

GK General Insurance Company Limited

**Summary Financial Statements
31 December 2017**

GK General Insurance Company Limited

Index

31 December 2017

Page

Actuary's Report

Report of the Independent Auditor on the Summary Financial Statements

Summary Financial Statements

Statement of financial position

1 – 2

Statement of comprehensive income

3

Statement of changes in equity

4

Statement of cash flows

5

Notes to the summary financial statements

6 – 7

3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of GKICL for its balance sheet as at December 31, 2017 and the corresponding change in the policy and claims liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica. I have relied upon PriceWaterhouseCoopers for the substantial accuracy of the records and information concerning other liabilities, as certified in the attached statement.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claims Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Direct unpaid claims and adjustment expenses:	4,043,559	4,043,559
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	4,043,559	4,043,559
Ceded unpaid claims and adjustment expenses:	1,623,966	1,623,966
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	2,419,593	2,419,593

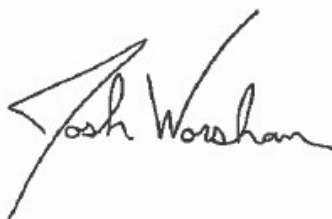
Policy Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		1,184,529
Net policy liabilities in connection with unearned premiums:		1,077,546
Gross unearned premiums:	2,310,180	
Net unearned premiums:	1,311,121	
Premium deficiency:	0	
Other net liabilities:	0	

In my opinion:

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

Josh Worsham, FCAS, MAAA

Name of Appointed Actuary



Signature of Appointed Actuary

March 22, 2018

Date



Independent auditor's report on the summary financial statements

To the Members of GK General Insurance Company Limited

Our opinion

In our opinion, the accompanying summary financial statements of GK General Insurance Company Limited (the Company) are consistent, in all material respects, with the audited financial statements, on the basis described in note 2.

The summary financial statements

The Company's summary financial statements derived from the audited financial statements for the year ended 31 December 2017 comprise:

- the statement of financial position as at 31 December 2017;
- 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 summary financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The audited financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our audit report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 27 March 2018.

Responsibilities of management for the summary financial statements

Management is responsible for the preparation of the summary financial statements on the basis described in note 2.

*PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm*



Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

PricewaterhouseCoopers

*Chartered Accountants
9 April 2018
Kingston, Jamaica*

GK General Insurance Company Limited

Statement of Financial Position

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
Assets		
Cash and short term investments	823,434	689,205
Investments	4,316,926	4,621,437
Due from agents, brokers and policyholders	842,749	778,363
Recoverable from reinsurers and coinsurers	2,690,521	1,612,353
Deferred policy acquisition costs	192,667	181,278
Other receivables	50,380	33,455
Due from group companies	91,076	35,753
Taxation recoverable	75,810	-
Property, plant and equipment	739,365	453,495
Intangible assets	183,554	171,372
	<u>10,006,482</u>	<u>8,576,711</u>

GK General Insurance Company Limited

Statement of Financial Position (Continued)

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Liabilities and Shareholders' Equity			
Liabilities			
Due to reinsurers		229,386	235,578
Insurance reserves	16	6,551,039	5,292,274
Other payables	17	218,940	188,267
Taxation payable		-	39,632
Due to group companies	13	3,476	-
Deferred tax liabilities	18	6,732	21,136
Post-employment benefit obligations	19	354,897	304,302
		<u>7,364,470</u>	<u>6,081,189</u>
Shareholders' Equity			
Share capital	20	1,291,739	1,291,739
Capital and fair value reserves	21	337,947	293,935
Share options reserve		6,795	4,786
Retained earnings		1,005,531	905,062
		<u>2,642,012</u>	<u>2,495,522</u>
		<u>10,006,482</u>	<u>8,576,711</u>

Approved for issue by the Board of Directors on 9 April 2018 and signed on its behalf by:


 Michael Bernard Director


 Grace Burnett Managing Director

GK General Insurance Company Limited

Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017	2016
	\$'000	\$'000
Gross Premiums Written	4,643,390	4,561,132
Reinsurance ceded	(2,072,887)	(2,260,262)
Net premiums written	2,570,503	2,300,870
Change in unearned premiums, net	(138,563)	(37,070)
Net Premiums Earned	2,431,940	2,263,800
Commission income	421,931	505,690
Commission expense	(396,675)	(373,040)
Claims expense	(1,540,331)	(1,256,019)
Underwriting expenses	(43,664)	(39,128)
Administration expenses	(993,184)	(989,585)
Underwriting Profit	(119,983)	111,718
Other income	423,440	505,349
Other operating expenses	(102,728)	(165,065)
Profit before Taxation	200,729	452,002
Taxation	(46,366)	(147,157)
Profit for the Year	154,363	304,845
Other Comprehensive Income:		
Items that may be subsequently reclassified to profit or loss		
Fair value gains on available-for-sale financial assets, net of taxes	44,012	9,437
Items that will not be reclassified to profit and loss		
Gains on revaluation of land and buildings, net of taxes	-	37,401
Re-measurements of post-employment benefit obligations	(9,162)	(6,721)
Other comprehensive income, net of taxes	34,850	40,117
Total Comprehensive Income	189,213	344,962

GK General Insurance Company Limited

Statement of Changes in Equity

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Capital and Fair Value Reserves	Share Options Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016	1,291,739	247,097	4,222	756,539	2,299,597
Profit for the year	-	-	-	304,845	304,845
Other comprehensive income:					
Fair value losses on available-for-sale financial assets, net of taxes	-	37,401	-	-	37,401
Re-measurements of post-employment benefit obligations, net of taxes	-	9,437	-	-	9,437
	-	46,838	-	(6,721)	40,117
Total comprehensive income	-	1,046	-	262,969	264,015
Transactions with owners:					
Dividends on ordinary shares	-	-	-	(104,000)	(104,000)
Dividends on preference shares	-	-	-	(45,601)	(45,601)
Employee Share option scheme:					
Value of services rendered	-	-	564	-	564
Balance at 31 December 2016	1,291,739	293,935	4,786	905,062	2,495,522
Profit for the year	-	-	-	154,363	154,363
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of taxes	-	44,012	-	-	44,012
Re-measurements of post-employment benefit obligations, net of taxes	-	-	-	(9,162)	(9,162)
	-	44,012	-	(9,162)	34,850
Total comprehensive income	-	44,012	-	145,201	189,213
Transactions with owners:					
Dividends on preference shares	-	-	-	(44,732)	(44,732)
Employee Share option scheme:					
Value of services rendered	-	-	2,009	-	2,009
Balance at 31 December 2017	1,291,739	337,947	6,795	1,005,531	2,642,012

GK General Insurance Company Limited

Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities		
Premiums received	4,579,004	4,446,403
Reinsurance paid	(2,079,079)	(2,293,172)
Commissions received	419,827	506,410
Commissions paid	(408,064)	(377,643)
Claims paid	(1,485,325)	(1,211,793)
Rent received	60,987	-
Underwriting, administration and other operating expenditure paid	(937,354)	(1,136,190)
Other payments, net	(6,368)	35,991
Taxation paid	(193,639)	(74,258)
Cash used in operating activities	<u>(86,011)</u>	<u>(104,252)</u>
Cash Flows from Investing Activities		
Interest received	293,171	322,844
Proceeds from sale of investment securities	2,918,072	2,750,413
Investments purchased	(2,610,194)	(2,281,538)
Additions to property, plant and equipment	(319,619)	(25,762)
Additions to intangible assets	(57,030)	(81)
Proceeds on disposal of property, plant and equipment	10,938	2,464
Cash provided/(used in) by investing activities	<u>235,338</u>	<u>768,340</u>
Cash Flows from Financing Activities		
Preference dividends paid	(44,732)	(45,601)
Ordinary dividends paid	-	(104,000)
Cash used in financing activities	<u>(44,732)</u>	<u>(149,601)</u>
Net increase in cash and cash equivalents	104,595	514,487
Cash and cash equivalents at beginning of year	689,205	160,720
Foreign exchange gains on cash and cash equivalents	(17,889)	13,998
Cash and Cash Equivalents at End of Year	<u><u>775,911</u></u>	<u><u>689,205</u></u>

GK General Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

These are the summary financial statements of GK General Insurance Company Limited (the Company) for the year ended 31 December 2017. The summary financial statements are derived from the full financial statements of the Company as at and for the year ended 31 December 2017.

The Company is a limited liability company incorporated and domiciled in Jamaica. The immediate parent company is GraceKennedy Financial Group Limited, and its ultimate parent company is GraceKennedy Limited. Both companies are incorporated and domiciled in Jamaica. The Company also has issued preference shares, which are held by fellow subsidiary, GraceKennedy (St. Lucia) Limited. In 2015, the board approved a rebranding exercise which resulted in the Company's name being changed from Jamaica International Insurance Company Limited to GK General Insurance Company Limited.

The registered office of the Company, and its ultimate parent, is located at 73 Harbour Street, Kingston, Jamaica.

The Company is licensed to operate as a general insurance company under the Insurance Act, 2001. Its principal activity is the underwriting of general insurance business. The Company issues insurance contracts in territories outside of Jamaica through brokers GK Insurance Brokers Limited (Turks & Caicos) and Cabrits Insurance Agency (Commonwealth of Dominica).

All amounts contained in the summary financial statements are presented in Jamaican dollars, unless otherwise stated.

2. Basis of preparation

The summary financial statements have been extracted from the full financial statements, and prepared in accordance with Practice Statement 2016-01 issued by the Institute of Chartered Accountants of Jamaica and the guidance on the publication of abridged financial statements issued by the Financial Service Commission. The full financial statements as at and for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 27 March 2018. Those financial statements have been prepared in accordance with IFRS, and contain an explicit and unreserved statement of compliance with IFRS.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. The full financial statements are available on the company's website at www.gkgereral.com.

The full financial statements have been audited by PricewaterhouseCoopers who, in their report dated 27 March 2018, expressed an unmodified opinion in relation to those full financial statements.

GK General Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Capital Management

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). The minimum standard stipulated by the Regulation 17(4) of the Insurance (Actuaries) (General Insurance Companies) (Amendment) Regulations, 2013 is that a general insurance company shall have a minimum MCT percentage of 250% for the financial year end 2017. This information is required to be included in the company's annual returns filed with the Financial Services Commission (FSC). The MCT percentages for the company for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Actual MCT percentage	261%	270%
Minimum Required MCT percentage	<u>250%</u>	<u>250%</u>

The company has capital management requirements arising from its registration with regulators in the Commonwealth of Dominica and Turks & Caicos, which it has met. The company is also required to hold minimum levels of regulatory capital with its regulators in Turks & Caicos and the Commonwealth of Dominica which it has maintained.