Guardian General Insurance Jamaica Limited

Financial Statements
31 December 2019

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Independent auditor's report

To the Members of Guardian General Insurance Jamaica Limited

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of 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.

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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.

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

Pricewaterhouse Coopers

Chartered Accountants
Kingston, Jamaica
20 March 2020

Guardian General Insurance Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2019 $'000	Restated 2018 $'000
Gross premiums written		7,790,623	7,151,962
Outward reinsurance premiums		(5,662,969)	(5,219,342)
Premiums written, net of reinsurance		2,127,654	1,932,620
Change in provision for unearned premiums		(138,253)	(11,801)
Premiums earned, net of reinsurance		1,989,401	1,920,819
Claims incurred, net of reinsurance		(1,312,020)	(1,084,188)
Commissions earned		881,811	751,497
Commissions paid		(629,964)	(600,814)
Change in net deferred policy acquisition costs		(22,080)	(1,380)
Administrative expenses	8	(756,373)	(615,162)
Underwriting profit		150,775	370,772
Investing activities			
Interest income earned from financial assets measured at:			
Fair value through profit and loss and other investment income		279,026	251,501
Amortised cost and held-to-maturity		7,970	19,566
Interest income	10	286,996	271,067
Other investment income	10	52,574	38,787
Net fair value gains	10	421,680	176,491
Net impairment reversal on financial assets	10	13,399	47,581
Other income		779	9,226
Foreign exchange gains		81,479	61,475
Profit before taxation		1,007,682	975,399
Taxation	11	(164,509)	(87,934)
Net profit attributable to owners of the parent		843,173	887,465
Other comprehensive income:			
Amount not to be reclassified to profit or loss in future periods:			
Re-measurement of employee benefit obligation, net of taxes	25	-	(2,667)
Amount to be reclassified to profit or loss in future periods:			
Investment fair value gain, net of taxes	26	91,784	101,898
Total other comprehensive income		91,784	99,231
Total comprehensive income attributable to owners of the parent		934,957	986,696

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

Guardian General Insurance Jamaica Limited

Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2019 $'000	Restated 2018 $'000	Restated 2017 $'000
ASSETS				
Property and equipment	12	98,242	95,083	78,487
Right-of-us asset	22	28,966	-	-
Investments	13	7,128,260	6,484,896	6,522,280
Due from policyholders, brokers and agents		1,226,436	1,209,692	1,221,160
Deferred policy acquisition costs	14	264,914	257,176	230,016
Recoverable from reinsurers	15	3,727,637	3,784,289	3,781,339
Other receivables	16	21,926	42,448	16,075
Cash and bank	17	1,173,771	918,856	722,668
Total assets		13,670,152	12,792,440	12,572,025
EQUITY				
Share capital	18(a)	1,138,500	1,138,500	1,138,500
Other capital reserves	18(b)	213,167	213,167	213,167
Revaluation reserves	26	566,223	474,439	396,675
Retained earnings		2,706,026	2,212,854	1,919,894
Total equity		4,623,916	4,038,960	3,668,236
LIABILITIES				
Insurance reserves	15	7,585,671	7,475,735	7,589,696
Deferred tax liabilities, net	19	230,376	175,952	259,229
Due to reinsurers and co-insurers		724,895	740,466	723,899
Other creditors	20	341,538	172,363	275,171
Lease liabilities	22	31,164	-	-
Employee benefit obligation	25	18,700	18,500	14,300
Taxation payable		113,892	170,464	41,494
Total liabilities		9,046,236	8,753,480	8,903,789
Total equity and liabilities		13,670,152	12,792,440	12,572,025

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

On 4 March 2020, the Board of Directors authorised these financial statements for issue.

David Henriques Director

Peter Thwaites Director

Guardian General Insurance Jamaica Limited

Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Other Capital Reserves $'000	Revaluation Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2017		1,138,500	213,167	396,675	1,875,298	3,623,640
Correction of accounting treatment	27	-	-	-	44,596	44,596
Impact of initial application of IFRS 9		-	-	(24,134)	(21,838)	(45,972)
Balance at 1 January 2018 as restated		1,138,500	213,167	372,541	1,898,056	3,622,264
Net profit for the year, restated	27	-	-	-	887,465	887,465
Other comprehensive income		-	-	101,898	(2,667)	99,231
Total comprehensive income		-	-	101,898	884,798	986,696
Transactions with owners -:						
Dividends paid	24	-	-	-	(570,000)	(570,000)
Balance at 31 December 2018, as restated		1,138,500	213,167	474,439	2,212,854	4,038,960
Net profit for the year		-	-	-	843,172	843,172
Other comprehensive income		-	-	91,784	-	91,784
Total comprehensive income		-	-	91,784	843,172	934,956
Transactions with owners -:						
Dividends paid	24	-	-	-	(350,000)	(350,000)
Balance at 31 December 2019		1,138,500	213,167	566,223	2,706,026	4,623,916

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

Guardian General Insurance Jamaica Limited
Statement of Cash Flows
Year ended 31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2019 $'000	Restated 2018 $'000
Cash flows from operating activities			
Net cash provided by operating activities (Page 5)		697,045	363,036
Cash flows from investing activities			
Purchase of property and equipment	12	(37,488)	(55,417)
Proceeds from disposal of property and equipment		3,872	11,519
Investments, net		(29,753)	(554,541)
Net cash used in investing activities		(63,369)	(598,439)
Cash flows from financing activities			
Dividends paid	24	(350,000)	(570,000)
Net cash used in financing activities		(350,000)	(570,000)
Net decrease in cash and cash equivalents		283,676	(805,403)
Effect of impairment loss		6,035	29,295
Effect of exchange rate on cash and cash equivalents		2,035	4,438
Cash and cash equivalents at beginning of year		1,136,253	1,907,923
Cash and cash equivalents at end of year		1,427,999	1,136,253
Cash and cash equivalents comprise:			
Short-term investments	13	254,228	217,397
Cash and bank	17	1,173,771	918,856
		1,427,999	1,136,253

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

Guardian General Insurance Jamaica Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2019 $'000	Restated 2018 $'000
Cash flows from operating activities			
Net profit for the year		843,173	887,465
Adjustments for:			
Depreciation of property and equipment	12	49,651	31,510
Impairment loss reversed (net)		(7,364)	(93,554)
Gain on disposal of property and equipment		(1,786)	(4,208)
Gain on disposal of investments	10	(11,677)	(2,671)
Net interest and dividend income	10	(339,570)	(309,854)
Tax expense	11	164,509	87,934
Employee benefit obligations	25	1,300	1,100
Unrealised exchange gains on foreign currency		(30,247)	(4,438)
Unrealised fair value gain on investments	10	(410,003)	(173,820)
(Decrease)Increase in insurance reserves		109,936	(113,961)
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(16,744)	4,917
Deferred policy acquisition costs		(7,738)	(27,160)
Recoverable from reinsurers		53,702	(2,950)
Taxation paid		(214,520)	(104,276)
Other receivables		20,521	(25,543)
Due to related parties		3,816	(50,438)
Due to reinsurers and co-insurers		(15,570)	16,567
Other creditors		165,360	(53,200)
Employee benefit obligations paid	25	-	(900)
Net cash provided by operating activities		356,749	62,520
Interest and dividend received		340,296	300,516
Net cash provided by operating activities (Page 4)		697,045	363,036

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

Guardian General Insurance Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activity

Guardian General Insurance Jamaica Limited (the "Company") is a limited liability company, incorporated and domiciled in Jamaica, with registered office at 19 Dominica Drive, Kingston 5, Jamaica. The Company is a wholly-owned subsidiary of Guardian Group St. Lucia Holdings Limited (formerly Globe Holdings Limited) which is incorporated in St. Lucia. Guardian Group St. Lucia Holdings Limited is a wholly-owned subsidiary of Guardian Holdings Limited, a company which is incorporated in the Republic of Trinidad and Tobago. Effective May 2019, the ultimate parent became Portland Holdings Inc., incorporated in Canada and controlled by the Honourable Michael A. Lee-Chin, OJ through NCB Financial Group (NCBFG), a company domiciled in Jamaica and listed on the Jamaica Stock Exchange (JSE).

The Company is licensed to operate as a general insurance company under the Insurance Act 2001. Its principal activity is the underwriting of property and casualty risks.

The financial statements were authorised for issue by the directors on 4 March 2020 The directors have the power to amend and reissue the financial statements.

2. Significant Accounting Policies

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

2.1 Basis of preparation

(i) **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Jamaican Companies Act.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in the notes. Financial assets and financial 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 assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(ii) **Basis of measurement**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment securities classified as fair value through profit or loss and fair value through other comprehensive income.

(iii) **Judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2. Significant Accounting Policies (Continued)

2.2 Adoption of new and revised International Financial Reporting Standards

(i) New standards and amendments/revisions to published standards and interpretations effective in 2019

IFRS 16 Leases

IFRS 16, which is effective 1 January 2019, sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets (right-of-use assets) and lease liabilities on the statement of financial position for most leases. Lessees will also now separately recognise interest expense on the lease liability and depreciation expense on the right-of-use asset in the statement of profit or loss.

Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company adopted IFRS 16 on 1 January 2019 and elected the modified retrospective approach transition option and the practical expedients permitted under this approach. Under the modified retrospective approach, the Company elected the option to measure the right-of-use asset as the lease liability adjusted for prepaid or accrued payments and the Company did not restate comparative amounts.

The Company has completed its assessment of the potential impact of adopting IFRS 16 on its financial statements. The most significant impact identified by the Company was to recognise new assets and liabilities for its operating leases of office space. In addition, the nature of expenses related to these leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on lease liabilities.

On the date of initial application of IFRS 16, the Company recognised right-of-use assets and lease liabilities of approximately $46,375,000 respectively. See Note 28 for additional disclosures related to the impact of adoption.

2. Significant accounting policies (Continued)

2.2 Adoption of new and revised International Financial Reporting Standards (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements. This adoption did not have an impact on the financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be ‘reasonable compensation for early termination of the contract’ and the asset must be held within a ‘held to collect’ business model. This adoption did not have an impact on the financial statements.

(ii) New standards and amendments/revisions to published standards and interpretations effective in 2019 but not applicable to the Company

The following new IFRS amendments that have been issued do not apply to the activities of the Company:

- Annual Improvements to IFRS 2015-2017 Cycle
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

2. Significant accounting policies (Continued)

2.2 Adoption of new and revised International Financial Reporting Standards (continued)

(iii) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company

The following is a list of new standards, interpretations and amendments issued that are not yet effective as at 31 December 2019 and have not been early adopted by the Company. For all standards, interpretations and amendments effective 1 January 2019, except for IFRS 16 Leases, the Company is currently evaluating the impact of adoption, but does not anticipate they would have a material impact on its financial statements.

Effective 1 January 2020:
- Definition of Material – Amendments to IAS 1 and IAS 8
- Conceptual Framework for Financial Reporting

Effective 1 January 2022:
- IFRS 17 Insurance Contracts

2.3 Revenue recognition

(i) Underwriting income
Premiums are recognised over the life of the policies written. The portion of premiums written in the current year which relates to coverage in subsequent years is deferred as unearned premiums (Note 2.6). Commissions earned on the reinsurance of risks are credited to revenue over the life of the policies.

(ii) Investment income
Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except under IFRS 9 for:

- Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

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

(iv) Realised and unrealised investment gains and losses
Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in profit or loss in the period in which they arise.

Unrealised gains and losses on investment securities measured at fair value through other comprehensive income are recognised in other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified profit or loss.

2. Significant Accounting Policies (Continued)

2.4 Insurance contracts

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

- Property insurance contracts mainly compensate the Company's customers in the event of loss from a specified insured peril up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by insured perils.

- Motor insurance contracts indemnify the Company's customers for their legal requirement under the road traffic legislation. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

- Casualty insurance contracts provide coverage for liability exposures that indemnify the Company's customers against actions from third parties, which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

- Marine insurance contracts indemnify the Company's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

For these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deductible commissions payable agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Company.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (salvage). The Company may also have the right to pursue third parties for payment of some of all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

Claims and loss adjustments expenses are charged to profit or loss as incurred based on estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical analyses for claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognized within claims expense in the current year.

2. Significant Accounting Policies (Continued)

2.5 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss.

2.6 Provision for unearned premiums

Unearned premiums represent the portion of premiums written in the current year that relate to periods of insurance subsequent to the statement of financial position date calculated using the three hundred and sixty-fifths method. Unearned premiums relating to marine cargo are calculated using the shorter of the three hundred and sixty-fifths method and the term of the contract effective after the first date of sailing.

2.7 Provision for unexpired risks

The provision for unexpired risks is determined by the appointed actuary and represents the expected future costs associated with the unexpired portion of policies in force as of the statement of financial position date, in excess of the net unearned premium minus net deferred policy acquisition costs.

2.8 Provision for claims outstanding

The provision for claims outstanding represents estimates of the cost of settling claims made, but not paid as of the statement of financial position date, less expected reinsurance recoveries. The provision for claims incurred but not reported ("IBNR") is actuarially determined by the appointed actuary in accordance with the actuarial regulations of the Insurance Act, 2001. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the statement of income and the amount of the relevant insurance liabilities is increased.

2. Significant Accounting Policies (Continued)

2.9 Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company are classified as reinsurance contracts.

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

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

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

2.10 Unearned commission

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

2.11 Deferred policy acquisition costs (“DAC”)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred and recognised as an asset. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised as premium is earned over the life of the contracts.

2. Significant Accounting Policies (Continued)

2.12 Property and equipment and intangible assets

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment, if any. Historical cost includes expenditure directly attributable to the acquisition of the items.

Acquired computer software licences and website development costs are capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property and equipment and intangible assets with the exception of freehold land, on which no depreciation is provided, are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	33 1/3%
Furniture and fixtures	10% - 20%
Motor vehicles	20%
Leasehold improvements	Shorter of period of lease or useful life of asset
Intangible assets	33 1/3%

The residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with their carrying amount. These are included in profit or loss.

2.13 Foreign currency translation

(i) **Functional and presentation currency**
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in thousands of Jamaican dollars, which is the Company's functional and presentation currency.

(ii) **Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. Significant Accounting Policies (Continued)

2.14 Investments

(a) Initial recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets include cash and bank deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Classification and subsequent measurement

Debt instruments

The Company's debt instruments are measured in accordance with the business models determined for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies its debt instruments:

(i) Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

(iii) Fair value through profit or loss - Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises. The Company may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

2. Significant Accounting Policies (Continued)

2.14 Investments (continued)

(b) Classification and subsequent measurement (continued)

Debt instrument (continued)
The Company reclassifies debt instruments when and only when its business model for managing these assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Business model assessment
The Company determines its business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;
- how performance of the group of assets is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

The solely payment of principal and interest (SPPI) test
‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Company's business units assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the Company’s business units consider whether the contractual cash flows are consistent with a basis lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

2. Significant Accounting Policies (Continued)

2.14 Investments (continued)

(b) Classification and subsequent measurement (continued)

Equity instruments
Subsequent to initial recognition, the Company measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in profit or loss.

(c) Derecognition of financial asset
A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- the Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

2.15 Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company’s liability for current income tax is calculated at tax rates that have been enacted at statement of financial position date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

2. Significant Accounting Policies (Continued)

2.15 Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in profit or loss, except in instances where deferred tax relates to items recognised directly in other comprehensive income, in which case, deferred tax is charged or credited to other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal liability.

2.16 Employee benefits

(i) **Pension scheme**

The Company operates a defined contribution scheme. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employees' benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(ii) **Leave accrual**

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

(iii) **Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the statement of financial position date are discounted to present value.

(iv) **Employee benefit obligations**

Post retirement medical benefits are provided for the pensioners of the Company. Post retirement obligation included in the financial statements has been actuarially determined by an independent qualified actuary that was appointed by management. The actuarial valuation was conducted in accordance with the requirements of IAS 19, using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

2. Significant Accounting Policies (Continued)

2.16 Employee benefits (continued)

(iv) **Employee benefit obligations (continued)**
Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under expenses in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

(v) **Cash-based long-term performance incentive plan**
Effective 1 January 2017, the Company replaced its equity-settled share-based compensation plan with a cash-based long-term performance incentive plan. Accruals are made annually based on the ultimate expected and approved payments to eligible executives.

(vi) **Bonus plan**
The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.19 Share capital

Shares are classified as equity when there is no obligation to transfer cash and other assets. Incremental cost directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

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2. Significant Accounting Policies (Continued)

2.20 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, deposits held at call with banks, and other short-term highly liquid investments with maturities of 90 days or less, net of bank overdrafts.

Cash and cash equivalents are carried at amortised cost on the statement of financial position.

2.21 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount.

2.22 Impairment of financial assets

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments).

The Company measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follows:

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in profit or loss.

- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in other comprehensive income with the corresponding entry recognised in profit or loss. The loss allowance does not reduce the carrying amount of the financial asset in the statement of financial position.

2. Significant Accounting Policies (Continued)

2.22 Impairment of financial assets (continued)

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- the remaining lifetime probability of default as at the reporting date; with
- the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- Actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

2. Significant Accounting Policies (Continued)

2.22 Impairment of financial assets (continued)

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor or issuer;
- A breach of contract, such as a default or past due event;
- The disappearance of an active market for a financial asset because of financial difficulties;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- Rating agencies' assessments of creditworthiness.

Definition of default
The Company considers a financial asset to be in default when:
- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Write-off
The Company writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Measurement of expected credit losses
The measurement of expected credit losses is a function of:
(i) Probability of default - an estimate of the likelihood of default over a given time horizon;
(ii) Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and
(iii) Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

2. Significant Accounting Policies (Continued)

2.22 Impairment of financial assets (continued)

Measurement of expected credit losses (continued)
The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarised below:

- A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- For a financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.
- Purchased or credit-impaired financial assets are assets that are credit-impaired on initial recognition. ECL on these assets are always measured on a lifetime basis, discounted by a credit adjusted effective interest rate. The Company has no purchased or credit-impaired financial instruments.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

2. Significant Accounting Policies (Continued)

2.23 Fair value measurement

The Company measures financial instruments at fair value at each statement of financial position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. When one is available the Company measures the fair value of an instrument using quoted prices in an active market. If there is no quoted price in an active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making use of market inputs and relying as little as possible on entity-specific inputs.

2. Significant Accounting Policies (Continued)

2.23 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities. Financial assets in this category are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Financial assets are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in mutual funds with published net asset values and evidence of trades and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities included in Level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. These financial assets are not quoted as there are no active markets to determine a price. The main asset class in this category is unlisted equity instruments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.24 Financial instruments

Financial instruments carried on the statement of financial position include cash, investments, other receivables, and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Company’s financial instruments is discussed in Note 5.

2.25 Dividend distribution

Dividends are recorded as a deduction from shareholders’ equity in the period in which they are approved.

3. Insurance and Financial Risk Management

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

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

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

(ii) Investment Committee
The Investment Committee is responsible for monitoring the investment portfolio, and the development of investment strategies for the Company. The Investment Committee is also responsible for the establishment of appropriate trading limits, reports and compliance controls to ensure that its mandate is properly followed.

(iii) Audit Committee
The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The most important types of risk faced by the Company are insurance risk, credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and equity price risk.

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.
Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Company's insurance contracts is, however, concentrated within Jamaica.

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

The frequency or severity of claims and benefits can be affected by the increasing number of cases that are going to court for settlement and the level of awards. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a portion of the claims provision relates to IBNR claims.

There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer’s liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the statement of financial position date. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the statement of financial position date.

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

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

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

Sensitivity analysis of actuarial liabilities

Actuarial liabilities comprise 100% of total insurance liabilities. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed below.

Actuarial assumptions

(i) In applying the noted methodologies, the following assumptions were made:

- With respect to the analysis of the incurred claims development history, the level of outstanding claims reserve adequacy is relatively consistent (in inflation adjusted terms) over the experience period.
- With respect to the analysis of the gross and net paid claims development history, the rate of payment of ultimate incurred losses for the recent history is indicative of future settlement patterns. This assumption was based on our discussion with management and the change in the Company's claims settlement practices in recent years.
- With respect to the Bornhuetter-Ferguson method, the average on-level ultimate net loss ratios are representative of recent historical loss ratios.
- The claims inflation rate implicit in the valuation is equivalent to the rate which is part of the historical data.
- Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

Provision for adverse deviation assumptions

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

Development of claim liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of the ultimate claims liability for accident years 2014 - 2018 has changed at successive year-ends, up to 2019. Updated unpaid claims and adjustment expenses ("UCAE") and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

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(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

		2014 and prior $'000	2015 $'000	2015 And prior $'000	2016 $'000	2016 And prior $'000	2017 $'000	2017 And prior $'000	2018 $'000	2018 And Prior $'000	2019 $'000	2019 And Prior $'000
2015	Paid during year	637,753	493,853	1,131,606								
	UCAE, end of year	1,497,633	489,657	1,987,290								
	IBNR, end of year	223,167	361,207	584,374								
	Ratio: excess (deficiency)	23.69%										
2016	Paid during year	355,136	216,715	571,851	493,213	1,065,064						
	UCAE, end of year	1,155,679	429,545	1,585,224	467,738	2,052,962						
	IBNR, end of year	92,614	125,057	217,671	345,056	562,727						
	Ratio: excess (deficiency)	27.49%		7.66%								
2017	Paid during year	232,041	99,656	331,697	283,081	614,778	566,950	1,181,728				
	UCAE, end of year	814,926	356,227	1,171,153	342,217	1,513,370	563,325	2,076,695				
	IBNR, end of year	88,834	41,680	130,514	85,085	215,599	352,424	568,023				
	Ratio: excess (deficiency)	31.13%		14.25%		10.40%						
2018	Paid during year	217,075	61,522	278,597	58,182	336,779	336,192	672,971	568,470	1,241,441		
	UCAE, end of year	586,419	235,478	821,897	291,477	1,133,374	344,027	1,457,401	495,682	1,953,083		
	IBNR, end of year	82,024	41,833	123,857	12,304	136,161	80,617	216,778	317,605	534,383		
	Ratio: excess (deficiency)	18.18%		18.60%		15.80%		7.78%				
2019	Paid during year	146,768	43,163	189,932	50,405	240,337	98,754	339,092	328,065	667,157	645,773	1,312,930
	UCAE, end of year	456,687	171,848	628,536	175,154	803,690	262,858	1,066,548	337,638	1,404,186	538,130	1,942,316
	IBNR, end of year	61,364	42,037	103,401	30,311	133,712	14,588	148,300	74,337	222,637	321,030	543,667
	Ratio: excess (deficiency)	31.84%	25.38%	18.60%	26.53%	18.60%	22.21%	15.80%	9.01%	7.78%		

3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

Facultative reinsurance placements are independent of the Company reinsurance treaties and all facultative placements are individually rated.

The amount of reinsurance recoveries recognised during the year is as follows:

	2019	2018
	$'000	$'000
Property	129,408	92,075
Motor	6,907	1,962
Marine	16,050	952
Accident	295,525	154,335
Engineering	2,470	8,428
	450,360	257,752

(c) Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk include market risk (currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk

The Company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit exposures arise principally from the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, and investment activities. The Company manages its credit risk, using the credit review process as outlined below.

Credit review process
The Company has established a credit control team which analyses and assesses the ability of customers and other counterparties to meet repayment obligations.

(i) Reinsurance
The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The team assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

(ii) Premium and other receivables
The credit control team examines the payment history for significant contract holders with whom they conduct regular business. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit performs regular reviews to assess the degree of compliance with the Company's credit policies. Exposures to individual policyholders and groups of policyholders are managed within the ongoing monitoring of the controls associated with regulatory solvency.

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

(iv) Cash and bank
The Company limits its exposure to credit risk by placing cash and deposits with counterparties that are regulated and publicly disclose their financial information. Management assesses each counterparty's credit quality and levels of liquidity. Accordingly, management seeks to mitigate the risk that any single counterparty will fail to meet its obligations. Furthermore, management takes steps to diversify its cash and bank among a group of counterparties in order to further mitigate the risk of loss.

Guardian General Insurance Jamaica Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

a) Asset bearing credit risk

	Maximum Exposure	
	2019 $'000	**2018 $'000**
Credit risk exposures are as follows:		
Reinsurance recoverable	1,356,215	1,613,229
Investment securities measured		
- Fair value through other comprehensive income	5,273,334	4,622,291
- Amortised cost	-	212,547
Due from policyholders, brokers and agents	1,226,436	1,209,692
Other receivables	10,327	29,651
Cash and bank	1,173,771	918,856
	9,040,083	8,606,266

b) Credit quality of reinsurance and financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings, if available, or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's.

AAA
An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA
An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A
An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB
An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

b) Credit quality of reinsurance and financial assets (continued)

Below BBB

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification mainly includes obligations due from individuals and short-term securities.

The following tables set out the credit quality analysis for financial assets measured at amortised cost and fair value through other comprehensive income

	12-month ECL 2019 $'000	Lifetime ECL 2019 $'000	Not credit impaired 2019 $'000	Total 2019 $'000
Investment securities measured at fair value through other comprehensive income				
A	549,773	-	-	549,773
Below BBB	4,723,561	-	-	4,723,561
Gross carrying amount	5,273,334	-	-	5,273,334
Amortised costs				
Not rated	-	1,251,794	1,366,542	2,618,336
Gross carrying amount	-	1,251,794	1,366,542	2,618,336
Loss allowance – Due from policy holders, brokers and agents	-	(25,358)	-	(25,358)
Net carrying amount	-	1,226,436	1,366,542	2,592,978
Cash and bank				
A	1,062,090	-	-	1,062,090
BBB	9,319	-	-	9,319
Below BBB	106,279	-	-	106,279
Gross carrying amount	1,177,688	-	-	1,177,688
Loss allowance	(3,917)	-	-	(3,917)
Net carrying amount	1,173,771	-	-	1,173,771

Guardian General Insurance Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

b) Credit quality of reinsurance and financial assets (continued)

	12-month ECL 2018 $'000	Lifetime ECL 2018 $'000	Not credit impaired 2018 $'000	Total 2018 $'000
Investment securities measured at fair value through other comprehensive income				
Below BBB	4,622,291	-	-	4,622,291
Gross carrying amount	4,622,291	-	-	4,622,291
Amortised costs				
Investment securities at amortised costs				
Below BB	217,728	-	-	217,728
Gross carrying amount	217,728	-	-	217,728
Loss allowance	(5,181)	-	-	(5,181)
Net carrying amount	212,547	-	-	212,547
Loans and receivables				
Not rated	-	1,235,035	1,642,880	2,877,915
Gross carrying amount	-	1,235,035	1,842,880	2,877,915
Loss allowance	-	(25,343)	-	(25,343)
Net carrying amount	-	1,209,692	1,842,880	2,852,572
Cash and bank				
A	686,805	-	-	686,805
BBB	43,170	-	-	43,170
Below BBB	193,112	-	-	193,112
Gross carrying amount	923,627	-	-	923,627
Loss allowance	(4,771)	-	-	(4,771)
Net carrying amount	918,856	-	-	918,856

Guardian General Insurance Jamaica Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

c) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

	12-month ECL 2019 $'000	Lifetime ECL 2019 $'000	Total 2019 $'000	Total 2018 $'000
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	92,428	-	92,428	117,265
New assets originated or purchased	19,962	-	19,962	22,110
Remeasurements	(23,902)	-	(23,902)	(46,947)
Balance at 31 December	88,488	-	88,488	92,428
Investment securities measured at amortised cost				
Balance at 1 January	5,181	-	5,181	35,128
Remeasurements	(5,181)	-	(5,181)	(29,947)
Balance at 31 December	-	-	-	5,181
Loans and receivables				
Balance at 1 January	25,343	-	25,343	18,792
Remeasurements	15	-	15	6,551
Balance at 31 December	25,358	-	25,358	25,343

Guardian General Insurance Jamaica Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

c) Loss allowance (continued)

	Current	45-60 Days	More than 91 Days	Total
	$'000	$'000	$'000	$'000
31 December 2019				
Expected credit loss rate	2.42%	1.27%	0.75%	2.03%
Gross carrying amount – Due from policy holders, brokers and agents	954,268	64,917	249,851	1,251,794
Loss allowance	**22,656**	**824**	**1,878**	**25,358**

	Current	45-60 Days	More than 91 Days	Total
31 December 2018		$'000	$'000	$'000
Expected credit loss rate	2.08%	0.94%	2.19%	2.05%
Gross carrying amount – Due from policy holders, brokers and agents	1,006,448	50,253	178,334	1,235,035
Loss allowance	**20,963**	**472**	**3,908**	**25,343**

Cash and bank balances

Impairment on cash and bank balances measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

The amount of the allowance decreased by $854,000 during the year to $3,917,000 (2018 - $4,771,000).

Guardian General Insurance Jamaica Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

d) Concentrations of risks of reinsurance and financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The following table breaks down the Company's main credit risk exposure as categorised by the industry sectors of its counterparties.

	2019	**2018**
	$'000	**$'000**
Financial services and corporate	2,737,414	2,053,370
Public sector	3,709,691	3,700,324
Insurance and reinsurance	2,582,651	2,822,921
Other industries	10,327	29,651
	9,040,083	8,606,266

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process
The Company's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Optimising cash returns on investment.
(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to claims liabilities.

Monitoring of cash flows is done on a daily basis to ensure that the Company maintains sufficient liquid assets to honour its short-term obligations as they fall due.

Financial liabilities cash flows
The table below presents the undiscounted cash flows payable with respect to the Company's financial liabilities, based on contractual repayment obligations as at 31 December.

		Contracted/Expected Undisclosed Cashflows			
	Carrying amount $'000	Less than 1 year $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2019:					
Claims outstanding	3,842,198	840,896	2,491,412	509,890	3,842,198
Due to reinsurers and coinsurers	724,895	724,895	-	-	724,895
Other creditors	289,550	289,550	-	-	289,550
Lease liabilities	31,164	6,908	24,256	-	31,164
Total financial liabilities (contractual maturity dates)	4,887,807	1,862,249	2,515,668	509,890	4,887,807

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

		Contracted/Expected Undisclosed cashflows			
	Carrying amount $'000	**Less than 1 year $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 2018:					
Claims outstanding	4,100,695	758,731	2,837,594	504,370	4,100,695
Due to reinsurers and coinsurers	740,466	740,466	-	-	740,466
Other creditors	134,165	134,165	-	-	134,165
Total financial liabilities (contractual maturity dates)	4,975,326	1,633,362	2,837,594	504,370	4,975,326

Assets available to meet all of the liabilities and to cover financial liabilities include cash and bank balances and investment securities.

(iii) Market risk

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk – currency risk, interest rate risk and other price risk, each of which are considered below.

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

(iv) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company manages its foreign exchange net exposure by ensuring that it continuously monitors its foreign currency position to ensure that there are adequate foreign assets available to meet its foreign liabilities.

The Company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iv) Currency risk (continued)

Concentrations of currency risk

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December.

	Jamaican $ J$'000	US$ J$'000	Impairment J$'000	Total J$'000
At 31 December 2019:				
Financial Assets				
Investment securities	3,823,874	1,449,460	-	5,273,334
Due from policyholders, brokers and agents	635,184	616,610	(25,358)	1,226,436
Recoverable from reinsurers	752,229	603,986	-	1,356,215
Other receivables	10,327	-	-	10,327
Cash and bank	843,781	333,907	(3,917)	1,173,771
Total financial assets	6,065,395	3,003,963	(29,275)	9,040,083
Financial Liabilities				
Insurance reserves	3,144,362	697,836	-	3,842,198
Due to reinsurers and co-insurers	148,470	576,425	-	724,895
Other creditors	289,550	-	-	289,550
Lease liabilities	31,164	-	-	31,164
Total financial liabilities	3,613,546	1,274,261	-	4,887,807
Net financial position	2,451,849	1,729,702	(29,275)	4,152,276

	Jamaican $ J$'000	US$ J$'000	Impairment J$'000	Total J$'000
At 31 December 2018:				
Financial Assets				
Investment securities	5,192,723	1,297,354	(5,181)	6,484,896
Due from policyholders, brokers and agents	484,985	750,050	(25,343)	1,209,692
Recoverable from reinsurers	1,047,409	2,736,880	-	3,784,289
Other receivables	28,821	830	-	29,651
Cash and bank	757,931	165,696	(4,771)	918,856
Total financial assets	7,511,869	4,950,810	(35,295)	12,427,384
Financial Liabilities				
Insurance reserves	4,559,887	2,915,848	-	7,475,735
Due to reinsurers and co-insurers	60,787	679,679	-	740,466
Other creditors	134,165	-	-	134,165
Total financial liabilities	4,754,839	3,595,527	-	8,350,366
Net financial position	2,757,030	1,355,283	(35,295)	4,077,018

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iv) Currency risk (continued)

Foreign currency sensitivity
The following tables show the sensitivity of the Company's net profit and equity to changes in the rate of exchange for the currency to which the Company had significant exposure, the US dollar. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis is done for outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed. The effect on net profit shown below is the total of the individual sensitivities done for each of the assets/liabilities. There is no impact on equity.

	% Change in Currency Rate 2019	Effect on Net Profit 2019 $'000	% Change in Currency Rate 2018	Effect on Net Profit 2018 $'000
Currency:				
USD – Positive	5%	86,485	5%	67,764
USD – Negative	5%	(86,485)	5%	(67,764)

(v) Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

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

In respect of the interest bearing accounts held in cash and bank, these amounts have a short time to maturity and are maintained at market rates, accordingly, these are not significantly exposed to interest rate risk.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(v) Interest rate risk (continued)

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

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2019:							
Financial Assets							
Investment securities	688,228	377,776	923,118	375,068	2,837,488	71,656	5,273,334
Due from policyholders, brokers and agents	-	-	-	-	-	1,226,436	1,226,436
Recoverable from reinsurers	-	-	-	-	-	1,356,215	1,356,215
Other receivables	-	-	-	-	-	10,327	10,327
Cash and bank	63,214	-	-	-	-	1,110,557	1,173,771
Total financial assets	751,442	377,776	923,118	375,068	2,837,488	3,775,191	9,040,083
Financial Liabilities							
Insurance reserves	-	-	-	-	-	3,842,198	3,842,198
Due to reinsurers and coinsurers	-	-	-	-	-	724,895	724,895
Other creditors	-	-	-	-	-	289,550	289,550
Lease liabilities	575	1,152	5,181	24,256	-	-	31,164
Total financial liabilities	575	1,152	5,181	24,256	-	4,856,643	4,887,807
Total interest repricing gap	750,867	376,624	917,937	350,812	2,837,488	(1,081,452)	4,152,276

Guardian General Insurance Jamaica Limited

Notes to the Financial Statements

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(v) Interest rate risk (continued)

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2018:							
Financial Assets							
Investments	370,420	22,686	917,182	700,243	2,824,307	1,650,058	6,484,896
Due from policyholders, brokers and agents	-	-	-	-	-	1,209,692	1,209,692
Recoverable from	-	-	-	-	-	3,784,289	3,784,289
Other receivables	-	-	-	-	-	29,651	29,651
Cash and bank	112,097	-	-	-	-	806,759	918,856
Total financial assets	482,517	22,686	917,182	700,243	2,824,307	7,480,449	12,427,384
Financial Liabilities							
Insurance reserves	-	-	-	-	-	4,100,696	4,100,696
Due to reinsurers and coinsurers	-	-	-	-	-	740,466	740,466
Other creditors	-	-	-	-	-	134,165	134,165
Total financial liabilities	-	-	-	-	-	4,975,327	4,975,327
Total interest repricing	482,517	22,686	917,182	700,243	2,824,307	2,505,122	7,452,057

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(v) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's statement of comprehensive income and stockholders' equity.

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

	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2019	2019	2018	2018
	$'000	$'000	$'000	$'000
Change in basis points:				
-2 % (2018: -2%)	(11,380)	239,639	31,614	(412,839)
+2 % (2018: +2%)	11,380	(179,639)	(31,614)	412,839

(vi) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company on the statement of financial position classified at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. The Company's investments in equity of other entities are publicly traded on the Jamaica Stock Exchange or other international stock exchanges, with the exception of the unquoted equities disclosed in Note 13.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(vi) Interest rate risk (continued)

Price sensitivity

The table below summaries the impact of increases/decreases of equity securities process on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity index has increased/decreased by 10% with all other variables held constant.

	Effect on Net Profit 2019 $'000	Effect on Net Profit 2018 $'000
Change in basis points:		
-10 % (2018: -10%)	(185,493)	(162,882)
+10 % (2018: +10%)	185,493	162,882

4. 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.

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

	2019		2018	
	Actual	**Minimum Standard**	**Actual**	**Minimum Standard**
MCT	308.61%	250%	313.14%	250%

5. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

For financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities classified as fair value through profit or loss or fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or valuation techniques such as discounted cash flow analysis;

(ii) The carrying amount of short-term assets and liabilities maturing within one year is assumed to approximate their fair value. This assumption is applied to the short-term elements of all other financial assets and financial liabilities.

The classification of financial instruments at fair value can be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured by reference to quoted price in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

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5. Fair Values of Financial Instruments (Continued)

Level 3
Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unlisted equity investments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available which might include the Company's own data.

The following table shows an analysis of financial instruments (excluding reverse repurchase agreements and interest receivable) recorded at fair value by level of fair value hierarchy:

Financial assets

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total Fair Value $'000**
Investment securities at fair value through profit or loss:				
- Equity securities	1,828,472	26,454	-	1,854,926
Investment securities at fair value through other comprehensive income:				
- Debt securities	-	5,201,679	1,838	5,203,517
	1,828,472	5,228,133	1,838	7,058,443

	2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total Fair Value $'000**
Investment securities at fair value through profit or loss:				
- Equity securities	1,628,826	21,232	-	1,650,058
Investment securities at fair value through other comprehensive income:				
- Debt securities	-	4,550,239	1,838	4,552,077
	1,628,826	4,571,471	1,838	6,202,135

5. Fair Values of Financial Instruments (Continued)

There were no transfers between Level 1 and Level 2 during the year.

The fair values of the equity securities in Level 1 are based on price quotations at the reporting date.

The debt securities are comprised of government bonds, corporate bonds, certificate of deposits and reverse repurchase agreements. Government bonds and corporate bonds are valued using interpolated yields derived from quoted prices of similar instruments or broker quotes from market makers. The carrying amount of certificates of deposit and reverse repurchase agreements maturing within one year is assumed to approximate their fair value.

There was no movement between the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

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6. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Sources of estimation uncertainty

(a) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (Notes 11 and19).

(b) Ultimate liability arising from claims

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the Company based on contracts for the insurance business in force at the statement of financial position date using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amount of future premiums that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Company's experience. (Note 3(a)). At December 2019, the carrying amounts of short-term insurance contracts (claims) was $3.84 billion (2018- $4.10 billion) (Note 15(i)).

(c) Fair value of financial instruments

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2019, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $5.02 billion (2018 - $4.55 billion). (Note 5).

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

Sources of estimation uncertainty (continued)

(c) Fair value of financial instruments (continued)

The following table shows the effect on the profit or loss and fair value reserve to changes in the market yields.

	Effect on fair value reserve 2019		Effect on fair value reserve 2018	
	$'M	$'M	$'M	$'M
Decrease/(increase) in market yields (+ / - 2%)	141.169	141.169	124.04	124.04

(d) Post retirement medical plan

In conducting valuation exercises to measure the effect of the post retirement medical plan, the company's external qualified actuaries use judgment and assumptions in determining discount rates and health care costs. These assumptions are detailed in Note 25.

Judgements in applying accounting policies

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Impairment losses on financial assets

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

Judgements in applying accounting policies (continued)

(b) Impairment losses on financial assets (continued)

The Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjust when necessary.

The carrying amount of impairment provisions on financial assets as at 31 December 2019 was $117,763,000 (2018 - $127,720,000) (Note 3(c)(i)).

(c) Property and equipment and intangible assets

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of property and equipment and intangible assets, and the resulting depreciation or amortisation determined thereon. (Note 2.12).

7. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act, 2001 appoints the actuary. The actuary's responsibility is to carry out an annual valuation of the Company's insurance reserves in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders.

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

8. Expenses by Nature

Total expenses:

	2019 $'000	2018 $'000
Advertising and promotion	29,385	33,085
Asset tax	19,509	19,036
Auditor's remuneration	8,705	13,632
Computer and data processing	96,696	82,605
Depreciation and amortisation	49,651	31,510
Directors' fees (Note 23(c))	10,150	10,784
FSC insurance regulation fees and other licence fees	30,638	30,062
Legal and professional fees	54,736	12,133
Motor vehicle	10,682	11,553
Other	36,866	20,324
Repairs and maintenance	39,858	39,882
Staff costs (Note 9)	613,615	482,049
Utilities and rent	8,007	33,561
	1,008,498	820,216
Less: Claims related expenses	(252,125)	(205,054)
	756,373	615,162

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9. Staff Costs

	2019 $'000	2018 $'000
Wages and salaries	474,579	362,428
Statutory contributions	52,497	47,013
Long-term incentive scheme (Note 23(c))	13,963	5,478
Pension costs - defined contribution scheme (Note 21)	21,596	19,803
Employee benefit obligations (Note 25)	1,300	1,100
Other staff related costs	49,680	46,227
	613,615	482,049

10. a) Investment Income

	2019 $'000	2018 $'000
Interest income		
- Fair value through other comprehensive income investment securities	279,026	251,501
- Amortised cost investment securities	7,970	19,566
Total Interest income	286,996	271,067
Other investment income		
Dividend income	65,415	50,583
Direct investment expense	(12,841)	(11,796)
	52,574	38,787
	339,570	309,854

b) Net fair value gains

	2019 $'000	2018 $'000
Realised fair value gains on fair value through profit or loss investment securities	11,677	2,671
Unrealised fair value gains on fair value through profit or loss investment securities	410,003	173,820
	421,680	176,491

c) Net impairment reversal (losses) on financial assets

	2019 $'000	2018 $'000
Investment securities at fair value through other comprehensive income (Note 26(a))	3,940	24,837
Investment securities measured at amortised cost	5,181	29,947
Loans and receivables	3,424	(6,551)
Cash and bank	854	(652)
	13,399	47,581

11. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes and comprises income tax at 33 1/3%:

	2019 $'000	Restated 2018 $'000
Current income tax	157,946	221,179
Deferred income tax (Note 19)	6,563	(133,245)
	164,509	87,934

The tax charge on the Company's profit differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2019 $'000	Restated 2018 $'000
Profit before taxation	1,007,682	975,399
Tax calculated at a rate of 33 1/3%	335,894	325,133
Adjusted for effects of:		
Income not subject to tax	(157,764)	(40,156)
Expenses not deductible for tax	13,694	13,453
Correction of prior year accounting treatment (Note 27)	-	(222,459)
Other	(27,315)	11,963
Income tax expense	164,509	87,934

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12. Property and Equipment

	Computer Equipment	Furniture and Fixtures	Motor Vehicles	Leasehold Improvements	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At Cost:					
At 31 December 2017	132,620	42,660	70,768	45,319	291,367
Additions	14,687	1,018	39,712	-	55,417
Disposals	-	-	(24,514)	-	(24,514)
At 31 December 2018	147,307	43,678	85,966	45,319	322,270
Additions	1,758	287	34,467	976	37,488
Disposals	(62,091)	(9,722)	(26,204)	-	(98,017)
At 31 December 2019	86,974	34,243	94,229	46,295	261,741
Accumulated Depreciation:					
At 31 December 2017	121,755	30,617	44,832	15,676	212,880
Charge for the year	9,469	3,271	14,238	4,532	31,510
Disposals	-	-	(17,203)	-	(17,203)
At 31 December 2018	131,224	33,888	41,867	20,208	227,187
Charge for the year	8,777	3,129	15,780	4,556	32,242
Disposals	(62,091)	(9,722)	(24,117)	-	(95,930)
As at December 31, 2019	77,910	27,295	33,530	24,764	163,499
Net Book Value:					
At 31 December 2019	9,064	6,948	60,699	21,531	98,242
At 31 December 2018	16,083	9,790	44,099	25,111	95,083

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13. Investments

These comprise investments primarily in government securities as follows:

	Fair Value through Other Comprehensive Income $'000	Fair Value through Profit & Loss $'000	Total $'000
Financial assets			
Government of Jamaica ("GOJ") securities	3,398,763	-	3,398,763
Equity securities - Quoted	-	1,828,472	1,828,472
Other:			
Deposits (more than 90 days)	665,779	-	665,779
Treasury Bills	254,228	-	254,228
Corporate bonds	884,746	-	884,746
Unit Trust	-	26,454	26,454
	1,804,753	26,454	1,831,207
Accrued interest Total	69,818	-	69,818
Total	5,273,334	1,854,926	7,128,260
Classified as:			
Current			1,506,861
Non-current			5,621,399
			7,128,260

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13. Investments (Continued)

	2018			
	Fair Value through Other Comprehensive Income $'000	**Amortised costs $'000**	**Fair Value Through Profit or Loss $'000**	**Total $'000**
Financial assets				
Government of Jamaica ("GOJ") securities	3,641,389	-	-	3,641,389
Equity securities - Quoted	-	1,628,826	-	1,628,826
Other				
Deposits (more than 90 days)	623,035	-	-	623,035
Reverse repurchase agreements	-	-	217,397	217,397
Corporate bonds	287,653	-	-	287,653
Mutual funds	-	21,232	-	21,232
	910,688	21,232	217,397	1,149,317
Accrued interest Total	70,214	-	331	61,207
Impairment	-	-	(5,181)	(5,181)
Total	4,622,291	1,650,058	212,547	6,484,896
Classified as:				
Current				2,960,346
Non-current				3,524,550
				6,484,896

Treasury Bills are short term investments with a maturity of less than 90 days are regarded as cash equivalents for purposes of the statement of cash flows and amounted to $254,228,000 (2018 – $217,397,000).

Interest rates on the debt securities ranged from 1% to 11.875% (2018 - 1% to 11.875%) per annum.

The Financial Services Commission ("FSC") holds GOJ securities valued at $45,000.000 (2018 – $45,000,000) for the Company as security, in accordance with Section 8(1) (B) of the Insurance Regulations 2001.

14. Deferred Policy Acquisition Costs

These are comprised as follows:

	2019 $'000	2018 $'000
Deferred commissions (Note 15(v))	264,914	257,176

15. Insurance Liabilities and Reinsurance Assets

These reserves are as follows:

Short-term insurance contracts

(i) Gross insurance liabilities

	2019 $'000	2018 $'000
Unearned premiums	3,486,791	3,148,177
Claims outstanding	3,842,198	4,100,695
Unearned commissions	256,682	226,863
Total insurance liabilities, gross	7,585,671	7,475,735

(ii) Recoverable from reinsurers

	2019 $'000	2018 $'000
Unearned premiums	2,371,422	2,171,060
Claims outstanding	1,356,215	1,613,229
Total reinsurers' share of the insurance liabilities	3,727,637	3,784,289

(iii) Provision for unearned premiums

	2019 $'000	2018 $'000
Gross unearned premiums	3,486,791	3,148,177
Recoverable from reinsurers	(2,371,422)	(2,171,060)
Net unearned premiums at end of year	1,115,369	977,117

(iv) Provision for claims outstanding

	2019 $'000	2018 $'000
Gross claims outstanding	3,842,198	4,100,695
Recoverable from coinsurers and reinsurers	(1,356,215)	(1,613,229)
Net claims outstanding at end of year	2,485,983	2,487,466

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15. Insurance Liabilities and Reinsurance Assets (Continued)

(v) Deferred policy acquisition costs

	2019 $'000	2018 $'000
Deferred commissions (Note 14)	264,914	257,176
Unearned commissions	(256,682)	(226,863)
Net deferred policy acquisition costs	8,232	30,313

16. Other Receivables

	2019 $'000	2018 $'000
Staff loans and advances	133	68
Prepayments	11,599	12,797
Sundry receivables	10,194	28,753
Due to related parties (Note 23(b))	-	830
	21,926	42,448

17. Cash and Bank

	2019 $'000	2018 $'000
Cash and bank balances – J$	843,781	757,931
Cash and bank balances – US$	333,907	165,696
	1,177,688	923,627
Impairment allowance	(3,917)	(4,771)
Cash and bank balances	1,173,771	918,856

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

	2019 %	2018 %
Cash at bank		
- J$	0.25 – 0.35	0.25 – 0.35
- US$	0.10 – 0.30	0.10 – 0.30

In an effort to maximise interest income, the Company transfers cash from short-term deposits to its current accounts only when required.

18. Share Capital and Other Capital Reserves

(a) Share capital:

	2019 No. of Shares ('000)	2018 No. of Shares ('000)
Authorised – ordinary shares of no par value:		
1 January and 31 December	462,575	462,575

	$'000	$'000
Issued and fully paid - ordinary shares of no par value:		
1 January and 31 December	1,138,500	1,138,500

(b) Other capital reserves:

Other capital reserves consist of the following:

	2019 $'000	2018 $'000
Capital redemption reserve (i)	213,000	213,000
Capital reserves (ii)	167	167
	213,167	213,167

(i) Capital redemption reserve:

	2019 $'000	2018 $'000
Transfer from retained earnings to facilitate redemption of 213,000,000 15% cumulative redeemable convertible preference shares of no par value	213,000	213,000

The preference shares were fully redeemed during 2011.

(ii) Capital reserves:

	2019 $'000	2018 $'000
Realised gain on disposal of investments	151,141	151,141
Share premium	170	170
	151,311	151,311
Capitalisation as bonus shares	(151,144)	(151,144)
	167	167

Realised capital reserves are available for distribution to shareholders, subject to transfer tax at 4% (2018 - 4%)

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19. Deferred Tax Liabilities, Net

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 33 1/3%.Net liabilities recognised on the statement of financial position are as follows:

	2019 $'000	Restated 2018 $'000
Deferred tax assets	7,647	4,298
Deferred tax liabilities	(238,023)	(224,846)
Net deferred tax liabilities	(230,376)	(220,548)

	2019 $'000	Restated 2018 $'000
Net liabilities at beginning of year	(175,952)	(259,229)
Correction of prior year accounting treatment (Note 27)	-	222,459
Impact of initial application of IFRS 9	-	12,067
Deferred tax charged to income tax expense (Note 11)	(6,563)	(89,214)
Deferred tax charged to other comprehensive income	(47,861)	(62,035)
Net liabilities at end of year	(230,376)	(175,952)

The movement in deferred tax assets during the year is as follows:

	Employee Benefit Obligation and Accrued Vacation $'000	Leases Depreciation in Excess of Capital Allowance $'0000	Total $'000
Deferred tax assets			
At 31 December 2018	4,209	89	4,298
(Charged)/credited to other comprehensive income (Note 25)	(201)	515	314
Credited to income tax expense	3,035	-	3,035
At 31 December 2019	7,043	604	7,647

19. Deferred Tax Liabilities, Net (Continued)

The movement in deferred tax liabilities during the year is as follows:

	Accelerated Tax Depreciation $'000	Foreign Exchange Gains $'000	Accrued Interest & Fair Value Gains $'000	Total $'000
Deferred tax liabilities				
At 31 December 2018, restated	-	14,238	210,608	224,846
Charged to other comprehensive income (Note 26)	-	-	47,863	47,863
(Credited)/charged to income tax expense	7,449	872	(43,007)	(34,686)
At 31 December 2019	7,449	15,110	215,464	238,023

	2019 $'000	Restated 2018 $'000
Deferred tax assets to be recovered after more than one year	7,647	4,298
Deferred tax liabilities to be settled after more than one year	(222,913)	(210,608)

20. Other Creditors

	2019 $'000	2018 $'000
Staff bonus and gratuity	216,585	109,672
General consumption tax and premium tax	51,988	38,198
Professional fees	52,198	13,484
Regulatory fees	7,571	7,461
Due to related parties (Note 23(b))	6,128	1,372
Other	7,068	2,176
	341,538	172,363

21. Retirement Benefit Plan

The Company has established a defined contribution plan covering all permanent employees. The assets of the funded plan are held independently of the Company's assets in separate trustee administered funds.

The defined contribution plan was established 1 January 2013. Employees are required to make a basic contribution of 5% of pensionable salary and may also make voluntary contributions of no more than 5%, while the Company matches employee contributions up to a maximum of 10%. Contributions for the year of $21,596,000 (2018 – $19,803,000) have been charged to the statement of comprehensive income (Note 9).

22. Leases

This note provides information for leases where the Company is a lessee. There are no leases where the Company is a lessor.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019 $'000
Right-of-use assets	
Buildings	28,966
Lease liabilities	
Current	17,599
Non-current	13,565
	31,164

There was no addition to the right-of-use assets during the 2019 financial year. The total cash outflow for leases in 2019 was $18,879,000.

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2019 $'000
Depreciation charge on right-of-use assets	
Buildings	17,409
Interest expense (included in administrative expenses)	3,654
	21,063

22. Leases (Continued)

(iii) The Company's leasing activities and how these are accounted for

The Company leases two (2) offices. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases, see note 28 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

22. Leases (Continued)

(iii) The Company's leasing activities and how these are accounted for (continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Company has no low-value assets.

(iv) Extension and termination options

Extension and termination options are included in the property leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

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23. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions or are under common control or influence.

(a) The following transactions were carried out with related parties:

	2019 $'000	2018 $'000
(i) Sale of insurance contracts		
Fellow subsidiaries:		
Guardian Life Limited	36,159	31,033
Guardian Resorts Jamaica Limited	72,125	61,607
National Commercial Bank	45,654	-
	153,938	92,640
(ii) Other expenses		
Immediate parent:		
Guardian Holdings Limited	1,353	-
Fellow subsidiaries:		
Guardian General Limited	764	1,476
Guardian Life Limited	25,216	24,897
Guardian Shared Services Limited	54,824	62,070
	82,157	88,443

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23. Related Party Transactions and Balances (Continued)

(b) Year end balances due to/(from) related parties are as follows:

	2019 $'000	2018 $'000
Fellow subsidiaries:		
Guardian Holdings Limited	67	1,353
Guardian General Insurance Limited	151	19
Guardian Shared Services Limited	5,910	(830)
	6,128	542
Classified as:		
Due to related parties (Note 21)	6,128	1,372
Due from related party (Note 16)	-	(830)
	6,128	542

All amounts due to related parties are unsecured, non-interest bearing and are without fixed repayment terms.

(c) Key management compensation

	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	106,603	85,485
Long-term incentive plan (Note 9)	13,963	5,478
Statutory contributions	6,586	5,308
Pension benefits	4,725	4,012
	131,877	100,283
Directors' emoluments –		
Fees (Note 8)	10,150	10,784

24. Dividends Paid

During the year, the Company declared and subsequently made a dividend payment of $350,000,000 (2018 – $570,000,000) to its parent company. The dividend per share is calculated as $0.76 (2018 – $1.23).

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25. Employee Benefit Obligation

Post-retirement medical benefits

	2019 $'000	2018 $'000
Present value of obligation	18,700	18,500
Net liability in statement of financial position	18,700	18,500
The amounts recognised in the statement of comprehensive income are as follows:		
Interest on obligation	1,300	1,100
Net cost for year recognised in the statement of comprehensive income (Note 9)	1,300	1,100
Items in Other Comprehensive Income (OCI):		
Re-measurement loss of employee benefit obligation, gross	-	4,000
Net cost from statement of comprehensive income	1,300	5,100
Re-measurement of employee benefit obligation, gross	-	4,000
Deferred income tax (Note 19)	-	(1,333)
Re-measurement of employee benefit, net of tax	-	2,667
Movements in the net liability recognised in the statement of financial position are as follows:		
Net liability at start of year	18,500	14,300
Net cost from statement of comprehensive income	1,300	5,100
Contributions paid by employer	(1,100)	(900)
	18,700	18,500
Principal actuarial assumptions at the statement of financial position date:		
Discount rate at end of year (pa)	7.5%	7%
Rate of increase in medical claims cost/premiums (pa)	7.0%	6%

The mortality assumptions used for the pensioners are based on the GAM 94 Tables for Pensioners with ages reduced by five years.

25. Employee Benefit Obligation (Continued)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Impact on post-employment obligations		
		2019	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		$'000	**$'000**
Discount rate	0.50%	17,742	(19,708)
Medical cost	0.50%	19,708	(17,742)

26. Revaluation Reserves

This comprises the investment revaluation reserve.

	2019	**2018**
	$'000	**$'000**
Balance 1 January	474,438	372,541
Credit to other comprehensive income (Note 26(a))	91,784	101,898
Balance 31 December	566,223	474,439

a) The movement in other comprehensive income is as follows:

	2019	**2018**
	$'000	**$'000**
Fair value gains on fair value through other comprehensive income securities	143,587	190,104
Effect on taxes on fair value gains and impairment (Note 19)	(47,863)	(63,368)
	95,724	126,736
Impairment losses reversed during the year (Note 10(c))	(3,940)	(24,837)
	91,784	101,898

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27. Impact of Restatements

December 2018, interest income was included in investment income on the face of the income statement. However, IFRS 9 states that interest income should be shown separately from other items of investment income. As a result, the 31 December 2018 income statement was –represented to show interest income of $271,067,000 and other investment income, net of $38,787,000. The reclassifications had no impact on net profit, statement of financial position, statement of cash flows, retained earnings, or equity. There was also no impact on the regulatory ratios.

In addition, during the year management received clarification on the tax treat of the unrealised fair value gains on equity instruments. This resulted in the unrealised gains being treated as capital gains, which was impacted the accounting for deferred taxes, in accordance with IFRS 12 – Income Taxes. The restatement had no impact on the statement of other comprehensive income.

The table below reflects the effect of the above restatements and reclassification on the statement of comprehensive income for the year ended 31 December 2018.

	As previously stated 2018 $'000	Restatement $'000	Restated 2018 $'000
Gross premiums written	7,151,962	-	7,151,962
Outward reinsurance premiums	(5,219,342)	-	(5,219,342)
Premiums written, net of reinsurance	1,932,620	-	1,932,620
Change in provision for unearned premiums	(11,801)	-	(11,801)
Premiums earned, net of reinsurance	1,920,819	-	1,920,819
Claims incurred, net of reinsurance	(1,084,188)	-	(1,084,188)
Commissions earned	751,497	-	751,497
Commissions paid	(600,814)	-	(600,814)
Change in net deferred policy acquisition costs	(1,380)	-	(1,380)
Administrative expenses	(615,162)	-	(615,162)
Underwriting profit	370,772	-	370,772
Interest income earned from financial assets measured at:			
Fair value through profit and loss and other investment income	-	251,501	251,501
Amortised cost and held-to-maturity	-	19,566	19,566
Interest income	-	267,067	267,067
Investment income	309,854	(267,067)	38,787
Net fair value gains	176,491	-	176,491
Net impairment reversal on financial assets	47,581	-	47,581
Other income	9,226	-	9,226
Foreign exchange gains	61,475	-	61,475
Profit before taxation	975,399		975,399
Taxation	(310,393)	222,459	(87,934)
Net profit attributable to owners of the parent	665,006	222,459	887,465

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27. Impact of Restatements (Continued)

The table below reflects the effect of the above restatements on the statement of financial position for the year ended 31 December 2018.

	Notes	As previously stated 2018 $'000	Restatement $'000	Restated 2018 $'000
ASSETS				
Property and equipment	12	95,083	-	95,083
Investments	13	6,484,896	-	6,484,896
Due from policyholders, brokers and agents		1,209,692	-	1,209,692
Deferred policy acquisition costs	14	257,176	-	257,176
Recoverable from reinsurers	15	3,784,289	-	3,784,289
Other receivables	16	42,448	-	42,448
Cash and bank	17	918,856	-	918,856
Total assets		12,792,440	-	12,792,440
EQUITY				
Share capital	18(a)	1,138,500	-	1,138,500
Other capital reserves	18(b)	213,167	-	213,167
Revaluation reserves	26	474,439	-	474,439
Retained earnings		1,945,799	267,055	2,212,854
Total equity		4,038,960	267,055	4,038,960
LIABILITIES				
Insurance reserves	15	7,475,735	-	7,475,735
Deferred tax liabilities, net	19	443,007	(267,055)	175,952
Due to reinsurers and co-insurers		740,466	-	740,466
Other creditors	20	172,363	-	172,363
Employee benefit obligation	25	18,500	-	18,500
Taxation payable		170,464	-	170,464
Total liabilities		8,753,480	(267,055)	8,753,480
Total equity and liabilities		12,792,440	-	12,792,440

The net impact of these adjustments on 31 December 2017 and 31 December 2018 was $44,596,000 and $222,459,000 and resulted in an increase in equity of $267,055,000 as presented in the statement of changes in equity. The Minimum Capital Test (MCT) would have increased by 12.69% and 22.17% at 31 December 2017 and 31 December 2018.

27. Impact of Restatements (Continued)

	As previously stated 2018 $'000	Restatement $'000	Restated 2018 $'000
Cash flows from operating activities			
Net profit for the year	665,006	222,459	887,465
Adjustments for:			
Depreciation of property and equipment	31,510	-	31,510
Impairment loss reversed (net)	(93,554)	-	(93,554)
Gain on disposal of property and equipment	(4,208)	-	(4,208)
Gain on disposal of investments	(2,671)	-	(2,671)
Net interest and dividend income	(309,854)	-	(309,854)
Tax expense	310,393	(222,459)	87,934
Employee benefit obligations	1,100	-	1,100
Unrealised exchange gains on foreign currency	(4,438)	-	(4,438)
Unrealised fair value gain on investments	(173,820)	-	(173,820)
Decrease in insurance reserves	(113,961)	-	(113,961)
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents	4,917	-	4,917
Deferred policy acquisition costs	(27,160)	-	(27,160)
Recoverable from reinsurers	(2,950)	-	(2,950)
Taxation recoverable	(104,276)	-	(104,276)
Other receivables	(25,543)	-	(25,543)
Due to related parties	(50,438)	-	(50,438)
Due to reinsurers and co-insurers	16,567	-	16,567
Other creditors	(53,200)	-	(53,200)
Employee benefit obligations paid	(900)	-	(900)
Net cash provided by operating activities	62,520	-	62,520
Interest and dividend received	300,516	-	300,516
Net cash provided by operating activities (Page 5)	363,036	-	363,036

The changes did not have any further impact on the statement of cash flows.

28. Change in Accounting Policy

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

As indicated in Note 2 2.1, the Company has adopted IFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. No reclassifications or adjustments arose from the new leasing rules are therefore, no adjustment was recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 22.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

(i) Measurement of lease liabilities

	2019 **$'000**
Operating lease commitments disclosed as at 31 December 2018	33,653
Discounted using the lessee's incremental borrowing rate of at the date of initial application	12,722
Lease Liability at 1 January 2019	46,375
Of which are:	
Current	18,879
Non-Current	27,496
	46,375

(ii) Measurement of right-of-use assets

The right-of use assets were measured at the amount equal to the lease liability as at 31 December 2018.

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

- Right-of-use assets $46,375,000
- Lease liabilities $46,375,000