Jamaica International Insurance Company Limited

Financial Statements
31 December 2014

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3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of JIIC for its balance sheet as at December 31, 2014 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:	2,547,324	2,547,324
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	2,547,324	2,547,324
Ceded unpaid claims and adjustment expenses:	159,113	159,113
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	2,388,211	2,388,211

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		1,007,608
Net policy liabilities in connection with unearned premiums:		914,721
Gross unearned premiums:	1,965,961	
Net unearned premiums:	1,107,984	
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	Josh Worsham	March 25, 2015
Name of Appointed Actuary	Signature of Appointed Actuary	Date

Independent Auditor's Report

To the Members of
Jamaica International Insurance Company Limited

Report on the Financial Statements
We have audited the accompanying financial statements of Jamaica International Insurance Company Limited, set out on pages 1 to 60, which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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C.D.W. Maxwell E.A. Crawford P.E. Williams L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Jamaica International Insurance Company Limited as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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.

PricewaterhouseCoopers

Chartered Accountants
31 March 2015
Kingston, Jamaica

Jamaica International Insurance Company Limited

Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
Assets			
Cash and short term investments	8	552,026	701,761
Investments	9	4,573,998	4,211,188
Due from agents, brokers and policyholders	10	540,109	497,867
Recoverable from reinsurers and coinsurers	11	1,022,925	1,080,933
Deferred policy acquisition costs		162,225	159,506
Other receivables	12	25,633	17,196
Due from group companies	13	18,449	852
Taxation recoverable		127,450	159,023
Fixed assets	14	431,872	405,459
Intangible assets	15	238,483	277,783
		7,693,170	7,511,568

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Jamaica International Insurance Company Limited
Statement of Financial Position (Continued)
31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
Liabilities and Shareholders' Equity			
Liabilities			
Bank overdraft	16	9,615	2,627
Due to reinsurers		358,377	300,800
Insurance reserves	17	4,693,056	4,842,458
Other payables	18	208,459	125,637
Due to group companies	13	180	1,561
Deferred tax liabilities	19	62,699	54,075
Retirement benefit obligations	20	164,979	172,053
		5,497,365	5,499,211
Shareholders' Equity			
Share capital	21	1,065,076	1,065,076
Capital and fair value reserves	22	246,051	215,880
Share options reserve	23	4,222	4,222
Retained earnings		880,456	727,179
		2,195,805	2,012,357
		7,693,170	7,511,568

Approved for issue by the Board of Directors on 31 March 2015 and signed on its behalf by:

Gina Phillipps Black Chairman

Grace Burnett Managing Director

Jamaica International Insurance Company Limited

Statement of Comprehensive Income

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
Gross Premiums Written		4,230,464	4,317,924
Reinsurance ceded		(2,008,405)	(1,916,852)
Net premiums written		2,222,059	2,401,072
Change in unearned premiums, net		72,485	641
Net Premiums Earned		2,294,544	2,401,713
Commission income		387,931	338,358
Commission expense		(361,632)	(374,360)
Claims expense	17	(1,257,920)	(1,885,747)
Underwriting expenses		(28,363)	(23,298)
Administration expenses		(921,631)	(813,430)
Underwriting (Loss)/Profit		112,929	(356,764)
Other income	24	484,518	542,472
Other operating expenses		(192,588)	(168,433)
Profit before Taxation		404,859	17,275
Taxation	27	(118,611)	54
Profit for the Year		286,248	17,329
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Fair value losses on available-for-sale financial assets		(3,633)	(92,803)
Items that will not be reclassified to profit and loss			
Gains on revaluation of land and buildings, net of taxes		33,804	8,833
Re-measurements of post-employment benefit obligations		(4,541)	153,868
Other comprehensive income, net of taxes		25,630	69,898
Total Comprehensive Income		311,878	87,227

Jamaica International Insurance Company Limited
Statement of Changes in Equity
Year ended 31 December 2014
(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 2013	1,065,076	299,850	4,011	582,359	1,951,296
Profit for the year	-	-	-	17,329	17,329
Other comprehensive income:					
Gains on revaluation of land and buildings, net of taxes, net of taxes	-	8,833	-	-	8,833
Fair value losses on available-for-sale financial assets	-	(92,803)	-	-	(92,803)
Re-measurements of post-employment benefit obligations	-	-	-	153,868	153,868
	-	(83,970)	-	153,868	69,898
Total comprehensive income	-	(83,970)	-	171,197	87,227
Transactions with owners:					
Dividends on preference shares	-	-	-	(26,377)	(26,377)
Employee share option scheme:					
Value of services received (Note 23)	-	-	211	-	211
Balance at 31 December 2013	1,065,076	215,880	4,222	727,179	2,012,357
Profit for the year	-	-	-	286,248	286,248
Other comprehensive income:					
Gains on revaluation of land and buildings, net of taxes, net of taxes	-	33,804	-	-	33,804
Fair value losses on available-for-sale financial assets	-	(3,633)	-	-	(3,633)
Remeasurements of post-employment benefit obligations	-	-	-	(4,541)	(4,541)
	-	30,171	-	(4,541)	25,630
Total comprehensive income	-	30,171	-	281,707	311,878
Transactions with owners:					
Dividends on ordinary shares	-	-	-	(100,000)	(100,000)
Dividends on preference shares	-	-	-	(28,430)	(28,430)
Balance at 31 December 2014	1,065,076	246,051	4,222	880,456	2,195,805

Jamaica International Insurance Company Limited

Statement of Cash Flows

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
Cash Flows from Operating Activities			
Premiums received		4,188,222	4,348,175
Reinsurance paid		(1,950,828)	(1,996,889)
Commissions received		403,783	350,453
Commissions paid		(364,351)	(371,387)
Claims paid	18	(1,302,628)	(1,276,867)
Rent received		951	5,995
Underwriting, administration and other operating expenditure paid		(992,613)	(923,894)
Other receipts, net		29,142	40,838
Taxation paid		(87,543)	(74,675)
Cash (used in)/provided by operating activities		(75,865)	101,749
Cash Flows from Investing Activities			
Interest received		353,437	300,503
Investments, net		(286,146)	(902,423)
Additions to fixed assets	14	(24,171)	(28,292)
Additions to intangible assets	15	(1,589)	(191)
Proceeds on disposal of fixed assets		1,074	95,110
Cash provided by/(used) in investing activities		42,605	(535,293)
Cash Flows from Financing Activities			
Preference dividends paid		(28,430)	(26,377)
Ordinary dividends paid		(100,000)	-
Cash used in financing activities		(128,430)	(26,377)
		(161,690)	(459,921)
Foreign exchange gains on cash and cash equivalents		4,967	10,050
Decrease in cash and cash equivalents		(156,723)	(449,871)
Cash and cash equivalents at beginning of year		699,134	1,149,005
Cash and Cash Equivalents at End of Year	8	542,411	699,134

1. Identification and Activities

(a) Jamaica International Insurance Company Limited 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.

(b) 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 First Global Insurance Brokers Limited (Turks & Caicos) and Cabrits Insurance Agency (Commonwealth of Dominica).

2. Significant Accounting Policies

The principal financial accounting policies adopted 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.

(a) Basis of preparation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and available-for-sale financial instruments.

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. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. 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.

New and amended standards and interpretations effective in the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

Amendment to IAS 32, 'Financial instruments: Presentation' (1 January 2014)

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The company adopted this amendment effective 1 January 2014. There was no impact from the adoption.

Amendment to IAS 36, 'Impairment of assets' (1 January 2014)

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The company adopted this amendment effective 1 January 2014. There was no impact from the adoption.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New and amended standards and interpretations effective in the current year (continued)

IFRIC 21, 'Levies' (1 January 2014)
This interpretation sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The company adopted this IFRIC 21 effective 1 January 2014. There was no significant impact on the company's financial statements as a result of this adoption.

New and amended standards and interpretations that are not yet effective and not early adopted
The company has concluded that the following standards which are published but not yet effective, are relevant to its operations, and will impact the company's accounting policies and financial disclosures as discussed below. These pronouncements are effective for annual periods beginning on or after the dates noted, and will be applied by the company as of those dates, unless otherwise noted.

IFRS 15, 'Revenue from contracts with customers' (1 January 2017)
The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The company is in the process of assessing the impact of IFRS 15, however, impact is not expected to be significant given the nature of the company's core business, which would fall outside the scope of this standard.

IFRS 9, 'Financial instruments' (1 January 2018)
The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification will be made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Management is assessing the timing of its adoption by the company, and the potential impact of adoption.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.
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Jamaica International Insurance Company Limited
Notes to the Financial Statements
31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Foreign currency translation

Foreign currency transactions are translated into the company's functional currency, Jamaican dollars, at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised in profit or loss.

Translation differences resulting from changes in the amortised cost of foreign currency denominated monetary assets classified as available-for-sale are recognised in profit or loss. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are recognised in other comprehensive income.

(c) Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, amounts due from or to policyholders, brokers, agents, reinsurers, other receivables, balances with group companies and other payables. The determination of the fair values of the company's financial instruments is discussed in Note 5.

(d) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at fair value. Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(e) Investments

The company classifies its investments as available-for-sale. Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Purchases and sales of investments are recognised at trade date, which is the date that the company commits to purchase or sell the asset. Investments classified as available-for-sale are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the company has transferred substantially all the risk and rewards of ownership.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities in 'other income'.

2. Significant Accounting Policies (Continued)

(e) Investments (continued)

The company assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses on equity instruments described as available for sale recognised in profit or loss are not reversed through profit or loss.

(f) 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 and property insurance contracts.

Casualty insurance contracts protect the company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employer's liability) and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium on in-force contracts that relates to unexpired period of risk carried at reporting date is reported as the unearned premium liability. Premiums are shown before commission expense.

Claims and loss adjustment 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 reporting date even if they have not yet been reported to the company. The company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the company. Statistical analysis is used to estimate claims incurred but not reported, as well as the expected ultimate cost of more complex claims that may be affected by external factors.

(g) Insurance receivables and payables

Receivables and payables are recognised when due, and are carried at cost, less provision for impairment, which is deemed to approximate the fair value of these short-term assets. These include amounts due from agents, brokers and insurance contract holders and amounts due to the company's coinsurers and reinsurers.

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. Significant Accounting Policies (Continued)

(h) Reinsurance ceded

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 amounts 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 as well as claims recoverable from reinsurers, are included in recoverable from reinsurers on the statement of financial position.

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 liability for such losses. However, in an effort to reduce the risk of non-payment, the company performs financial strength assessments of its reinsurers and monitors risk concentration limits.

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.

(i) Deferred policy acquisition costs

The costs of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subsequently amortised as the premium is earned over the life of the contracts. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

(j) Fixed assets and depreciation

Land and buildings are shown at fair market value, based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. All other fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items.

Increases in carrying amounts arising on revaluation are recognised in OCI and credited to capital and fair value reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the capital and fair value reserves, through OCI; all other decreases are charged to profit or loss.

2. Significant Accounting Policies (Continued)

(j) Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis at such rates that will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other fixed assets are as follows:

Freehold building	60 years
Leasehold improvements	10 years
Furniture, fixtures and equipment	3 – 10 years
Motor vehicles	4 – 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each year end. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit for the year.

Repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

(k) Intangible assets

Separately acquired intangible assets are assessed annually for indicators of impairment and are carried at cost less any accumulated amortisation and impairment. The cost of separately acquired intangible assets comprises its purchase price, any directly attributable cost of preparing the asset for its intended use and professional fees directly attributed to acquiring the asset. Amortisation is calculated using the straight line method to allocate the cost of the assets over their estimated useful lives. The expected useful life of the intangible assets are as follows:

Policy contracts	15 years
Computer software	4 years

(l) Impairment of non financial assets

Fixed assets and other long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Jamaica International Insurance Company Limited
Notes to the Financial Statements
31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(m) Insurance reserves

Under the Insurance Regulations, 2001, the company is required to actuarially value its insurance reserves annually. Consequently, claims incurred but not reported (IBNR) as well as the unexpired period of risk reserve have been independently actuarially determined for the current year. The remaining reserves are also reviewed by the actuary in determining the overall adequacy of the provision for the company's insurance liabilities.

(i) Unearned premium reserve

This reserve represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the reporting date, and is computed by applying the 365th method to gross written premiums.

(ii) 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 life of the period in which the commissions are expected to be earned. These reserves are calculated by applying the 365th method to gross commissions.

(iii) Claims outstanding

A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end, including claims incurred but not reported (IBNR), less amounts already paid in respect of those claims. This provision is estimated by management (insurance case reserves) and the appointed actuary (IBNR) on the basis of claims admitted and intimated.

(iv) Claims incurred but not reported

The reserve for claims incurred but not reported (IBNR) has been calculated by an independent actuary using 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 (Note 18). This calculation is done in accordance with the Insurance Act 2001.

(v) Unexpired period of risk reserve

The provision for unexpired period of 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 reporting date, in excess of the net unearned premium minus deferred policy acquisition costs.

(n) Other receivables and payables

Other receivables and payables, including balances with group companies, are stated at historical cost.

If there is objective evidence that other receivables are impaired, the company reduces the carrying amount of the receivable accordingly and recognises the impairment loss in profit or loss.

Jamaica International Insurance Company Limited

Notes to the Financial Statements
31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(o) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Tax is recognised in net profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity, respectively.

Current 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 tax is calculated at tax rates that have been enacted at the statement of financial position date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income 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.

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

(p) Employee benefits

(i) Pension obligations

The company participates in a defined benefit plan operated by the ultimate parent. The defined benefit plan is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

In prior year, the ultimate parent company had a stated policy of charging the net defined benefit cost of the plan as a whole to individual participating subsidiaries. As a result, the company recognised a net asset or liability in respect of defined benefit pension plan on the statement of financial position. The net asset or liability is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of the allocated plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans were charged or credited to equity in other comprehensive income in the period in which they arose.

Past-service costs were recognized immediately in profit or loss.

2. Significant Accounting Policies (Continued)

(p) Employee benefits (continued)

(i) Pension obligations (continued)

During the year the ultimate parent company assumed the defined benefit pension obligations of all companies within the GraceKennedy Group participating in this scheme. As a result the ultimate parent company recognises the total pension assets and obligations in respect of this plan. Under this arrangement, the obligation of the company is limited to the regular monthly pension contributions. Contributions are recognised by the period in which they are incurred.

The company also participates in a defined contribution plan operated by the ultimate parent. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits due.

(ii) Other post-employment obligations

The company participates in a number of other post-employment schemes operated by GraceKennedy Limited. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

The liability in respect of these obligations is the present value of the defined benefit obligation at reporting date, together with adjustments for actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

(iii) 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.

(iv) Termination benefits

Termination benefits are payable when 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 terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

2. Significant Accounting Policies (Continued)

(p) Employee benefits (continued)

(v) Incentive plans
The company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit after certain adjustments. The company recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(vi) Equity compensation benefits
The company participates in an equity-settled, share-based compensation plan with its ultimate parent company, GraceKennedy Limited. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options are granted at the weighted average price of the parent company's shares on the Jamaica Stock Exchange for the previous ten days and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of six years. When options are exercised, the proceeds received net of any transaction costs are credited to share capital.

(q) Revenue and income recognition
Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Revenue is shown net of General Consumption Tax and is recognised as follows:

Insurance contracts
Gross premiums written are recognised on a pro-rated basis over the life of the policies written (Note 2(f)). The portion of premiums written in the current year, which relates to coverage in subsequent years are deferred as unearned premiums (Note 2(m)(i)).

Commissions payable on premium income and commissions receivable on reinsurance of risks are charged and credited, respectively, over the life of the policies.

Interest income
Interest income is recognised within other income in profit or loss using the effective interest method.

Dividend income
Dividend income from equities is recognised within other income in profit or loss when the right to receive payment is established.

(r) Dividend distribution
Dividend distribution is recognised as a liability in the period in which the dividends 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 insurance 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 minimise 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 for managing and monitoring risks, as follows:

(i) Investment and Loan Committee
The Investment and Loan Committee is responsible for monitoring and approving investment and liquidity strategies for the company. The Committee also assists the Board in its oversight of the company's exposure to credit risk, liquidity risk, market risk and operational risk.

(ii) Audit Committee
The Audit Committee assists the Board in its oversight of the risk management functions and processes of the company, reviews the adequacy of internal controls over risk management, and monitors the company's compliance with legal and regulatory requirements. The Audit Committee is assisted in its oversight role by the Internal Audit Department of the ultimate parent company, which regularly conducts reviews of key areas of risk.

(iii) Insurance Risk Committee
The Insurance Risk Committee oversees the company's insurance risk arrangements. The Committee's mandate is to ensure that the company's insurance risk appetite is appropriate and adhered to and that key insurance risks are identified and managed.

(iv) Conduct Review Committee
The Conduct Review Committee is responsible for the monitoring of related party transactions and ensuring that these are at arm's length and in the best interests of the company.

Management has also established the following framework for managing and monitoring risk:

(i) Finance Department
This Department is responsible for managing the company's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the liquidity risk of the company.

3. Insurance and Financial Risk Management (Continued)

(ii) Risk and Reinsurance Function
The Risk and Reinsurance function develops the company's insurance risk management framework and negotiate reinsurance (treaty and facultative) arrangements, including assessing the performance and credit worthiness of the reinsurers. They monitor the company's compliance with the insurance risk policies and procedures, by way of advisory activities, regular performance monitoring, exception reporting & audits conducted periodically.

The most important types of risks are insurance, credit, liquidity, market and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The disclosures provided in this note are based on the company's investment portfolio as at 31 December 2014.

(a) Insurance risk

The company issues contracts that transfer 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.

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. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

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.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

Management maintains an appropriate balance between commercial and personal policies and types 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.

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, on a replacement basis 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.

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Claims on insurance contracts are payable on a claims-occurrence basis. The company is liable for all insured events that occur during the term of the contract. Some classes of insurance cover such as those involving liability are settled over a long period of time. The related claims provision on these classes would therefore include an IBNR portion. 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 reported claims not yet paid and a provision for IBNR.

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 reporting 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 for current and prior year premiums earned.

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.

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Notes to the Financial Statements

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Management sets policy and retention limits based on guidelines set by the Board of Directors. The policy limit and maximum net retention of any one risk for each class of insurance for the year are as follows:

	2014		2013	
	Policy Limit $'000	Maximum Net Retention $'000	Policy Limit $'000	Maximum Net Retention $'000
Commercial property –				
Fire and consequential loss	583,389	6,863	524,933	3,181
Boiler and machinery	257,378	4,826	238,606	4,474
Engineering	343,170	6,434	318,141	5,965
Burglary, money and goods in transit	14,299	10,009	13,256	6,628
Glass	5,720	4,004	5,302	2,651
Other	5,720	4,004	5,302	2,651
Liability	343,170	34,317	318,141	31,814
Marine, aviation and transport	34,317	1,716	26,512	5,302
Motor	31,000	15,300	10,000	7,500
Pecuniary loss –				
Fidelity	14,299	10,009	13,256	6,628
Surety/Bonds	50,000	10,000	50,000	10,000
Personal accident	25,738	18,016	23,861	11,930
Personal property	583,389	6,863	524,933	3,181

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial 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:

- Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.
- There is no latent environmental or asbestos exposure embedded in the company's loss history.
- The company's case reserving and claim payments rates have and will remain relatively constant.
- The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by:
  (a) The majority of the company's reinsurance program consists of proportional reinsurance agreements.
  (b) The company's non-proportional reinsurance agreements consist primarily of high attachment points.
- Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

For the Bornhuetter-Ferguson methods, the company has generally allowed a-priori loss ratios to remain the same as at previous evaluations. Management monitors these ratios at each review and will adjust if necessary, typically if long term loss ratios change or there is unexpected positive or negative development.

(ii) 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.

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development 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 2010 - 2013 has changed at successive year-ends, up to 2014. 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.

		2010	**2010 and prior**	**2011**	**2011 and prior**	**2012**	**2012 and prior**	**2013**	**2013 and prior**	**2014**	**2014 and prior**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2010	Paid during year	559,019	1,026,854								
	UCAE, end of year	509,260	1,382,399								
	IBNR, end of year	63,254	63,254								
	Ratio: excess (deficiency)										
2011	Paid during year	265,315	503,092	558,956	1,062,048						
	UCAE, end of year	300,526	810,100	640,405	1,450,505						
	IBNR, end of year	2,365	2,365	67,945	70,310						
	Ratio: excess (deficiency)		9.00%								
2012	Paid during year	77,639	212,152	302,781	514,933	523,539	1,038,472				
	UCAE, end of year	257,595	666,416	428,924	1,095,340	645,918	1,741,258				
	IBNR, end of year	-	-	4,023	4,023	78,759	82,782				
	Ratio: excess (deficiency)		4.43%		(6.15%)						
2013	Paid during year	57,095	186,693	148,236	334,929	338,425	673,354	603,514	1,276,867		
	UCAE, end of year	249,243	682,287	414,066	1,096,353	477,954	1,574,307	768,396	2,342,703		
	IBNR, end of year	-	-	-	-	10,023	10,023	80,193	90,216		
	Ratio: excess (deficiency)		(9.59%)		(27.97%)		(23.77%)				
2014	Paid during year	57,206	139,723	109,272	248,995	156,030	405,025	380,436	785,461	517,167	1,302,628
	UCAE, end of year	186,061	511,794	321,385	833,179	360,597	1,193,776	511,862	1,705,638	588,623	2,294,261
	IBNR, end of year	-	-	-	-	-	-	18,964	18,964	74,986	93,950
	Ratio: excess (deficiency)	(12.37%)	(7.46%)	(24.47%)	(27.04%)	(17.99%)	(24.57%)	(7.39%)	(3.17%)		

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3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

To limit its exposure of potential loss on an insurance policy or group of insurance policies, an insurer may cede certain levels of risk to a reinsurer or reinsurers. The company utilizes reinsurance treaties to reduce its net retained risk and uses a professional reinsurance broker for risk advice and to assist in the selection of reinsurers. The risk is spread over several reinsurers all of whom are highly rated by at least one of the four major rating agencies. The credit ratings of reinsurers are regularly 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. The retention programs used by the company are summarized below:

(a) The retention limit or maximum exposure on insurance policies for all reinsurance treaties for the company range between $1,716,000 and $34,317,000 (2013 - $2,651,000 and $31,814,000).

(b) The company's main treaty arrangements are as follows:

(i) Property and allied perils 80%:20% (2013 – 80%:20%) Quota Share of premiums i.e. 80% ceded premiums and 20% retention.
(ii) Excess of loss treaty for motor and third party liability, which covers losses in excess of US$300,000 (2013 – US$300,000) for any one loss or event.
(iii) Catastrophe excess of loss treaty which covers losses in various layers, the maximum of which is US$22,000,000 (2013 – US$22,000,000) for any one event.

(c) The amount of reinsurance recoveries recognised during the period is as follows:

	2014 $'000	2013 $'000
Property	125,520	34,181
Motor	10,007	3,874
Marine	1,192	(5,298)
Liability	988	35,800
Pecuniary loss	7,199	(7,835)
Personal accident	(340)	(876)
	144,566	59,846

(c) Financial risk

The company is exposed to financial risk through its financial assets and financial liabilities, reinsurance assets and insurance 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 are interest rate risk, market risk, cash flow risk, currency risk and credit risk.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

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 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.

(i) Credit risk

The company takes on exposure to credit risk, which is the risk that its reinsurers, brokers, customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is the most important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the amounts due from reinsurers, amounts due from insurance contract holders, insurance brokers and agents and investment activities.

The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

Credit review process

The company's Investment and Loan Committee monitors the credit risk associated with premiums receivable as well as those associated with investments using information supplied by management. The Risk and Reinsurance Function periodically assesses the financial strength of reinsurers.

(a) Premium and other receivables

Management utilises periodic reports to assist in monitoring any premiums that are overdue. Where necessary, cancellation of policies is effected for amounts deemed uncollectible. Additionally, Internal Audit makes regular reviews to assess the degree of compliance with company procedures on credit.

(b) Investments

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

(c) Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains ordinarily liable for the payment to the claimant. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Risk and Reinsurance Function assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Exposure to credit risk

	2014 $'000	2013 $'000
Cash and short term investments	552,026	701,761
Investments	4,521,397	4,158,912
Due from agents, brokers & policyholders	540,109	497,867
Recoverable from reinsurers and coinsurers	164,948	228,722
Other receivables	20,843	14,148
Due from group companies	18,449	852
	5,817,772	5,602,262

The above table represents a worst case scenario of credit risk exposure to the company at year end.

Ageing analysis of amounts due from agents, brokers & policyholders past due but not impaired:

Amounts due from agents, brokers & policyholders that are less than three months old are not considered impaired. As at year end, amounts due from agents, brokers & policyholders of $78,866,000 (2013 - $90,917,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2014 $'000	2013 $'000
61 to 90 days	57,983	34,678
More than 90 days	20,883	56,239
	78,866	90,917

Amounts due from agents, brokers & policyholders of $1,895,000 (2013 - nil) were considered impaired and have been fully provided for at the year-end. These receivables are all aged over 90 days. The movement in the provision is as follows:

	2014 $'000	2013 $'000
Additional provision	1,895	-
Written off as uncollectible	-	-
At end of year	1,895	-

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Amounts due from agents, brokers & policyholders

Note 10 summarises the company's credit exposure for amounts due from agents, brokers & policyholders at their carrying amounts. The majority of amounts due are receivable from customers and brokers in Jamaica.

Debt securities

The following table summarises the company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2014 **$'000**	**2013** **$'000**
Government of Jamaica	4,306,665	4,192,866
Corporate	150,985	160,743
Certificates of deposit with various financial institutions	581,920	470,330
	5,039,570	4,823,939

(ii) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities as they become due. 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, as carried out by management and monitored by the Investment and Loan Committee, 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 and diverse 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 customer liabilities; and

(v) Managing the concentration and profile of debt maturities.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

Financial and insurance liabilities cash flows

The tables below present the undiscounted cash flows payable of the company's financial liabilities and estimated cash flows of recognised insurance liabilities based on contractual repayment obligations. The company has no liabilities contractually due past one year.

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	Total $'000
		2014		
Bank overdraft	9,615	-	-	9,615
Due to reinsurers	149,501	151,393	57,483	358,377
Claims outstanding	-	-	2,547,324	2,547,324
Other payables	49,106	58,491	100,862	208,459
Due to group companies	180	-	-	180
	208,402	209,884	2,705,669	3,123,955
		2013		
Bank overdraft	2,627	-	-	2,627
Due to reinsurers	137,373	28,638	134,789	300,800
Claims outstanding	-	-	2,645,857	2,645,857
Other payables	45,944	-	79,693	125,637
Due to group companies	1,561	-	-	1,561
	187,505	28,638	2,860,339	3,076,482

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Assets available to meet all of the liabilities and to cover financial and insurance liabilities include cash and bank balances and investment securities. The company is able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from its ultimate parent company and financing institutions.

(iii) Market risk

The company takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Finance Department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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

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 risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions, maximising foreign currency earnings and holding foreign currency balances.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Concentrations of currency risk

The table below summarises the company's exposure to foreign currency at year end.

	EC$ J$'000	US$ J$'000	Total J$'000
		2014	
Assets			
Cash & short term investments	169	61,075	61,244
Investments	43,612	733,143	776,755
Due from agents, brokers & policyholders	13,730	75,245	88,975
Recoverable from reinsurers and coinsurers	7,388	579,308	586,696
Deferred policy acquisition costs	3,167	64,518	67,685
Total financial assets	68,066	1,513,289	1,581,355
Liabilities			
Due to reinsurers	(5,553)	(151,049)	(156,602)
Insurance reserves	(30,806)	(763,443)	(794,249)
Total financial liabilities	(36,359)	(914,492)	(950,851)
Net financial position	31,707	598,797	630,504
		2013	
Assets			
Cash & short term investments	113	69,389	69,502
Investments	37,582	804,502	842,084
Due from agents, brokers & policyholders	9,708	75,385	85,093
Recoverable from reinsurers and coinsurers	9,145	579,129	588,274
Deferred policy acquisition costs	2,649	55,422	58,071
Total financial assets	59,197	1,583,827	1,643,024
Liabilities			
Due to reinsurers	(5,123)	(101,069)	(106,192)
Insurance reserves	(29,661)	(722,615)	(752,276)
Total financial liabilities	(34,784)	(823,684)	(858,468)
Net financial position	24,413	760,143	784,556

Jamaica International Insurance Company Limited

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(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the company had exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in the US dollar and EC dollar exchange rates. The sensitivity analysis represents outstanding US$ denominated and EC$ denominated monetary items and adjusts their translation at the year-end for a 1% revaluation and a 10% devaluation (2013 – 1% revaluation and 15% devaluation of the Jamaican dollar against these currencies. 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 profit or loss shown below is the total of the individual sensitivities done for each of the assets/liabilities. There is no sensitivity on the company's other components of equity as the company does not enter into cash flow hedges.

	% Change in Currency Rate 2014	Effect on Profit before Taxation 2014 $'000	% Change in Currency Rate 2013	Effect on Profit before Taxation 2013 $'000
US$ (J$ Revaluation)	1%	(5,988)	1%	(7,601)
US$ (J$ Devaluation)	10%	59,880	15%	114,021
EC$ (J$ Revaluation)	1%	(317)	1%	(244)
EC$ (J$ Devaluation)	10%	3,171	15%	3,662

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value of 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 Investment and Loan 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 through the adherence to a prescribed maturity profile.

The following tables summarise the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. There is no interest rate risk arising from the company's insurance assets and liabilities.

	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
				2014			
Financial Assets							
Cash & short term investments	266,352	285,674	-	-	-	-	552,026
Investments	311,516	762,541	1,041,909	1,745,546	659,885	52,601	4,573,998
Due from group	-	-	-	-	-	18,449	18,449
Other receivables	-	-	-	-	-	20,843	20,843
Total financial assets	577,868	1,048,215	1,041,909	1,745,546	659,885	91,893	5,165,316
Financial Liabilities							
Other payables	-	-	-	-	-	(208,459)	(208,459)
Due to group companies	-	-	-	-	-	(180)	(180)
Bank overdraft	(9,615)	-	-	-	-	-	(9,615)
Total financial liabilities	(9,615)	-	-	-	-	(208,639)	(218,254)
Total interest repricing	568,253	1,048,215	1,041,909	1,745,546	659,885	(116,746)	4,947,062

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

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
				2013			
Financial Assets							
Cash & short term investments	486,007	215,754	-	-	-	-	701,761
Investments	127,388	432,133	1,177,356	1,461,573	960,462	52,276	4,211,188
Due from group	-	-	-	-	-	852	852
Other receivables	-	-	-	-	-	14,148	14,148
Total financial assets	613,395	647,887	1,177,356	1,461,573	960,462	67,276	4,927,949
Financial Liabilities							
Other payables	-	-	-	-	-	(125,637)	(125,637)
Bank overdraft	-	-	-	-	-	(1,561)	(1,561)
Total financial liabilities	(2,627)	-	-	-	-	-	(2,627)
Total interest repricing	(2,627)	-	-	-	-	(127,198)	(129,825)
	610,768	647,887	1,177,356	1,461,573	960,462	(59,922)	4,798,124

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the company's profit or loss and shareholders' equity.

The company's interest rate risk arises from investments and cash and short term investments. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net profit and other components of equity based on floating rate financial assets. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis.

Change in basis points 2014 JMD / USD	Effect on Profit before Taxation 2014 $'000	Effect on Other Components of Equity 2014 $'000	Change in basis points 2013 JMD / USD	Effect on Profit before Taxation 2013 $'000	Effect on Other Components of Equity 2013 $'000
-100/-50	(11,351)	6,336	-100/-50	(10,496)	23,554
+250/+200	28,370	(12,425)	+250/+200	26,240	(56,201)

(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to no significant levels of equity price risk except through equity investments held and classified on the statement of financial position as available for sale. This does not represent a significant risk to the company. The company is not exposed to commodity price risk.

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:

- To comply with the capital requirements set by the regulators of the insurance markets within which the company operates;
- To safeguard the company's ability to continue as a going concern so that it can continue to provide an appropriate level of return for its parent as well as benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is managed and monitored by the company's management. It is calculated by the Compliance Officer and reviewed by executive management, the audit committee and the board of directors. The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements.

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 2014. 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 2014 and 2013 are as follows:

	2014	2013
Actual MCT percentage	272%	257%
Minimum Required MCT percentage	250%	250%

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 (Note 9).

5. Fair Value Estimates

(a) Valuation techniques and assumptions

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 exists as it is the best evidence of the fair value of a financial instrument. A market is regarded as active 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. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present values 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) Debt securities classified as available-for-sale are measured at fair value based upon projected cash flows discounted at current market rates which have been determined through the use of quotations and yields obtained from independent brokers.

(ii) The fair values of quoted investments are based on current bid prices.

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

(iv) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts, as these instruments are expected to reprice at the prevailing market rates.

(v) Based on the nature of the unquoted investments and the specificity of their operations within the general insurance industry, the fair values are expected to approximate to their carrying amounts.

Land & buildings

An independent valuation of the company's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2014. The revaluation surplus, net of applicable deferred income taxes, was credited to other comprehensive income and is shown in capital and fair value reserves in shareholders' equity (Note 22).

Fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

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5. Fair Value Estimates (Continued)

(b) Fair value hierarchy

At year end, the company held financial instruments, and land & buildings carried at fair value on the statement of financial position and used the following hierarchy for determining and disclosing the fair value of those financial instruments by valuation technique:

- Level 1 includes instruments/property measured at quoted prices in active markets for identical assets or liabilities.
- Level 2 includes instruments/property measured using inputs, other than quoted prices, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 includes those instruments/property which are measured using valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Financial instruments

The following table provides an analysis of financial instruments held as at 31 December that, subsequent to initial recognition are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair values are observable according to the Levels mentioned above.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
		2014		
Available-for-sale securities:				
Quoted equities	51,955	-	-	51,955
Government of Jamaica securities	-	4,306,665	-	4,306,665
Corporate bonds	-	-	150,985	150,985
Other debt securities	-	581,920	646	582,566
	51,955	4,888,585	151,631	5,092,171
Available-for-sale securities:		2013		
Quoted equities	51,630	-	-	51,630
Government of Jamaica securities	-	4,192,866	-	4,192,866
Corporate bonds	-	-	160,743	160,743
Other debt securities	-	470,330	646	470,976
	51,630	4,663,196	161,389	4,876,215

Land & buildings

Land & buildings have been classified as Level 3, because there have been a limited number of similar sales in the local market, and consequently the sales comparison approach incorporates unobservable inputs which in the valuator's judgement reflects suitable adjustments regarding size, age, condition, time of sale, quality of land and buildings and improvements. The most significant input into this valuation is the price per square foot. The higher the price per square foot the higher the fair value.There was no movement of these assets between levels during the year.

6. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that will 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:

Liabilities arising from claims made under insurance contracts

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 reporting 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 amounts 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.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the company's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the company to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

Fair value of financial assets determined using valuation techniques

As described in Note 5, where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair value of land and buildings

The company carries its freehold property at fair market value, with changes in fair value being recognised in capital reserve through other comprehensive income. GK Group engaged independent, qualified property appraisers to assess fair value as at 31 December 2014 for revalued land and buildings. Those fair values were derived using the sales comparison approach, which references market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The most significant input into this valuation approach is price per square foot. Significant increases (decreases) in estimated price per square foot in isolation would result in a significantly higher (lower) fair value.

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

Valuation of post-employment benefit obligation

Actuarial valuations are conducted to determine the cost of defined benefit pension plans and other post-employment benefits. These valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in these estimates, and the sensitivity of the estimate to changes in these assumptions, are contained in Note 20.

7. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors, pursuant to the Insurance Act, appoints the actuary. His 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 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 his report on the insurance liabilities.

8. Cash and Cash Equivalents

	2014	2013
	$'000	$'000
Cash at bank and in hand	33,853	36,734
Short term investments (Note 9)	518,173	665,027
	552,026	701,761
Bank overdraft (Note 16)	(9,615)	(2,627)
	542,411	699,134

Short term investments are debt instruments with an original maturity of up to 90 days, which are classified as cash and cash equivalents. Short term investments include interest receivable of $4,155,000 (2013 – $2,959,000).

The effective weighted average interest rates on short term investments are as follows:

	2014	2013
	%	%
Jamaican dollar denominated	8.52	7.30
United States dollar denominated	2.21	2.88

9. Investments

Investments are classified as available-for-sale and comprise the following:

	Years to Maturity					
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total 2014	Total 2013
	$'000	$'000	$'000	$'000	$'000	$'000
Debt securities, at fair value -						
Government of Jamaica	1,951,292	1,695,488	220,247	439,638	4,306,665	4,192,866
Corporate	100,927	50,058	-	-	150,985	160,743
Certificates of deposit	581,920	-	-	-	581,920	470,330
	2,634,139	1,745,546	220,247	439,638	5,039,570	4,823,939
Short term investments, at fair value (Note 8)					(518,173)	(665,027)
					4,521,397	4,158,912
Quoted equity securities, at fair value					51,955	51,630
Unquoted equity securities, at cost					646	646
					4,573,998	4,211,188

Investments include interest receivable of $62,565,000 (2013 – $52,725,000).

Securities with an original maturity of up to 90 days are regarded as short term investments and have been included in cash and cash equivalents (Note 8).

Included in investments are Government of Jamaica debt securities with a face value of $50,000,000, which have been pledged with the regulator, the Financial Services Commission, pursuant to Regulation 8(1) (b) of the Insurance Regulations, 2001. Also included are Certificates of Deposits valued at US$500,000; J$57,215,000 (2013 – US$233,327; J$24,759,000) which have been pledged with the regulator in Turks and Caicos and other short term deposits which have been pledged with the regulator in the Commonwealth of Dominica of EC$1,000,000; J$42,342,000 (2013 – EC$1,000,000; J$36,487,000).

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10. Due from Agents, Brokers and Policyholders

	2014 $'000	2013 $'000
Insurance receivables –		
Agents and brokers	344,408	326,192
Policyholders	195,701	171,675
	540,109	497,867

11. Recoverable from Reinsurers and Coinsurers

	2014 $'000	2013 $'000
Claims recoverable from reinsurers and coinsurers	5,835	15,784
Reinsurers' portion of claims outstanding (Note 17)	159,113	212,938
Reinsurers' portion of unearned premiums (Note 17)	857,977	852,211
	1,022,925	1,080,933

12. Other Receivables

	2014 $'000	2013 $'000
Staff loans	2,831	3,366
Prepayments	4,790	3,048
Other	18,012	10,782
	25,633	17,196

13. Related Party Transactions and Balances

(a) The statement of financial position includes the following balances with key management personnel and directors of the company:

	2014 $'000	2013 $'000
Premiums receivable	33	113

(b) The statement of financial position includes the following balances with group companies:

	2014 $'000	2013 $'000
Cash and short term investments –		
Fellow subsidiaries	17,855	73,059
Ultimate parent company	430	430
	18,285	73,489
Investments –		
Fellow subsidiaries	520	-
Ultimate parent company	100,927	100,649
	101,447	100,649
Due from agents, brokers and policyholders –		
Fellow subsidiaries	61,088	67,241
Ultimate parent company	1,054	1,166
	62,142	68,407
Due from/(to) group companies, net -		
Fellow subsidiaries	18,257	(390)
Parent company	-	727
Ultimate parent company	12	(1,046)
	18,269	(709)
Other payables – Fellow subsidiary	2,887	11,117
Bank overdraft – Fellow subsidiary	9,615	2,627
Claims outstanding (gross) -		
Fellow subsidiaries	6,893	8,154
Ultimate parent company	2,888	11,574
	9,781	19,728

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13. Related Party Transactions and Balances (Continued)

(c) Profit or loss includes the following transactions with key management personnel and directors of the company:

	2014 $'000	2013 $'000
Staff costs –		
Wages and salaries	37,374	34,058
Statutory contributions	3,621	3,438
Directors' emoluments -		
Fees	3,108	3,078
Management remuneration (included in staff costs above)	16,838	12,918
Gross premiums written	2,213	3,774
Claims expense	461	-

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13. Related Party Transactions and Balances (Continued)

(d) Profit or loss includes the following transactions with group companies:

	2014 $'000	2013 $'000
Gross premiums written –		
Fellow subsidiaries	349,479	300,577
Parent company	1,543	311
Ultimate parent company	89,039	104,385
	440,061	405,273
Reinsurance ceded – Fellow subsidiaries	88,938	86,436
Commission income – Fellow subsidiaries	16,250	11,366
Commission expense – Fellow subsidiaries	127,382	115,041
Claims expense (gross) –		
Fellow subsidiaries	2,362	9,493
Ultimate parent company	332	12,096
	2,694	21,589
Administration expenses –		
Parent company	30,943	23,873
Fellow subsidiaries	1,834	1,380
	32,777	25,253
Other operating expenses –		
Allocation of central office expenses paid to parent company	192,588	168,433
Interest earned -		
Fellow subsidiaries	3,115	4,865
Ultimate parent company	9,094	7,749
	12,209	12,614
Rental income - Fellow subsidiaries	-	4,967
Royalty expense – Fellow subsidiary	45,916	47,891

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14. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Total $'000
			2014		
At Cost or Valuation -					
At 1 January 2014	290,074	50,005	124,754	33,254	498,087
Additions	5,299	-	7,707	11,165	24,171
Disposals	-	(1,195)	(9,622)	(3,012)	(13,829)
Revaluation	37,627	-	-	-	37,627
At 31 December 2014	333,000	48,810	122,839	41,407	546,056
Depreciation -					
At 1 January 2014	3,738	10,929	60,603	17,358	92,628
Charge for the year	3,840	4,921	25,240	6,148	40,149
On disposals	-	(109)	(8,077)	(2,829)	(11,015)
Revaluation	(7,578)	-	-	-	(7,578)
At 31 December 2014	-	15,741	77,766	20,677	114,184
Net Book Value -					
31 December 2014	333,000	33,069	45,073	20,730	431,872

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14. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Total $'000
			2013		
At Cost or Valuation -					
At 1 January 2013	369,500	49,433	113,099	35,877	567,909
Additions	3,074	1,195	12,766	11,257	28,292
Disposals	(82,500)	(623)	(1,111)	(13,880)	(98,114)
At 31 December 2013	290,074	50,005	124,754	33,254	498,087
Depreciation -					
At 1 January 2013	-	6,134	49,253	20,168	75,555
Charge for the year	4,540	4,977	11,792	7,666	28,975
On disposals	(802)	(182)	(442)	(10,476)	(11,902)
At 31 December 2013	3,738	10,929	60,603	17,358	92,628
Net Book Value -					
31 December 2013	286,336	39,076	64,151	15,896	405,459

Land and buildings are carried at fair market value based on a valuation in 2014 by D.C. Tavares & Finson Company Limited, professional valuators. If land and buildings were stated on the historical cost basis, the cost would be $59,392,000 (2013 – $54,093,000) with accumulated depreciation of $14,685,000 (2013 – $11,893,000).

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15. Intangible Assets

	Policy Contracts $'000	Computer Software $'000	Total $'000
		2014	
At Cost -			
At 1 January 2014	589,088	19,096	608,184
Additions	-	1,590	1,590
At 31 December 2014	589,088	20,686	609,774
Amortisation -			
At 1 January 2014	314,179	16,222	330,401
Amortisation charge	39,273	1,617	40,890
At 31 December 2014	353,452	17,839	371,291
Net Book Value -			
31 December 2014	235,636	2,847	238,483
		2013	
At Cost -			
At 1 January 2013	589,088	18,905	607,993
Additions	-	191	191
At 31 December 2013	589,088	19,096	608,184
Amortisation -			
At 1 January 2013	274,907	12,786	287,693
Amortisation charge	39,272	3,436	42,708
At 31 December 2013	314,179	16,222	330,401
Net Book Value -			
31 December 2013	274,909	2,874	277,783

The company assumed the complete portfolio of Jamaican policies held by Dyoll Insurance Company Limited. The cost of the transaction, including directly attributable fees and expenses, was $589,088,000. The intangible asset is being amortised over 15 years using the straight line method, commencing 1 January 2006.

The company tests annually for indicators of impairment of intangible assets. This requires an estimation of the recoverable amount of the intangible asset. The recoverable amount is determined by estimating the expected future cash flows from the asset and using a discount rate of 14%, calculating the present value of those future cash flows. Expected future cash flows are based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using an estimated growth rate of 1%.

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16. Bank Overdraft

The company does not have an overdraft facility. The year-end bank overdraft balance was due to unpresented cheques.

17. Insurance Reserves

	2014 $'000	2013 $'000
Gross –		
Claims outstanding	2,547,324	2,645,857
Unearned premiums	1,965,928	2,032,649
Unearned commission	179,804	163,952
	4,693,056	4,842,458
Reinsurance ceded –		
Claims outstanding (Note 11)	159,113	212,938
Unearned premiums (Note 11)	857,977	852,211
	1,017,090	1,065,149
Net –		
Claims outstanding	2,388,211	2,432,919
Unearned premiums	1,107,951	1,180,438
Unearned commission	179,804	163,952
	3,675,966	3,777,309

An actuarial valuation was performed to value the policy and claims liabilities of the company as at 31 December 2014 in accordance with the Insurance Act of Jamaica by the appointed actuary, Josh Worsham, FCAS, MAAA of Mid Atlantic Actuarial. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles. The actuary has stated that his report conforms to the standards of practice as established by the Canadian Institute of Actuaries, with such changes as directed by the Financial Services Commission, specifically, that the valuation of some policy and claims liabilities not reflect the time value of money.

In arriving at his valuation, the actuary employed 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.

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17. Insurance Reserves (Continued)

In using the Paid/Incurred Loss Development methods, ultimate losses are estimated by calculating past paid/incurred loss development factors and applying them to exposure periods with further expected paid/incurred loss development. The Bornhuetter-Ferguson Paid/Incurred Loss methods is a combination of the Paid/Incurred Loss Development methods and a loss ratio method; however, these expected losses are modified to the extent paid/incurred losses to date differ from what would have been expected based on the selected paid/incurred loss development pattern. Finally, the Frequency-Severity method is calculated by multiplying an estimate of ultimate claims with an estimate of the ultimate severity per reported claim.

In his opinion dated 31 March 2015 the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2014 makes proper provision for the future payments under the company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica; that a proper charge on account of these liabilities has been made in profit or loss; and that there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.

The movement in claims outstanding was as follows:

	2014 **$'000**	**2013** **$'000**
Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	2,645,857	2,273,212
Reinsurance ceded	(212,938)	(449,173)
	2,432,919	1,824,039
Movement during the year –		
Claims incurred, including IBNR	1,257,920	1,885,747
Claims paid	(1,302,628)	(1,276,867)
	(44,708)	608,880
Net reserves for claims outstanding at end of year	2,388,211	2,432,919
Reinsurance ceded	159,113	212,938
Gross reserves for claims outstanding at end of year	2,547,324	2,645,857

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

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18. Other Payables

	2014 $'000	2013 $'000
Accruals	128,700	58,781
Other	79,759	66,856
	208,459	125,637

19. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

The movement on the deferred income tax account is as follows:

	2014 $'000	2013 $'000
At beginning of year	54,075	(13,972)
Tax recognised in profit or loss (Note 27)	(505)	(54)
Tax recognised in other comprehensive income	9,129	68,101
At end of year	62,699	54,075

The movement in deferred tax liabilities and assets, prior to appropriate offsetting, is as follows:

Deferred tax liabilities	Accelerated depreciation $'000	Revaluation of buildings $'000	Interest receivable $'000	Foreign exchange gains $'000	Total $'000
At 1 January 2013	5,743	79,636	23,589	9,743	118,711
Recognised in profit or loss	(4,142)	-	(5,028)	17,949	8,779
Recognised in other comprehensive income	-	(8,833)	-	-	(8,833)
At 31 December 2013	1,601	70,803	18,561	27,692	118,657
Recognised in profit or loss	(2,520)	-	3,679	(7,805)	(6,646)
Recognised in other comprehensive income	-	11,400	-	-	11,400
At 31 December 2014	(919)	82,203	22,240	19,887	123,411

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19. Deferred Income Taxes (Continued)

Deferred tax assets

	Other	Pension plan obligation	Employee benefits obligation	Total
	$'000	$'000	$'000	$'000
At 1 January 2013, as restated	2,306	71,819	58,558	132,683
Recognised in profit or loss	4,925	(26)	3,934	8,833
Recognised in other comprehensive income	-	(71,793)	(5,141)	(76,934)
At 31 December 2013	7,231	-	57,351	64,582
Recognised in profit or loss	(1,512)	-	(4,629)	(6,141)
Recognised in other comprehensive income	-	-	2,271	2,271
At 31 December 2014	5,719	-	54,993	60,712

These balances include the following:

	2014	2013
	$'000	$'000
Deferred tax liabilities to be settled after more than 12 months	81,284	72,404
Deferred tax assets to be recovered after more than 12 months	54,993	60,673

20. Pensions and Other Post-Employment Obligations

The company participates in a defined contribution pension scheme and a defined benefit pension scheme operated by the ultimate parent company, GraceKennedy Limited and administered by PWL Transition Limited, in which eligible permanent employees must participate.

Defined contribution scheme
The defined contribution pension scheme is open to Jamaican based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributions are currently set at 10%. The company's contribution for the year was $10,610,000 (2013 - $7,282,000).

Defined benefit scheme
The plan, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5%, and employer contributions at 0.02% (2013 – 0.02%) as recommended by independent actuaries. Pension at normal retirement age is based on 2% final average earnings times the number of years of pensionable service. Final average earnings is the average of the highest three years annual salary earned by the member during his last ten years of service immediately preceding his actual retirement date, and in respect of which he had made contributions to the scheme. The scheme was closed to new members as at 31 March 2010. The company's contribution for the year was $45,000 (2013 - $78,000).

The group had a stated policy for charging the net defined benefit cost of the plan across participating subsidiaries. In the event of a plan surplus, the group was able to take a contribution holiday, while a funding deficiency required the group to make additional contributions to adequately fund the plan. At each valuation, the participating subsidiaries were allocated plan assets sufficient to at least cover the present value of the funded obligations.

Effective 2014, GraceKennedy Limited assumed responsibility for the defined benefit pension obligations of all companies within the Group participating in this scheme. As a result, the parent company recognises the total pension assets and obligations in respect of this plan. The obligation of other participating companies is now limited to the regular monthly pension contributions. Adjustments to plan assets and plan liabilities for the company reflect the impact of this change in arrangements.

	2014 $'000	2013 $'000
Liabilities recognised in the statement of financial position		
Other employee benefits	164,979	172,053
Expense recognised in the statement of comprehensive income		
Pension scheme	(2,045)	215,378
Other employee benefits	(4,767)	15,424
	(6,812)	230,802

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20. Pensions and Other Post-Employment Obligations (Continued)

Pension benefits
The amounts recognized in the statement of financial position are determined as follows:

	2014 $'000	2013 $'000
Present value of obligations	-	934,514
Fair value of plan assets	-	(934,514)
Liability in the statement of financial position	-	-

The movement in the defined benefit obligation over the year is as follows:

	2014 $'000	2013 $'000
Balance at beginning of year, as restated	934,514	852,726
Current service cost	39,953	42,997
Past service cost	(2,554)	-
Interest cost	89,091	93,939
	1,061,004	989,662
Remeasurements:		
Loss from change in demographic assumptions	(134,995)	-
Gains from change in financial assumptions	-	2,330
Experience gains	-	(44,159)
Curtailment	(877,165)	-
	(1,012,160)	(41,829)
Members' contributions	13,756	22,868
Benefits paid	(62,600)	(36,187)
Balance at end of year	-	934,514

The movement in the fair value of plan assets for the year is as follows:

	2014 $'000	2013 $'000
Balance at beginning of year,	934,514	637,270
Interest income on plan	88,836	66,804
Remeasurements:		
Return on plan assets, excluding amounts included in interest income	(137,041)	173,550
Members' contributions	13,756	22,868
Employer's contributions	45	78
Benefits paid	(62,600)	(36,187)
Adjustment to plan assets	(837,510)	70,131
Balance at end of year	-	934,514

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20. Pensions and Other Post-Employment Obligations (Continued)

Pension benefits (continued)

The amounts recognized in the income statement are as follows:

	2014 $'000	2013 $'000
Current service cost	39,953	42,997
Interest income (net)	256	27,134
Adjustment to plan assets	830,408	(70,131)
Curtailment	(877,165)	-
Past service cost	(2,555)	-
Administration expense	7,103	-
Total, included in staff costs (Note 26)	(2,000)	-

Expected employer contributions to the plan for the year ending 31 December 2015, amount to $35,000.

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate	9.5%	9.5%
Long term inflation rate	5.5%	5.5%
Long term increase in health costs	7.0%	7.0%
Future salary increases	6.0%	6.0%
Future pension increases	5.5%	5.5%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

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20. Pensions and Other Post-Employment Obligations (Continued)

Other post-employment obligations

The company participates in a number of other schemes operated by GraceKennedy Limited, which provide retirement benefits. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

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

	2014 $'000	2013 $'000
Present value of unfunded obligations	164,979	172,053

The movement in the defined benefit obligation over the year is as follows:

	2014 $'000	2013 $'000
Balance at beginning of year, as restated	172,053	175,674
Current service cost	13,818	13,430
Past service cost	(24,592)	(16,004)
Interest cost	16,165	19,667
	5,391	17,093
Remeasurements:		
Losses from change in financial assumptions	-	18,903
Experience losses/(gains)	4,766	(34,327)
	4,766	(15,424)
Benefits paid	(17,231)	(5,290)
Balance at end of year	164,979	172,053

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20. Pensions and Other Post-Employment Obligations (Continued)

***Other post-employment obligations* (continued)**

The amounts recognized in the income statement are as follows:

	2014 $'000	2013 $'000
Current service cost	13,818	13,430
Interest cost	16,165	19,667
Past service cost	(24,592)	(16,004)
Total, included in staff costs (Note 26)	5,391	17,093

The total charge was included in administration expenses.

The composition of the liability recognised in relation to the other post-employment obligations in the statement of financial position is as follows:

	2014 $'000	2013 $'000
Gratuity Plan	25,663	51,079
Group Life Plan	32,678	27,174
Insured Group Health	59,506	42,082
Self Insured Health Plan	42,699	47,162
Supplementary Pension Plan	4,433	4,556
Liability in the statement of financial position	164,979	172,053

The sensitivity of the post-employment medical benefits to changes in the principal assumptions is:

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	15,481	(19,723)
Medical inflation rate	1%	(20,016)	15,921

20. Pensions and Other Post-Employment Obligations (Continued)

Other post-employment obligations **(continued)**

Risks associated with pension plans and post-employment plans

Through its defined benefit pension plan and other post-employment benefits, the Company is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted. The majority of the plan's assets are either unaffected by (fixed interest securities) or loosely correlated with (equities) inflation, meaning that an increase in inflation has the potential to reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework. The Trustees have established an Investment Committee for managing and monitoring the overall risk management process, as well as implementing policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Committee is responsible for formulating and monitoring investment portfolios and investment strategies for the plan. The Committee is also responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. A large portion of assets in 2014 consists of bonds and equities.

Funding levels are monitored on an annual basis and the current agreed contribution rate by the company is 0.02% of pensionable salaries. The next triennial valuation is due to be completed as at 31 December 2016.

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20. Pensions and Other Post-Employment Obligations (Continued)

Other post-employment obligations **(continued)**

Risks associated with pension plans and post-employment plans

The group considers contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The average duration of the post-employment obligations is as follows:

Plans	**Years**
Gratuity Plan	10.1
Group Life Plan	14.2
Insured Group Health	19.1
Self Insured Health Plan	12.9
Superannuation plan	7.1

21. Share Capital

	2014 **$'000**	**2013** **$'000**
Authorised, issued and fully paid, shares at no par value -		
862,064,000 Ordinary shares	862,064	862,064
3,130,000 Preference shares	203,012	203,012
	1,065,076	1,065,076

The preference shares are issued to GraceKennedy (St. Lucia) Limited, a fellow subsidiary, and carry no voting rights for the holder. The shares may not be redeemed at the request of the holder. The company has no obligation to redeem the shares and they are subordinate to the company's obligations to its policyholders and unsecured creditors. In any event, any redemption shall be subject to the approval, in writing, of the FSC. Dividends for the preference shares are paid at the discretion of the Board of Directors but in any given financial year shall not exceed 8% of the total capital paid up on the preference shares, and are not cumulative.

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22. Capital and Fair Value Reserves

	2014 $'000	2013 $'000
Realised gain on sale of investments	824	824
Unrealised gains on the revaluation of available-for-sale investments	900	4,533
Unrealised surplus on the revaluation of fixed assets, net of deferred tax	244,327	210,523
	246,051	215,880

23. Share Options Reserve

The company's employees participated in an equity-settled, share-based compensation plan with its ultimate parent company, GraceKennedy Limited. Share options were granted to managers and permanent employees.

	2014 $'000	2013 $'000
At beginning of year	4,222	4,011
Value of services received	-	211
At end of year	4,222	4,222

The movement in the number of share options for the year is as follows:

	Average exercise price 2014 $	Options 2014 '000	Average exercise price 2013 $	Options 2013 '000
At beginning of year	50.83	107	50.83	122
Forfeited	-	-	50.83	(15)
At end of year	50.83	107	50.83	107

The options granted were at subscription prices of $50.83 for managers, being the weighted average price of the shares on the Jamaica Stock Exchange for the previous ten trading days prior to the date on which the grant was approved. The options are exercisable over a period of six years for managers, at which time unexercised options will expire. One-third of the total of the grant to each manager will vest on each anniversary of the grant. The plan provided for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes. The options for permanent employee expired during 2014.

23. Share Options Reserve (continued)

Share options were outstanding on 107,000 (2013 - 107,000) shares at the end of the year for managers. The options have exercise price of $50.83 and expire in 2017.

The fair value of options granted determined using the Black-Scholes valuation model was $4,984,000, of which there were no expenses (2013 - $211,000) during the year. The significant inputs into the model were the weighted average share prices of $51.00, $55.65 and $61.20 at the grant dates, exercise prices of $50.83, $41.67 and $61.20, standard deviation of expected share price returns of 33.2%, option life of six years and three months and annual risk-free interest rates of 7.48%, 6.51% and 6.28%. The volatility measured at the standard deviation of expected share price returns was based on statistical analysis of daily share prices over the term of the options.

24. Other Income

	2014 $'000	2013 $'000
Dividend income	4,908	1,636
Fronting fees	15,418	15,296
Gain on the sale of investments	-	97,371
Interest earned – available for sale securities	363,277	279,054
(Loss)/Gain on disposal of fixed assets	(1,741)	8,899
Miscellaneous income	26,281	20,699
Net foreign exchange gains	75,424	113,522
Rental income	951	5,995
	484,518	542,472

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25. Expenses by Nature

Total underwriting, administration and other operating expenses:

	2014 $'000	2013 $'000
Advertising and public relations	45,998	20,048
Allocation of central office expenses paid to parent company	192,588	168,433
Amortisation of intangible assets	40,890	42,708
Asset tax	(2,539)	10,558
Auditor's remuneration	4,064	4,288
Bad debt expense	2,249	894
Bank charges	15,776	13,646
Data processing	76,379	75,503
Depreciation	40,149	28,975
Directors' fees	2,910	3,011
Occupancy - rent, utilities, insurance, security	58,658	61,995
Office expenses	32,973	34,874
Professional fees	6,043	18,726
Registration fees and stamp duty	21,240	20,398
Repairs and maintenance	13,388	10,877
Royalty expense	45,916	47,892
Staff costs (Note 26)	517,537	419,037
Underwriting expenses	28,363	23,298
	1,142,582	1,005,161

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26. Staff Costs

	2014 $'000	2013 $'000
Wages and salaries	397,410	298,367
Statutory contributions	34,483	34,983
Pension – defined contribution (Note 20)	10,610	7,282
Pension – defined benefit (Note 20)	(2,000)	-
Other retirement benefits (Note 20)	5,391	17,093
Redundancy Costs	109	4,278
Other	71,534	57,034
	517,537	419,037

The number of persons employed full-time by the company at year-end was 148 (2013 – 149).

27. Taxation

Taxation is based on the profit for the year and comprises income tax at 33⅓%:

	2014 $'000	2013 $'000
Current taxation -		
Charge for the year	119,116	-
Deferred taxation (Note 19)	(505)	(54)
	118,611	(54)

The tax on the company's profit differs from the theoretical amount that would arise using the tax rate of 33⅓% as follows:

	2014 $'000	2013 $'000
Profit before taxation	404,859	17,275
Tax calculated at a tax rate of 33⅓%	134,953	5,758
Adjusted for the effects of –		
Share option expense	-	70
Tax-free interest income	-	(7,088)
Excess of depreciation over capital allowances	7,947	4,276
Dividend paid on preference shares	(9,477)	(8,792)
Amortisation of intangible assets	13,091	13,091
Tax losses	(26,234)	3,322
Other charges and credits, net	(1,669)	(10,691)
	118,611	(54)

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27. Taxation (Continued)

Current year adjustments for tax purposes are offset by deferred tax provisions (Note 19) as follows:

	2014 $'000	2013 $'000
Post retirement benefit assets and obligations	4,629	(3,908)
Unrealised foreign exchange gains	(7,805)	17,949
Interest receivable	3,679	(5,028)
Tax losses	(3,322)	(3,322)
Other	2,314	(5,745)
	(505)	(54)

28. Contingent Liabilities

The company is involved in certain legal proceedings incidental to the normal conduct of business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material effect on the company.