loss	4,182	4,466
Personal Accident	10,488	9,128
Marine	5,565	5,907
Property	1,091,109	1,142,214
Engineering	64,380	64,501
	2,222,017	2,232,751

12. Securities purchased under resale agreements

Securities purchased under resale agreements are due from the reporting date as follows:

	2018 $'000	2017 $'000
Within 3 months	1,055,520	1,085,814
3 months to 1 year	173,577	395,907
	1,229,097	1,481,721

The fair value of securities held as collateral for securities purchased under resale agreements as at December 31, 2018 was $1,408,090,000 (2017: $1,509,227,000).

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

13. Insurance receivables and deferred expenses

	2018 $'000	2017 $'000
Premiums receivable	623,150	466,073
Due from other insurance companies	31,109	23,352
	654,259	489,425
Less: Allowance for impairment	(19,562)	(10,953)
	634,697	478,472
Deferred commission expense	143,160	128,166
	777,857	606,638

Movement on provision for impairment of insurance and other receivables are as follows:

	2018 $'000	2017 $'000
Balance at January 1	10,953	24,473
Amount expensed during year	8,790	6,857
Amount written-off during year	(181)	(20,377)
Balance at December 31	19,562	10,953

Information relating to credit risk management and maturity profile of insurance and other receivables are outlined in more detail in note 29(b).

The analysis of the deferred commission expense is as follows:

	2018 $'000	2017 $'000
Balance at January 1	128,166	123,929
Commission paid	323,636	291,120
Transfers to profit or loss	(308,642)	(286,883)
Balance at December 31	143,160	128,166

14. Accounts payable and accrued charges

	2018 $'000	2017 $'000
Accruals	108,893	88,791
G.C.T. and withholding tax payable	30,450	25,845
Statutory deductions	25,381	22,546
	164,724	137,182

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

15. Insurance payables and deferred income

	2018 $'000	2017 $'000
Due to reinsurers	272,264	296,155
Due to policyholders, brokers and agents	88,105	75,031
Deferred commission income	226,840	189,748
	587,209	560,934

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

	2018 $'000	2017 $'000
Balance at January 1	189,748	178,241
Commission received	623,185	432,393
Commission earned	(586,093)	(420,886)
Balance at December 31	226,840	189,748

16. Retirement benefits obligation

The amounts recognised in the statement of financial position are as follows:

	2018 $'000	2017 $'000
Post retirement health benefits obligation	195,837	219,150
Supplementary pension benefit	6,655	6,550
	202,492	225,700

Post-retirement health benefits obligation:

(a) Liability recognised in the statement of financial position:

	2018 $'000	2017 $'000
Present value of unfunded obligations	195,837	219,150

(b) Movements in the net liability recognised in the statement of financial position:

	2018 $'000	2017 $'000
Balance at January 1	219,150	165,247
Contributions paid	(2,402)	(2,141)
Expense recognised in profit or loss	28,853	23,493
Re-measurement (gain)/loss on obligation	(49,764)	32,551
Balance at December 31	195,837	219,150

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

16. Retirement benefits obligation (cont'd)

Post-retirement health benefits obligation (cont'd):

(c) Expenses recognised in profit or loss:

	2018 $'000	2017 $'000
Current service costs	10,571	7,997
Interest on obligation	18,282	15,496
	28,853	23,493

(d) Included in other comprehensive income:

	2018 $'000	2017 $'000
Re-measurement (gain)/loss on obligation arising from:		
Changes in financial assumptions	(47,027)	(522)
Experience adjustments	(2,737)	33,073
	(49,764)	32,551

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	7.0	8.0
Future increases in medical premium	5.0	7.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

(f) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

	One-half percentage point increase $ $'000	One-half percentage point decrease $ $'000
Discount rate	(19,300)	22,205
Future medical cost	22,205	(19,300)

16. Retirement benefits obligation (cont'd)

Supplementary pension benefit:

The company provides supplementary pension for 4 pensioners (2017: 4); the defined benefit obligation in respect of these pensioners was $6,655,000 at December 31, 2018 (2017: $6,550,000).

17. Share capital

	2018 $'000	2017 $'000
Authorised:		
75,000,000 ordinary shares of no par value		
25,000,000 - 20% cumulative preference shares of no par value		
Issued and fully paid:		
48,600,000 ordinary shares	48,600	48,600
24,300,000 - 20% cumulative preference shares	24,300	24,300
	72,900	72,900

The preference shares carry voting rights of one vote for each share held.

During the year the company declared and paid interim dividends of $840,000,000 (2017: $545,000,000) to its shareholders on record as at the date of declaration of the dividends.

18. Capital reserve

	2018 $'000	2017 $'000
Realised:		
Gains on disposal of investments and property, plant and equipment	5,749	5,749
Capital dividends received	5,448	5,448
	11,197	11,197

19. Investment revaluation reserve

Investment revaluation reserve represents unrealised gains/losses arising on revaluation of available-for-sale securities.

20. Operating expenses

	2018 $'000	2017 $'000
Administration	373,759	321,400
Employee costs (note 31)	694,948	648,028
Directors' emoluments	38,409	35,290
Advertising and promotions	54,577	67,050
Auditors' remuneration	11,326	12,039
Bad debts written-off	8,790	6,857
Depreciation and amortisation	84,202	89,163
Legal and professional fees	78,938	71,618
	1,344,949	1,251,445

21. Investment income

	2018 $'000	2017 $'000
Interest income - available-for-sale financial assets	335,949	470,970
Dividend income – available-for-sale financial assets	9,399	12,965
Rental income, net	1,913	7,286
	347,261	491,221
Net gain on disposal of available-for-sale financial assets	103,270	138,963
Total investment income, net	450,531	630,184

22. Other income

Other income includes $Nil (2017: $63,313,000) recognised as gain on the sale of subsidiary (see note 1). The investment in subsidiary was previously recorded at $1 and the gain recognised reflected the actual proceeds of the sale.

23. Taxation

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

	2018 $'000	2017 $'000
(i) Current taxation: Income tax at 33⅓%	167,897	164,508
(ii) Deferred taxation: Origination and reversal of temporary differences (note 9)	(25,840)	(25,735)
	142,057	138,773

Deferred tax is computed at 33⅓%.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

23. Taxation (cont'd)

(b) Reconciliation of actual tax expense:

The effective tax rate was 28.23% (2017: 22.31%) of pre-tax profits compared to a statutory tax rate of 33⅓%. The actual expense differed from the "expected" tax expense for the year as follows:

	2018 $'000	2017 $'000
Profit before taxation	503,168	621,947
Computed "expected" tax charge at 33⅓%	167,722	207,316
Depreciation, amortisation and capital allowances	334	1,020
Other	11,790	12,371
Tax exempt revenues	(1,530)	(6,578)
Capital gains	(36,259)	(75,585)
Dividend income	-	229
	142,057	138,773

(c) There is no taxation on other comprehensive income/(loss) items that are or may be reclassified to profit or loss.

24. Related parties

(i) The statement of financial position includes balances, arising in the ordinary course of business with related parties, as follows:

	2018 $'000	2017 $'000
(i) JN Bank Limited:		
Cash and cash equivalents	18,670	14,851
Certificates of deposit	372,517	300,791
Accrued investment income	6,233	1,945
Due from/(to) related party	6,920	(12,627)
(ii) JN Fund Managers Limited:		
Securities purchased under resale agreements	-	24,798
Other receivables	-	159,575
Accrued investment income	-	10
Accounts payable	-	(2,500)
(iii) The Jamaica Automobile Association (Services) Limited		
Due to related party	(2,805)	(8,266)
(iv) Management Control Systems Limited:		
Property, plant and equipment purchased	-	1,627

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2018

24. Related parties (cont'd)

(i) (Cont'd):

	2018 $'000	2017 $'000
(v) MCS Group Limited		
Due from related party	63,313	63,313
(vi) The Creative Unit Limited		
Accounts payable	-	(4,644)
(vii) JN Financial Group Limited		
Due to parent company	(1,995)	-

(ii) The profit or loss includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

		2018 $'000	2017 $'000
Income:			
Management fee	- related party	600	600
Interest income	- fellow subsidiary	14,337	24,163
Gross written premiums	- fellow subsidiaries	134,083	106,187
	- JN Pension Fund	1,577	1,217
	- parent company	775	469
	- ultimate parent company	10,565	7,920
Expenses:			
Computer maintenance	- fellow subsidiary		6,726
Life insurance premium	- fellow subsidiary	8,984	5,946
Management fees	- parent company	3,487	34,642
	- fellow subsidiary	6,566	-
	- ultimate parent company	88,904	-
Investment management fees	- fellow subsidiary	5,000	2,500
Advertising	- fellow subsidiary	25,237	27,218
Rental expense	- fellow subsidiary	4,954	5,457
Client assistance services	- related party	61,842	65,017
	- related parties	6,762	5,917
Telephone expenses	- related parties	1,396	-
Repairs and maintenance	- related parties	2,532	-

	2018 $'000	2017 $'000
Transactions with key management personnel (directors and senior executives)		
Short-term employment benefits:		
Post-employment	Nil	Nil
Salaries, included in employee costs (note 31)	53,180	61,861

25. Reinsurance limits

The company has property catastrophe reinsurance up to a maximum of $56.637 billion (2017: $48.57 billion) of which the Property and Condominium Strata Quota Share is $46.24 billion (2017: $43.47 billion) and Engineering Quota Share is $4.847 billion (2017: $4.188 billion) and Catastrophe Excess of Loss $5.55 billion (2017: $5.1 billion) per event under which it is liable for the first $400 million (2017: $400 million) of losses in accordance with the terms of the treaty. Motor catastrophe reinsurance cover is US$10 million (2017: US$10 million) per event. The company limits its net exposure to a maximum amount on any one risk (property and engineering) or loss (the other classes) of US$900,000 (2017: US$900,000) for property claims, US$60,000 (2017: US$60,000) on contractors all risks and other engineering exposures, $25 million on performance, tender and mobilisation bonds, $10 million on motor, personal accident, public and employer's liability and fidelity bonds; and $5 million on fidelity guarantee bonds for the years ended December 31, 2018 and 2017.

26. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The company's management of insurance and financial 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 policies written by the company are:

Liability insurance
Property insurance
Motor insurance

(a) Underwriting policy

The company manages 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 analyses.

The company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce an underwriting result 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 objectives.

26. Insurance risk management (cont'd)

(b) 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 results in credit risk. The company manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which have favourable credit ratings as determined by a reputable rating agency. The company monitors the financial condition of re-insurers 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 and for monitoring its adequacy on an ongoing basis. Credit risk on reinsurance is discussed in more detail in note 29(b).

(c) Terms and conditions of general insurance contracts

All general insurance contracts are issued for one year. 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 bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay.

26. Insurance risk management (cont'd)

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property (cont'd)		Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for 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 bodily 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 deteriorating condition of the road network, failure of some motorists to obey traffic signals and the road code and an overall increase in the incidence of motor vehicle accidents. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. The bodily injury claims have a relatively long tail.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, 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.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The company re-prices each contract to reflect the continually evolving risk profile. The company uses strict underwriting criteria to ensure that the risk of losses is acceptable.

26. Insurance risk management (cont'd)

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

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.

(d) Risk exposure and concentrations of risk:

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

	Liability $'000	Property $'000	Motor $'000	Other $'000	Total $'000
At December 31, 2018					
Gross	267,771	40,730	1,433,100	7,436	1,749,037
Net of reinsurance	215,157	7,069	1,397,156	4,047	1,623,429
At December 31, 2017					
Gross	293,969	290,510	1,613,785	20,843	2,219,107
Net of reinsurance	215,428	39,634	1,580,892	6,515	1,842,469

(e) 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 developed over time. The estimates are increased or decreased as losses are paid and more information becomes 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.

Analysis of net claims development:

	Accident year						
	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
Estimate of cumulative claims at end of accident year	2,196,651	899,093	1,039,487	1,285,664	1,212,574	1,102,581	
- one year later	2,039,279	775,982	969,568	1,186,365	1,175,304	-	
- two years later	1,955,082	734,173	936,815	1,205,337	-	-	
- three years later	1,973,608	738,773	954,524	-	-	-	
- four years later	1,975,640	734,804	-	-	-	-	
- five years later	1,941,430	-	-	-	-	-	
Estimate of cumulative claims	1,941,430	734,804	954,524	1,205,337	1,175,304	1,102,581	7,113,980
Cumulative payments	(1,675,799)	(640,093)	(823,309)	(977,192)	(926,476)	(447,682)	(5,490,551)
Net outstanding liabilities	265,631	94,711	131,215	228,145	248,828	654,899	1,623,429

27. Concentration of insurance risks

A key aspect of the insurance risk faced by the company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon its liabilities. Such concentration may arise from a single insurance contract or through a portfolio of related contracts.

The main concentration risk to which the company is exposed is natural disasters. By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the company because the occurrence of an event could have a significantly adverse effect on its cash flows.

The company's key methods in managing these risks are twofold:

(a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the company's underwriting policy [note 26 (a)].

(b) Secondly, the risk is managed through the use of reinsurance [note 26(b)]. The company arranges proportional reinsurance at the risk level and purchases excess of loss cover for motor, liability and property business. The company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

28. Fair values of financial instruments

(i) Fair values were estimated as follows:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Financial instruments	Method
Government of Jamaica securities and other corporate bonds.	Determined at the reporting date using yields published by a broker. Where prices are not available fair value is assumed to approximate amortised cost.
Government of Jamaica US$ Global bonds and other corporate bonds.	Prices of bonds at reporting date as quoted by broker/dealer, where available.
Cash and cash equivalents, short-term investment, insurance and other receivables, insurance and other payables, reinsurance assets and insurance contract provisions.	Assumed to approximate their carrying values, due to their short-term nature.
Quoted equities	Bid prices published by the Jamaica Stock Exchange.
Unitised funds	Unit prices provided by the fund manager.

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

(i) Fair values were estimated as follows (cont'd):

The following table sets out the fair values of financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as property, plant and equipment.

	2018		2017	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial assets:				
Securities purchased under resale agreements	1,229,097	1,408,090	1,481,721	1,509,227
Investments	5,498,967	5,498,967	5,542,716	5,542,716
Insurance receivables	634,697	634,697	478,472	478,472
Accrued investment income	85,746	85,746	95,694	95,694
Due from related entities	71,768	71,768	63,488	63,488
Reinsurance assets	125,608	125,608	376,638	376,638
Cash and cash equivalents	55,751	55,751	185,655	185,655
	7,701,634	7,880,627	8,224,384	8,251,890
Financial liabilities:				
Bank overdraft	7,311	7,311	9,197	9,197
Accounts payable	164,724	164,724	137,182	137,182
Insurance payables	360,369	360,369	371,186	371,186
Insurance contract provision	1,749,037	1,749,037	2,219,107	2,219,107
Due to related entities	4,800	4,800	20,893	20,893
	2,286,241	2,286,241	2,757,565	2,757,565

(ii) Determination of fair value and fair values hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

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

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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.

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

(ii) Determination of fair value and fair values hierarchy (cont'd):

The company considers relevant and observable market prices in its valuations where possible. The table below analyses available for sale financial instruments which are carried at fair value.

	2018			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Investments	525,887	4,973,080	-	5,498,967

	2017			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Investments	481,723	5,060,993	-	5,542,716

29. Financial risk management

(a) Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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 its 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, assess and measure the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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, within the policy guidelines, optimise the net risk-adjusted 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.

29. Financial risk management (cont'd)

(a) Overview (cont'd)

The company manages financial risk by matching the timing of cash flows from assets and liabilities. The company actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits, with the objective of ensuring that the company can meet its obligations without undue cost and in accordance with its internal and regulatory capital requirements.

(b) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations.

The company's key areas of exposure to credit risk include:

(i) debt securities and cash balances
(ii) amounts due from policyholders
(iii) amounts due from intermediaries
(iv) reinsurers' share of insurance liabilities
(v) amounts due from reinsurers in respect of payments already made to policyholders.

Counterparty credit risk

With the exception of Government of Jamaica securities, there is no significant concentration of credit risk related to liquid fund and debt securities. Additionally, these assets are held with financial institutions which management regards as reputable and sound. These entities are regularly reviewed and risk rated by the Risk Management Unit of the ultimate parent company.

Cash and cash equivalents:

These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

Investment securities and resale agreements:

These debt securities are mainly government issued debt for which risk of default is considered low by regulators. The company observes the concentration limits as prescribed by the Insurance Regulations. The company is in compliance with Insurance Regulations, 2001 and the company's Investment and Loan Policy.

At the reporting date, the maximum exposure is represented by the carrying amount of financial assets shown on the statement of financial position. There was no change in the company's exposure to credit risk, or the manner in which it manages and measures credit risk.

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

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Management of credit risk

The company manages its credit risk in respect of debt securities by investing mainly in government issued debts, debts secured by government issued securities and financial institutions which management regards as reputable and sound. These entities are regularly reviewed and risk rated by the Risk Management Unit of the ultimate parent company.

Its exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process.

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, and assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations.

	AA $'000	A $'000	B $'000	SD $'000	Not rated $'000	Total $'000
December 31, 2018						
Financial assets						
Carrying amount	-	-	6,167,867	34,310	-	6,202,177
Reinsurance assets (excluding unearned premium reserve):						
Carrying amount	-	125,608	-	-	-	125,608
Insurance and other receivables (excluding prepayments)						
Impaired	-	-	-	-	19,562	19,562
Neither past due nor impaired	-	-	-	-	339,140	339,140
Past due but not impaired	-	-	-	-	385,152	385,152
Carrying amount	-	-	-	-	743,854	743,854
Cash and cash equivalents:						
Carrying amount	-	-	-	-	55,751	55,751
	-	125,608	6,167,867	34,310	799,605	7,127,390

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Notes to the Financial Statements (Continued)
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29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Management of credit risk (cont'd)

	AA $'000	A $'000	B $'000	Not rated $'000	Total $'000
December 31, 2017					
Financial assets					
Carrying amount	-	-	6,512,139	30,575	6,542,714
Reinsurance assets (excluding unearned premium reserve):					
Carrying amount	-	376,638	-	-	376,638
Insurance and other receivables (excluding prepayments)					
Impaired	-	-	-	10,953	10,953
Neither past due nor impaired	-	-	-	429,929	429,929
Past due but not impaired	-	-	-	263,826	263,826
Carrying amount	-	-	-	704,708	704,708
Cash and cash equivalents:					
Carrying amount	-	-	-	185,655	185,655
	-	376,638	6,512,139	920,938	7,809,715

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

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

Concentrations of credit risk

The specific concentration of risk from one counterparty or group of connected counterparties with receivables of $25 million or more is as follows:

	2018 $'000	2017 $'000
Allied Insurance Brokers Limited	45,267	40,950
Billy Craig Insurance Brokers Limited	66,746	53,731
CGM Gallagher Insurance Brokers Limited	49,401	37,984
Desmond Mair Insurance Brokers Limited	39,357	31,598
Fraser Fontaine & Kong Insurance Brokers	25,552	18,335
Maritime General Insurance Brokers Limited	72,090	68,449
Nationwide Insurance Agents & Consultants	47,867	32,954
Thwaites Finson Sharp Insurance Brokers	52,504	18,004
	398,784	302,005

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Notes to the Financial Statements (Continued)
December 31, 2018

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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 these insurance and other receivables is presented below.

	2018				
	Less than 45 days	46-60 days	More than 60 days	Not aged	Total
	$'000	$'000	$'000	$'000	$'000
Receivable arising from insurance and reinsurance contracts					
- contract holders	67,494	11,575	43,989	-	123,058
- agents, brokers and intermediaries	150,942	74,050	275,100	31,109	531,201
	218,436	85,625	319,089	31,109	654,259
Allowance for impairment	-	-	(19,562)	-	(19,562)
	218,436	85,625	299,527	31,109	634,697

	2017				
	Less than 45 days	46-60 days	More than 60 days	Not aged	Total
	$'000	$'000	$'000	$'000	$'000
Receivable arising from insurance and reinsurance contracts					
- contract holders	56,611	9,823	25,847	-	92,281
- agents, brokers and intermediaries	123,630	31,154	219,008	23,352	397,144
	180,241	40,977	244,855	23,352	489,425
Allowance for impairment	-	-	(10,953)	-	(10,953)
	180,241	40,977	233,902	23,352	478,472

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Assets that are individually impaired:

The analysis of overall credit risk exposure indicates that the company has insurance and other receivables and investments that are impaired at the reporting date. The assets that are individually impaired are analysed below:

	2018		2017	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Investments	63,839	34,310	51,501	51,501
Insurance and other receivables	19,562	-	10,953	-
	83,401	34,310	62,454	51,501

The above assets have been individually assessed as impaired after considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

(c) Liquidity risk

Liquidity risk is the potential for loss to the company arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. Liquidity risk is broken down into two primary categories:

i. *Funding Liquidity Risk* - the risk that the company will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and

ii. *Asset/Market Liquidity Risk* - is the company's inability to liquidate assets in an orderly fashion and the resulting loss on liquidation. This usually stems from illiquid markets or market disruptions.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it has 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 a liquidity limit imposed by the regulator. The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities. This ratio at the reporting date was 122% (2017: 128%). The level set by the regulator is 95%.

29. Financial risk management (cont'd)

(c) 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.

	2018						
	Contractual undiscounted cash flows						
	Carrying Amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2 -5 years $'000	More than 5 years $'000
Financial liabilities							
- Bank overdraft	7,311	7,311	7,311	-	-	-	-
- Accounts payable and accrued charges	164,724	164,724	164,724	-	-	-	-
- Insurance payables	360,369	360,369	360,369	-	-	-	-
- Due to related parties	4,800	4,800	4,800	-	-	-	-
Total financial liabilities	537,204	537,204	537,204	-	-	-	-
Insurance contract liabilities:							
- Claims outstanding	1,749,037	1,749,037	305,282	389,812	548,462	307,439	198,042
	2,286,241	2,286,241	842,486	389,812	548,462	307,439	198,042

	2017						
	Contractual undiscounted cash flows						
	Carrying Amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2 -5 years $'000	More than 5 years $'000
Financial liabilities							
- Bank overdraft	9,197	9,197	9,197	-	-	-	-
- Accounts payable and accrued charges	137,182	137,182	137,182	-	-	-	-
- Insurance payables	371,186	371,186	371,186	-	-	-	-
- Due to related parties	20,893	20,893	20,893	-	-	-	-
Total financial liabilities	538,458	538,458	538,458	-	-	-	-
Insurance contract liabilities:							
- Claims outstanding	2,219,107	2,219,107	535,979	447,396	580,991	354,518	300,223
	2,757,565	2,757,565	1,074,437	447,396	580,991	354,518	300,223

There was no change in the nature of exposure to liquidity risk which the company is subjected to or its approach to measuring and managing the risk during the year.

29. Financial risk management (cont'd)

(d) 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 the company's 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.

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 and Loan Committee manages market risks in accordance with its Investment Policy. 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 market 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 is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and arise primarily from the company's investments.

The company manages its interest rate risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments and 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.

The following table summarises the carrying amounts of recognised assets, liabilities and equity to arrive at the company's interest rate gap based on the earlier of contractual repricing or maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

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29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

(i) Interest rate risk (cont'd):

	2018						
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Assets							
Investments	-	1,403,521	1,155,993	2,413,566	525,887	5,498,967	5.96
Securities purchased under resale agreements	-	1,055,520	173,577	-	-	1,229,097	3.72
Insurance and other receivables	-	-	-	-	735,287	735,287	
Due from related parties	-	-	-	-	71,768	71,768	
Cash and cash equivalents	55,751	-	-	-	-	55,751	0.26
Total financial assets	55,751	2,459,041	1,329,570	2,413,566	1,332,942	7,590,870	
Liabilities							
Bank overdraft	7,311	-	-	-	-	7,311	6.98
Insurance payables, accounts payable and accrued charges	-	-	-	-	525,093	525,093	
Due to related entities	-	-	-	-	4,800	4,800	
Total financial liabilities	7,311	-	-	-	529,893	537,204	
On-statement of financial position gap, being total interest rate sensitivity gap	48,440	2,459,041	1,329,570	2,413,566	803,049	7,053,666	
Cumulative gap	48,440	2,507,481	3,837,051	6,250,617	7,053,666	-	

	2017						
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Assets							
Investments	-	664,196	806,882	3,589,915	481,723	5,542,716	7.23
Securities purchased under resale agreements	-	1,085,814	395,907	-	-	1,481,721	4.97
Insurance and other receivables	-	-	-	-	806,947	806,947	
Due from related parties	-	-	-	-	63,488	63,488	
Cash and cash equivalents	185,655	-	-	-	-	185,655	0.17
Total financial assets	185,655	1,750,010	1,202,789	3,589,915	1,352,158	8,080,527	
Liabilities							
Bank overdraft	9,197	-	-	-	-	9,197	9.88
Insurance payables, accounts payable and accrued charges	-	-	-	-	508,368	508,368	
Due to related parties	-	-	-	-	20,893	20,893	
Total financial liabilities	9,197	-	-	-	529,261	538,458	
On-statement of financial position gap, being total interest rate sensitivity gap	176,458	1,750,010	1,202,789	3,589,915	822,897	7,542,069	
Cumulative gap	176,458	1,926,468	3,129,250	6,719,172	7,542,069	-	

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

(i) Interest rate risk (cont'd):

The sensitivity of the company's financial assets and liabilities to interest rate risk is monitored using the following scenarios:

	Increase in interest rate		**Decrease in interest rate**	
	2018	2017	2018	2017
J$ denominated instruments	100 basis points	100 basis points	100 basis points	100 basis points
US$ denominated instruments	100 basis points	50 basis points	100 basis points	50 basis points

Fair value sensitivity analysis for fixed rate instruments:

An increase/decrease, using the above scenarios, would adjust reserves by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2018		2017	
	Effect on profit		Effect on profit	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income	(65,133)	70,957	(95,099)	55,122

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect on profit	
	Increase	Decrease
	$'000	$'000
December 31, 2018		
Variable rate instruments	11,989	(11,989)
	Increase	Decrease
	$'000	$'000
December 31, 2017		
Variable rate instruments	13,921	(13,303)

There has been no change in the company's exposure to interest rate risk or the manner in which it manages and measures the risk during the year.

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

(ii) 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 equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise risk-adjusted investment returns.

A change in the market price at the statement of financial position date would result in an increase/(decrease), respectively, in equity and profit before taxation by the amounts shown below.

	2018		2017	
	Equity	Profit before taxation	Equity	Profit before taxation
	$'000	$'000	$'000	$'000
10% (2017: 15%) increase	48,852	-	67,684	-
10% (2017: 15%) decrease	(46,339)	(2,513)	(67,684)	-

There has been no change in the company's exposure to equity price risk or the manner in which it manages and measures risk during the year.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or cash flow from, financial instruments will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risk primarily on investments that are denominated in a currency other than the Jamaica dollar. The principal foreign currency risks of the company are denominated in United States dollars (US$). The company ensures that the net exposure is kept to an acceptable level by monitoring its daily positions against approved limits.

At the statement of financial position date, net foreign currency asset exposure was as follows:

	2018	2017
United States dollars (US$'000)	2,783	4,170
Pounds Sterling (£'000)	-	4

Exchange rates were as follows:

	USD
At December 31, 2018	125.89
At December 31, 2017	123.61

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

(iii) Foreign currency risk (cont'd):

Sensitivity analysis:

Movement of J$ against the US$	Increase/(decrease) in profit before taxation	
	2018	2017
	$'000	$'000
4% (2017: 4%) weakening	13,984	20,618
2% (2017: 2%) strengthening	(6,992)	(10,309)

There has been no change in the company's exposure to foreign currency risk or the manner in which it manages and measures the risk during the year.

(e) 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 credit, market and liquidity risks, such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the ultimate parent company's Risk and Compliance Unit and in daily operations through the senior management team of the company.

This responsibility is supported by the development of overall JN Group standards for the management of operational risk in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;

29. Financial risk management (cont'd)

(e) Operational risk (cont'd)

This responsibility is supported by the development of overall JN Group standards for the management of operational risk in the following areas (cont'd):

- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

The Group Risk and Compliance Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by the ultimate parent company's Internal Audit. The results of all operational risk reviews are discussed with the management of the business unit to which they relate and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the Audit Committee, and to the Board of Directors.

There has been no change in the company's exposure to operational risk or the manner in which it managed the risk during the year.

30. Capital management

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

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

(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.

There has been no change to the company's approach to managing or measuring capital.

30. Capital management (cont'd)

Regulatory capital:

The company's main regulator is the Financial Service Commission (FSC) which monitors the capital requirements for the company. General insurers must maintain at least a minimum level of assets, capital and surplus to meet the liabilities of the company. The FSC requires the ratio of available assets to required assets to be 250% (2017: 250%) under the terms of the Minimum Capital Test (MCT).

The MCT ratio attained by the company at December 31, 2018 was 381% (2017: 411%).

31. Employee costs

	2018 $'000	2017 $'000
Salaries and wages	431,132	404,723
Incentive awards	65,558	64,457
Pension	21,817	19,429
Other employee costs	176,441	159,419
	694,948	648,028

32. Capital commitments

At December 31, 2018 and 2017, the company had no commitments for capital expenditure.

33. Changes in accounting policies

Except for the changes below, the company has consistently applied the accounting policies set out in note 34 to all periods presented in these financial statements.

The company has adopted the amendments to IFRS 4 and other new standards including any amendments to other standards, with an initial application date of January 1, 2018 but they do not have a material effect on the company's financial statements.

The detail, nature and effects of the changes are explained below:

- Amendments to IFRS 4 *Insurance Contracts* provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, *Financial Instruments* (effective January 1, 2018), and IFRS 17 *Insurance Contracts* (effective January 1, 2022).

33. Changes in accounting policies (cont'd)

- Amendments to IFRS 4 *Insurance Contracts* (cont'd)

IFRS 9 is generally effective for annual reporting periods beginning on or after January 1, 2018. In September 2016, the International Accounting Standards Board ("IASB") issued amendments to IFRS 4 - Insurance contracts ("IFRS 4"), which provide optional relief to eligible insurers in respect of IFRS 9. The options permit (a) entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17 – Insurance contracts ("IFRS 17") a temporary exemption to defer the implementation of IFRS 9, or alternatively (b) give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9. Entities that apply either of the options will be required to adopt IFRS 9 on January 1, 2022, which aligns with the effective date of IFRS 17.

The company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Eighty-five percent (85%) of the company's liabilities at December 31, 2015 are liabilities that arise from contracts within the scope of IFRS 17 and nine percent (9%) of the company's liabilities at December 31, 2015 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 January 1, 2018, the company has elected to apply the optional transitional relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The company will continue to apply IAS 39 – Financial instruments: Recognition and measurement ("IAS 39") until January 1, 2022. See Note 10 Investments for additional disclosures which enable comparison between the company and entities that applied IFRS 9 at January 1, 2018.

At December 31, 2018, the company's short-term investments and bonds and debentures are classified as Available-for-Sale ("AFS") in accordance with IAS 39. The AFS financial assets are recorded at fair value on the company's statements of financial position with changes in their fair value recorded in other comprehensive income.

34. Significant accounting policies

Except for the changes explained in note 33, the company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Intangible asset:

(i) Computer software:

Expenditure relating to the acquisition of computer software is measured at cost, less accumulated amortisation and impairment losses [note 34(n)].

34. Significant accounting policies (cont'd)

(a) Intangible asset (cont'd):

(ii) Amortisation:

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful lives of the intangible assets, unless such lives are infinite.

The estimated useful life of computer software is 3 years.

(b) Property, plant and equipment and depreciation:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [note 34(n)]. Costs include expenditures that are directly attributable to the acquisition of the assets. 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 within 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 the profit or loss as incurred.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Property, plant and equipment, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates, to write down the assets to their estimated residual values at the end of their expected useful lives. The depreciation rates are as follows:

Freehold buildings	2½%
Furniture and fixtures	10%
Office equipment	20%
Motor vehicles	20%
Computers	33⅓%

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

(c) Investment properties:

Investment properties are measured at cost, less accumulated depreciation and impairment losses [note 34(n)]. Depreciation is charged on the straight-line basis at 2½% annually.

Rental income from investment property is recognised in profit or loss on the straight-line basis over the term of the lease.

34. Significant accounting policies (cont'd)

(d) Investments:

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. 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 it commits to purchase or sell the investments.

Other investments are recognised or derecognised on the day they are transferred to/by the company.

(e) 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 consideration is recognised on the accrual basis over the period of the transaction and is included in interest income.

(f) Revenue recognition:

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 34(g)(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. Profit commission in respect of reinsurance contracts is recognised on the accrual basis.

34. Significant accounting policies (cont'd)

(f) Revenue recognition (cont'd):

(iii) Investment income

Investment income arises from financial assets and is comprised of interest and dividends and recognised 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.

(g) Insurance contract recognition and measurement:

(i) Insurance contracts

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 accounting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" 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 is 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 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 re-insurers are estimated in a manner consistent with the underlying liabilities.

34. Significant accounting policies (cont'd)

(g) Insurance contract recognition and measurement (cont'd):

(i) Insurance contracts (cont'd)

Outstanding claims (cont'd)

Management believes that, based on the analysis completed by their actuary, 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.

(ii) Reinsurance assets

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 notes 25, 26 and 27). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of re-insurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming re-insurer is unable to meet its obligations.

Amounts recoverable from re-insurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the reporting date which are attributable to subsequent periods are calculated substantially on the "twenty-fourths" basis on the total premiums ceded.

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 re-insurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivable and insurance payable

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

34. Significant accounting policies (cont'd)

(h) Taxation:

Income tax on 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 directly in other comprehensive income, in which case it is recognised in other comprehensive income.

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

Deferred tax is recognised in respect of 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 as 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.

(i) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses [note 34(n)].

(j) Cash and cash equivalents:

Cash and cash equivalents are measurement at cost. They comprise cash balances, cash in hand and short-term, highly liquid investments where original maturities do not exceed three months from the reporting date, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments. Bank overdrafts are repayable on demand. Bank overdrafts that form an integral part of the company's cash management for financing operations are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Accounts payable and provision:

Accounts payable are measured at amortised cost.

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 liability.

34. Significant accounting policies (cont'd)

(l) Related parties:

A related party is a person or entity that is related to the company (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 a reporting entity if any of the following conditions applies:

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

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

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

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

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

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

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

   viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(m) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, national insurance scheme contributions, vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions and other long-term employee benefits such as termination benefits.

34. Significant accounting policies (cont'd)

(m) Employee benefits (cont'd):

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged to income when incurred.

Defined contribution pension scheme:

Pension scheme costs included in the profit or loss represent contributions to the defined contribution scheme which is operated by JN Bank Limited. Contributions to the scheme, made on the basis provided for in the rules, are expensed in the year in which they are incurred.

(n) Impairment:

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 at each reporting date. 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.

(i) Calculation of recoverable amount

The recoverable amount of the company's investments is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing 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 to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

34. Significant accounting policies (cont'd)

(n) Impairment (cont'd):

(ii) Reversals of impairment (cont'd)

An impairment loss is reversed only to the extent that the assets' 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.

(o) Dividends:

Dividends are recognised as a liability in the period in which they are declared.

(p) 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 investments, securities purchased under resale agreements, insurance receivables, other accounts receivable, accrued investment income and cash and cash equivalents. Financial liabilities include bank overdraft, accounts payable, insurance payables, and amounts due to related entities.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(q) 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 in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its on-performance risk. Some financial instruments lack an available trading market. These instruments have been valued using present value or other generally accepted valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

The company's policy on the determination of fair value is disclosed in note 28.

(r) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the date of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments.

34. Significant accounting policies (cont'd)

(r) Foreign currencies (cont'd):

Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rates [see note 29(d)(iii)], being the rates of exchange ruling on that date.

(s) New, revised and amended standards and interpretations not yet effective:

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

- IFRS 9 *Financial Instruments* - As an insurance company, the company has exercised the option to defer the effective date of the new standard to January 1, 2022, in line with IFRS 17 (see note 33). The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting. The company's current analysis is that this will not have a material impact on the financial statements.

- IFRS 16 *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases.

  Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  Early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also adopted.

  The company is assessing the impact that this standard may have on its 2019 financial statements.

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

34. Significant accounting policies (cont'd)

(s) New, revised and amended standards and interpretations not yet effective (cont'd):

- IFRIC 23, *Uncertainty Over Income Tax Treatments* (cont'd)

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose the uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

  If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

  IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding

  - judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - assumptions and other estimates used; and
  - potential impact of uncertainties that are not reflected in the financial statements.

  The company is assessing the impact that the standard may have on its 2019 financial statements.

- IFRS 17 *Insurance Contracts*, In May 2017, the IASB issued IFRS 17, which is a comprehensive standard that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 will replace IFRS 4: Insurance Contracts ("IFRS 4"). The measurement approach for insurance liabilities under IFRS 17 is based on the following:

  i. A current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfills the contract;
  ii. The effect of the time value of money;
  iii. A risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and
  iv. A contractual service margin which represents the unearned profit in a contract and that is recognised in profit or loss over time as the insurance coverage is provided.

34. Significant accounting policies (cont'd)

(s) New, revised and amended standards and interpretations not yet effective (cont'd):

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

  There will also be new financial statement presentation for insurance contracts and additional disclosure requirements. IFRS 17 requires the company to distinguish between groups of contracts expected to be profit-making and groups of contracts expected to be onerous.

  IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2022 and is to be applied retrospectively to each group of insurance contracts. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value methods may be used.

  The company is assessing the impact that the amendment may have on its 2022 financial statements.

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

  (i) Prepayment features with negative compensation:

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

  (ii) Modifications to financial liabilities:

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

  As disclosed in note 33, the company has exercised the option to defer the effective date of the adoption of IFRS 9 to January 1, 2022, and is assessing the impact that this amendment may have on its 2022 financial statements.

- Amendments to IAS 19 *Employee Benefits*, effective for annual reporting periods beginning on or after January 1, 2019 clarifies current service and net accounting interest.

  The amendments clarify that:

  - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and

34. Significant accounting policies (cont'd)

(s) New, revised and amended standards and interpretations not yet effective (cont'd):

- IAS 19 *Employee Benefits* (cont'd)

  The amendments clarify that (cont'd):

  - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

  The company is assessing the impact that the amendment may have on its 2019 financial statements.

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

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

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

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

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

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

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

34. Significant accounting policies (cont'd)

(s) New, revised and amended standards and interpretations not yet effective (cont'd):

- *Improvements to* IFRSs *2015-2017* contain amendments to certain standards applicable to the company as follows:

  - IAS 12, *Income Taxes,* effective retrospectively for annual reporting periods beginning on or after January 1, 2019, has been amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

  The company is assessing the impact that the amendment may have on its 2019 financial statements.

JN GENERAL INSURANCE COMPANY LIMITED

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

JN GENERAL INSURANCE COMPANY LIMITED

General Business Revenue Account
Year ended December 31, 2018

	Liability $'000	Motor $'000	Pecuniary Loss $'000	Personal Accident $'000	Marine Accident $'000	Property $'000	Engineering $'000	2018 $'000	2017 $'000
Gross written premium	314,428	1,934,298	10,453	27,963	12,033	2,427,761	148,584	4,875,520	5,203,371
Less: proportional reinsurance	(66,617)	(20,836)	(4,830)	-	(9,042)	(2,215,993)	(126,030)	(2,443,348)	(2,910,791)
Net written premiums	247,811	1,913,462	5,623	27,963	2,991	211,768	22,554	2,432,172	2,292,580
Excess of loss premium expense	(4,528)	(26,610)	(146)	(403)	-	(157,716)	-	(189,403)	(154,751)
Net premium	243,283	1,886,852	5,477	27,560	2,991	54,052	22,554	2,242,769	2,137,829
Unearned premium reserve adjustment	(1,360)	(37,349)	138	(1,359)	57	(18,184)	(694)	(58,751)	(2,521)
Net insurance premium revenue	241,923	1,849,503	5,615	26,201	3,048	35,868	21,860	2,184,018	2,135,308
Commission income	1,658	2,189	3,576	-	2,982	534,767	40,921	586,093	420,886
	243,581	1,851,692	9,191	26,201	6,030	570,635	62,781	2,770,111	2,556,194
Commission expense	(34,197)	(89,710)	(1,528)	(3,713)	(1,364)	(158,513)	(19,617)	(308,642)	(286,883)
	209,384	1,761,982	7,663	22,488	4,666	412,122	43,164	2,461,469	2,269,311
Net insurance claims	(63,060)	(999,199)	(667)	(1,161)	(387)	1,182	(610)	(1,063,902)	(1,085,514)
Net underwriting income before operating expense	146,324	762,783	6,996	21,327	4,279	413,304	42,554	1,397,567	1,183,797
Operating expense (Sch II)	(76,931)	(914,565)	(2,017)	(2,286)	(270)	(299,520)	(49,360)	(1,344,949)	(1,251,445)
Underwriting profit/(loss)	69,393	(151,782)	4,979	19,041	4,009	113,784	(6,806)	52,618	(67,648)

Schedule I

Schedule II

JN GENERAL INSURANCE COMPANY LIMITED

Operating Expenses
Year ended December 31, 2018

	2018 $'000	2017 $'000
RENT		
Branch office rent	10,051	8,194
SALARIES, WAGES AND ALLOWANCES		
Salaries and wages	431,132	404,723
Directors' emoluments	26,534	25,610
Directors' fees and expenses	11,875	9,680
Incentive awards	65,558	64,457
	535,099	504,470
OTHER EMPLOYEE COSTS		
Pension costs	21,817	19,429
Contribution to staff health insurance	51,868	40,935
Contribution to staff group life scheme	11,972	8,384
National insurance contributions	6,148	6,225
Staff training expenses	2,523	2,936
Other contributions	53,975	50,648
NHT contributions	16,142	16,129
H.E.A.R.T. contributions	16,162	16,434
Education tax contributions	17,651	17,728
	198,258	178,848
PROFESSIONAL SERVICE AND EXPENSES		
Auditors' remuneration – current year	11,326	11,598
- prior year under provision	-	441
Insurance registration fees	39,594	36,928
Management fees	98,957	34,642
	149,877	83,609
MISCELLANEOUS EXPENSES		
Advertising	54,577	67,050
Bank charges	17,125	14,797
Entertainment	242	1,055
Computer and data processing expenses	32,046	38,504
Insurance	5,435	5,305
Postage and telegrams	6,984	5,695
Telephone expenses	18,125	16,136
Light and power	16,667	16,075
Printing and stationery	10,450	9,866
Rates and taxes	3,476	3,247
Repairs to fixtures and fittings	2,570	2,326
Local travelling expenses	8,122	7,781
Depreciation of property, plant and equipment	43,253	53,543
Amortisation of intangible asset	40,949	35,620
Bad debts	8,790	6,857
Other expenses	157,970	171,270
	426,781	455,127
REAL ESTATE EXPENSES, EXCLUDING TAXES		
Building repairs and maintenance	12,117	10,956
Other expenses – security	12,766	10,241
	24,883	21,197
TOTAL OPERATING EXPENSES	1,344,949	1,251,445