

JN GENERAL INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of
JN GENERAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN General Insurance Company Limited ("the company"), set out on pages 4 to 65, which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN GENERAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN GENERAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

KPMG

Chartered Accountants
Kingston, Jamaica

March 3, 2020


JN GENERAL INSURANCE COMPANY LIMITEDStatement of Financial Position
December 31, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
ASSETS			
Intangible asset	6	11,344	39,075
Property, plant and equipment	7	284,471	265,473
Investment properties	8	137,414	141,665
Deferred taxation	9	124,762	96,736
Investments	10	4,856,058	5,498,967
Reinsurance assets	11	1,130,813	1,207,828
Securities purchased under resale agreements	12	615,547	1,229,097
Insurance receivables and deferred expenses	13	1,022,113	777,857
Taxation recoverable		46,102	-
Due from related entities		709	71,768
Other accounts receivable		69,561	100,590
Accrued investment income		39,417	85,746
Cash and cash equivalents		<u>101,434</u>	<u>55,751</u>
		<u>8,439,745</u>	<u>9,570,553</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY			
Liabilities:			
Bank overdraft		-	7,311
Accounts payable and accrued charges	14	145,528	164,724
Insurance payables and deferred income	15	639,137	587,209
Taxation payable		-	18,376
Lease liabilities	16	20,810	-
Insurance contract provisions	11	3,953,919	3,971,054
Due to related entities		16,541	4,800
Retirement benefits obligation	17	<u>232,701</u>	<u>202,492</u>
		<u>5,008,636</u>	<u>4,955,966</u>
Shareholders' equity:			
Share capital	18	72,900	72,900
Capital reserve	19	11,197	11,197
Investment revaluation reserve	20	373,404	396,197
Retained earnings		<u>2,973,608</u>	<u>4,134,293</u>
		<u>3,431,109</u>	<u>4,614,587</u>
		<u>8,439,745</u>	<u>9,570,553</u>

The financial statements on pages 4 to 65 were approved for issue by the Board of Directors on March 3, 2020 and signed on its behalf by:



Peter Morris Chairman



Christopher Hind Director

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

JN GENERAL INSURANCE COMPANY LIMITEDStatement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Gross premiums written	11(c)	4,919,947	4,875,520
Change in gross provision for unearned premiums		<u>(93,927)</u>	<u>10,734</u>
Gross insurance premium revenue	11(c)	4,826,020	4,886,254
Written premiums ceded to reinsurers	11(c)	(2,573,260)	(2,632,751)
Reinsurers' share of change in provision for unearned premiums		<u>19,026</u>	<u>(69,485)</u>
Net insurance premium revenue		<u>2,271,786</u>	<u>2,184,018</u>
Claims expenses incurred	11(b)	(1,295,909)	(1,125,718)
Reinsurers' share of claims and benefits incurred	11(b)	<u>50,868</u>	<u>61,816</u>
Net insurance claims		<u>(1,245,041)</u>	<u>(1,063,902)</u>
Commission income	15	674,153	586,093
Commission expense	13	(337,409)	(308,642)
Net commission income		<u>336,744</u>	<u>277,451</u>
Net underwriting income before operating expenses		1,363,489	1,397,567
Operating expenses	21	<u>(1,494,515)</u>	<u>(1,344,949)</u>
Underwriting (loss)/profit before other income/(expense) and taxation		<u>(131,026)</u>	<u>52,618</u>
Investment income, net	22	505,420	450,531
Write-back/(impairment) of investments	10(i)	17,037	(29,529)
Gain on disposal of intangible asset and property, plant and equipment		4,228	3,661
Other income		13,795	17,916
Foreign exchange (losses)/gains		(5,721)	24,882
Contributions to JN Foundation		<u>(12,639)</u>	<u>(16,911)</u>
Profit before taxation		391,094	503,168
Taxation	23	<u>(74,226)</u>	<u>(142,057)</u>
Profit for the year		<u>316,868</u>	<u>361,111</u>
Other comprehensive income/(loss):			
Items that will never be reclassified to profit or loss:			
Remeasurement of retirement benefits obligation	17(d)	(11,579)	49,764
Deferred tax on retirement benefits obligation	9	<u>3,860</u>	<u>(16,588)</u>
		<u>(7,719)</u>	<u>33,176</u>
Items that are or may be reclassified to profit or loss:			
Net change in fair value of available for sale assets		220,952	217,177
Released on disposal of investments		<u>(243,745)</u>	<u>(107,806)</u>
	23(c)	<u>(22,793)</u>	<u>109,371</u>
Total other comprehensive (loss)/income for the year		<u>(30,512)</u>	<u>142,547</u>
Total comprehensive income for the year		<u>286,356</u>	<u>503,658</u>

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2019

	<u>Share capital</u> (note 18) \$'000	<u>Capital reserve</u> (note 19) \$'000	<u>Investment revaluation reserve</u> (note 20) \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
Balances at December 31, 2017	72,900	11,197	286,826	4,584,866	4,955,789
Comprehensive income:					
Profit for the year	-	-	-	361,111	361,111
Other comprehensive income:					
Remeasurement of retirement benefits obligation [note 17(d)]	-	-	-	49,764	49,764
Deferred tax on retirement benefits obligation (note 9)	-	-	-	(16,588)	(16,588)
Net change in fair value of available for sale assets	-	-	217,177	-	217,177
Released on disposal of investments	-	-	(107,806)	-	(107,806)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>109,371</u>	<u>394,287</u>	<u>503,658</u>
Dividends:					
Preference (20%)	-	-	-	(4,860)	(4,860)
Ordinary (\$17.283951 per share) (note 18)	-	-	-	(840,000)	(840,000)
Total dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>(844,860)</u>	<u>(844,860)</u>
Balances at December 31, 2018	<u>72,900</u>	<u>11,197</u>	<u>396,197</u>	<u>4,134,293</u>	<u>4,614,587</u>
Comprehensive income:					
Profit for the year	-	-	-	316,868	316,868
Other comprehensive income:					
Remeasurement of retirement benefits obligation [note 17(d)]	-	-	-	(11,579)	(11,579)
Deferred tax on retirement benefits obligation (note 9)	-	-	-	3,860	3,860
Net change in fair value of available for sale assets	-	-	220,952	-	220,952
Released on disposal of investments	-	-	(243,745)	-	(243,745)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(22,793)</u>	<u>309,149</u>	<u>286,356</u>
Dividends:					
Preference (20%)	-	-	-	(4,860)	(4,860)
Ordinary (\$30.143488 per share) (note 18)	-	-	-	(1,464,974)	(1,464,974)
Total dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,469,834)</u>	<u>(1,469,834)</u>
Balances at December 31, 2019	<u>72,900</u>	<u>11,197</u>	<u>373,404</u>	<u>2,973,608</u>	<u>3,431,109</u>

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		316,868	361,111
Adjustments for:			
Amortisation of intangible asset	6	27,982	40,949
Depreciation on property, plant and equipment	7	38,859	43,253
Depreciation on investment properties	8	4,341	4,338
Lease interest expense	16(c)	3,332	-
Gain on disposal of property, plant and equipment		(4,228)	(3,661)
Gain on disposal of investments	22	(234,708)	(103,270)
Insurance contract provisions, net		59,880	(160,289)
Post-retirement benefit		18,630	26,556
Unrealised foreign exchange losses/(gains)		5,721	(24,882)
Interest income	22	(251,284)	(335,949)
Write back/(impairment) of investments	10(i)	(17,037)	29,529
Current tax expense	23(a)	98,392	167,897
Deferred taxation	9,23(a)	(24,166)	(25,840)
		42,582	19,742
Changes in:			
Insurance receivables and deferred expenses		(244,256)	(171,219)
Due from/(to) related entities		82,800	(24,373)
Other accounts receivable		31,029	132,191
Accounts payable and accrued charges		(19,196)	27,542
Insurance payables and deferred income		51,928	26,275
		(55,113)	10,158
Interest received		297,613	345,897
Taxes paid		(162,870)	(121,209)
Net cash provided by operating activities		<u>79,630</u>	<u>234,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible asset	6	(251)	(14,545)
Additions to property, plant and equipment	7	(30,938)	(11,381)
Additions to investment properties	8	(90)	(106)
Additions to investments, net		1,483,076	496,875
Proceeds on disposal of property, plant and equipment		4,228	3,661
Net cash provided by investing activities		<u>1,456,025</u>	<u>474,504</u>
Net cash from operating and investing activities c/f		<u>1,535,655</u>	<u>709,350</u>

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

JN GENERAL INSURANCE COMPANY LIMITEDStatement of Cash Flows (Continued)
Year ended December 31, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Net cash from operating and investing activities b/f		<u>1,535,655</u>	<u>709,350</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities, net	16(d)	(9,441)	-
Ordinary dividends paid	18	(1,464,974)	(840,000)
Preference dividends paid		<u>(4,860)</u>	<u>(4,860)</u>
Net cash used by financing activities		<u>(1,479,275)</u>	<u>(844,860)</u>
Net increase/(decrease) in cash and cash equivalents		56,380	(135,510)
Effect of exchange rate changes on cash and cash equivalents		(3,386)	7,492
Cash and cash equivalents at beginning of year		<u>48,440</u>	<u>176,458</u>
Cash and cash equivalents at end of year		<u>101,434</u>	<u>48,440</u>
Comprised of:			
Cash and cash equivalents		101,434	55,751
Bank overdraft		<u>-</u>	<u>(7,311)</u>
		<u>101,434</u>	<u>48,440</u>

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2019

1. The company

JN General Insurance Company Limited (“the company”) is incorporated and domiciled in Jamaica. The registered office is located at 9 King Street, Kingston. The company is a 99.5% subsidiary of JN Financial Group Limited (“parent company”) which is 100% owned by The Jamaica National Group Limited (“ultimate parent”). These entities are incorporated in Jamaica under the Jamaican Companies Act.

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

2. Licence and regulations

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

3. Responsibilities of the appointed actuary and external auditors

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

The external auditors have been appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the company in accordance with International Standards on Auditing, and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company’s actuarially determined policy liabilities. The auditors’ report outlines the scope of their audit and their opinion.

4. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

This is the first set of the company’s financial statements in which IFRS 16, *Leases* has been applied. The related changes to significant accounting policies are described in note 33.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

4. Statement of compliance and basis of preparation (cont'd)

(b) Basis of preparation and measurement:

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

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

(e) Comparative information:

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

5. Accounting estimates and judgements

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

5. Accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty:

(i) Post-retirement medical benefits:

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

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

(ii) Outstanding claims:

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The loss and loss expense reserves have been determined by the company's actuary using the company's past loss experience and industry data.

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

Management believes, based on the analysis completed by its actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

(iii) Allowance for impairment losses on receivables:

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

5. Accounting estimates and judgements (cont'd)

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

(iv) Valuation of financial instruments:

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

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

- (a) Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- (b) Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (c) Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

The company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the charge has occurred.

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

5. Accounting estimates and judgements (cont'd)

(b) Critical accounting judgements in applying accounting policies:

(i) Classification of financial assets:

In classifying financial assets, management makes judgement about whether the criteria are met. For example, the determination of whether a security may be classified as 'loans and receivables' or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy [note 28(ii)] requires judgement as to whether a market is active.

(ii) Impairment of investment in equity securities:

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

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

(iii) Deferred tax asset:

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

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

6. Intangible asset

	<u>Computer software</u> \$'000
At cost:	
December 31, 2017	274,048
Additions	<u>14,545</u>
December 31, 2018	288,593
Additions	<u>251</u>
December 31, 2019	<u>288,844</u>
Amortisation:	
December 31, 2017	208,569
Charge for the year	<u>40,949</u>
December 31, 2018	249,518
Charge for the year	<u>27,982</u>
December 31, 2019	<u>277,500</u>
Carrying amount:	
December 31, 2019	<u>11,344</u>
December 31, 2018	<u>39,075</u>

JN GENERAL INSURANCE COMPANY LIMITEDNotes to the Financial Statements (Continued)
December 31, 20197. Property, plant and equipment

	<u>Land and buildings</u> \$'000	<u>Furniture, fixtures and office equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Total</u> \$'000
At cost:				
December 31, 2017	322,385	388,404	41,283	752,072
Additions	-	8,293	3,088	11,381
Disposals	<u>-</u>	<u>(38)</u>	<u>(7,459)</u>	<u>(7,497)</u>
December 31, 2018	<u>322,385</u>	<u>396,659</u>	<u>36,912</u>	<u>755,956</u>
Balances at January 1, 2019	322,385	396,659	36,912	755,956
Recognition of right of use on initial application of IFRS 16 [note 16(a)]	<u>26,919</u>	<u>-</u>	<u>-</u>	<u>26,919</u>
Adjusted balances at January 1, 2019	349,304	396,659	36,912	782,875
Additions	1,503	12,436	16,999	30,938
Disposals	<u>-</u>	<u>(649)</u>	<u>(12,687)</u>	<u>(13,336)</u>
December 31, 2019	<u>350,807</u>	<u>408,446</u>	<u>41,224</u>	<u>800,477</u>
Depreciation:				
December 31, 2017	89,286	331,780	33,661	454,727
Charge for the year	7,509	29,818	5,926	43,253
Eliminated on disposals	<u>-</u>	<u>(38)</u>	<u>(7,459)</u>	<u>(7,497)</u>
December 31, 2018	<u>96,795</u>	<u>361,560</u>	<u>32,128</u>	<u>490,483</u>
Balances at January 1, 2019	96,795	361,560	32,128	490,483
Charge for the year	14,919	20,041	3,899	38,859
Eliminated on disposals	<u>-</u>	<u>(649)</u>	<u>(12,687)</u>	<u>(13,336)</u>
December 31, 2019	<u>111,714</u>	<u>380,952</u>	<u>23,340</u>	<u>516,006</u>
Carrying amounts:				
December 31, 2019	<u>239,093</u>	<u>27,494</u>	<u>17,884</u>	<u>284,471</u>
December 31, 2018	<u>225,590</u>	<u>35,099</u>	<u>4,784</u>	<u>265,473</u>

Included in land and buildings is the cost of land at \$18,466,000 (2018: \$18,466,000).

8. Investment properties

	<u>Total</u> \$'000
At cost:	
December 31, 2017	173,457
Additions	<u>106</u>
December 31, 2018	173,563
Additions	<u>90</u>
December 31, 2019	<u>173,653</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

8. Investment properties (cont'd)

	<u>Total</u> \$'000	
Depreciation:		
December 31, 2017		27,560
Charge for the year		<u>4,338</u>
December 31, 2018		31,898
Charge for the year		<u>4,341</u>
December 31, 2019		<u>36,239</u>
Carrying amount:		
December 31, 2019		<u>137,414</u>
December 31, 2018		<u>141,665</u>
	<u>2019</u> \$'000	<u>2018</u> \$'000
Fair value of investment properties (see note below)	<u>268,174</u>	<u>237,600</u>
Income earned from the properties	17,909	14,408
Expenses incurred by the properties	<u>(9,923)</u>	<u>(12,495)</u>

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

Investment properties were valued between November and December 2019 by The C.D. Alexander Company Realty Limited on the open market basis.

Measurement of fair value:

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key inputs and fair measurement
<i>Income approach:</i> The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.	<ul style="list-style-type: none"> • Expected market rental growth yields • Rental rates 	<p>The estimated fair value would increase/(decrease) if:</p> <p>(a) Expected market rental growth were higher/(lower);</p> <p>(b) The occupancy rates were higher/(lower);</p>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

8. Investment properties (cont'd)

Measurement of fair value (cont'd):

Valuation technique	Significant unobservable inputs	Inter-relationship between key inputs and fair measurement
<p><i>Income approach (cont'd):</i></p> <p>The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates.</p> <p>The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.</p>		<p>The estimated fair value would increase/(decrease) if (cont'd):</p> <p>(c) Rent-free periods were shorter/(longer); or</p> <p>(d) Yields were lower/(higher)</p>

9. Deferred taxation

Deferred taxation assets are attributable to the following:

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Intangible asset	35,757	29,988
Property, plant and equipment	22,010	25,616
Accrued investment income	(12,224)	(27,226)
Other accounts payable	2,743	1,756
Investment properties	(995)	(949)
Foreign exchange gain/(loss)	(96)	54
Retirement benefits obligation	<u>77,567</u>	<u>67,497</u>
Net deferred tax assets	<u>124,762</u>	<u>96,736</u>

JN GENERAL INSURANCE COMPANY LIMITEDNotes to the Financial Statements (Continued)
December 31, 20199. Deferred taxation (cont'd)

Movement in temporary differences during the year is as follows:

	2019	Recognised in	Recognised in other comprehensive	2018	Recognised in	Recognised in other comprehensive	2017
	\$'000	income	income	\$'000	income	income	\$'000
		(note 23)	\$'000		(note 23)	\$'000	
Intangible asset	35,757	5,769	-	29,988	9,668	-	20,320
Property, plant and equipment	22,010	(3,606)	-	25,616	3,995	-	21,621
Accrued investment income	(12,224)	15,002	-	(27,226)	3,385	-	(30,611)
Other accounts payable	2,743	987	-	1,756	(99)	-	1,855
Investment properties	(995)	(46)	-	(949)	(69)	-	(880)
Foreign exchange gain/(loss)	(96)	(150)	-	54	108	-	(54)
Retirement benefits obligation	<u>77,567</u>	<u>6,210</u>	<u>3,860</u>	<u>67,497</u>	<u>8,852</u>	<u>(16,588)</u>	<u>75,233</u>
	<u>124,762</u>	<u>24,166</u>	<u>3,860</u>	<u>96,736</u>	<u>25,840</u>	<u>(16,588)</u>	<u>87,484</u>

10. Investments

	2019	2018
	\$'000	\$'000
Available-for-sale securities:		
Quoted equities	350,715	488,518
Unit trust	50,836	37,369
Government of Jamaica Securities:		
J\$ local bonds	1,955,064	2,986,631
US\$ global bonds	235,383	215,276
Treasury bills	-	90,377
Fixed rate indexed note	69,345	69,945
Bank of Jamaica certificates of deposit	1,060,000	150,000
Government of Barbados bond (i)	51,072	34,310
Other bonds, secured	63,517	62,581
Other bonds, unsecured	1,020,126	991,443
Certificates of deposit	-	<u>372,517</u>
	<u>4,856,058</u>	<u>5,498,967</u>

- (i) This is stated after deducting provision for impairment of \$Nil (2018: \$29,529,000). During the year there was a write-back of impairment amounting to \$17,037,000 (2018: \$Nil).

Investments totalling \$45,000,000 (2018: \$45,000,000) are held to the order of the Financial Services Commission as required by the Insurance Act 2001 and \$8,000,000 (2018: \$8,000,000) to the order of National Commercial Bank Jamaica Limited as guarantee for the bank overdraft facility. The overdraft was \$Nil (2018: \$7,311,000).

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

10. Investments (cont'd)

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

	<u>2019</u> \$'000	<u>2018</u> \$'000
No specific maturity	401,551	525,887
Within 3 months	1,981,884	1,403,521
3 months to 1 year	319,345	1,155,993
1 year to 5 years	1,406,871	1,676,725
Over 5 years	<u>746,407</u>	<u>736,841</u>
	<u>4,856,058</u>	<u>5,498,967</u>

The following tables present the fair value and the amount of change in the fair value of the company's financial assets as at and for the year ended December 31, 2019 and 2018, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

Financial asset	<u>2019</u>				
	<u>Total carrying</u>	<u>SPPI financial assets</u>		<u>Non-SPPI financial assets</u>	
	<u>value</u>	<u>Fair value</u>	<u>Change in</u>	<u>Fair value</u>	<u>Change in</u>
	\$'000	\$'000	fair value	\$'000	fair value
			\$'000		\$'000
Securities purchased					
under resale agreement	615,547	940,935	325,388	-	-
Other investments	1,129,345	1,129,345	-	-	-
Bonds and debentures	3,325,162	3,325,162	-	-	-
Quoted equities	350,715	-	-	350,715	-
Unit Trust	<u>50,836</u>	<u>-</u>	<u>-</u>	<u>50,836</u>	<u>-</u>
	<u>5,471,605</u>	<u>5,395,442</u>	<u>325,388</u>	<u>401,551</u>	<u>-</u>

Financial asset	<u>2018</u>				
	<u>Total carrying</u>	<u>SPPI financial assets</u>		<u>Non-SPPI financial assets</u>	
	<u>value</u>	<u>Fair value</u>	<u>Change in</u>	<u>Fair value</u>	<u>Change in</u>
	\$'000	\$'000	fair value	\$'000	fair value
			\$'000		\$'000
Securities purchased					
under resale agreement	1,229,097	1,408,090	178,993	-	-
Other investments	682,839	682,839	-	-	-
Bonds and debentures	4,290,241	4,290,241	-	-	-
Quoted equities	488,518	-	-	488,518	-
Unit Trust	<u>37,369</u>	<u>-</u>	<u>-</u>	<u>37,369</u>	<u>-</u>
	<u>6,728,064</u>	<u>6,381,170</u>	<u>178,993</u>	<u>525,887</u>	<u>-</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

10. Investments (cont'd)

Credit risk:

The following tables present the credit risk ratings of SPPI financial assets as at December 31, 2019 and 2018:

<i>Credit rating</i>	2019		
	Carrying value amount \$'000	Fair value \$'000	% of fair value
Bonds and debentures and other investments:			
B2	4,403,435	4,403,435	99
Not rated	<u>51,072</u>	<u>51,072</u>	<u>1</u>
	<u>4,454,507</u>	<u>4,454,507</u>	<u>100</u>
Securities purchased under resale agreement:			
B2	<u>615,547</u>	<u>940,935</u>	<u>100</u>

<i>Credit rating</i>	2018		
	Carrying value amount \$'000	Fair value \$'000	% of fair value
Bonds and debentures and other investments:			
B3	4,938,770	4,938,770	99%
SD	<u>34,310</u>	<u>34,310</u>	<u>1%</u>
	<u>4,973,080</u>	<u>4,973,080</u>	<u>100%</u>
Securities purchased under resale agreement:			
B3	<u>1,229,097</u>	<u>1,408,090</u>	<u>100%</u>

11. Reinsurance assets and insurance contract provisions

(a) Analysis of movements in insurance contract provisions:

	2019			2018		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims outstanding	1,637,975	29,567	1,608,408	1,749,037	125,608	1,623,429
Unearned premiums	<u>2,315,944</u>	<u>1,101,246</u>	<u>1,214,698</u>	<u>2,222,017</u>	<u>1,082,220</u>	<u>1,139,797</u>
	<u>3,953,919</u>	<u>1,130,813</u>	<u>2,823,106</u>	<u>3,971,054</u>	<u>1,207,828</u>	<u>2,763,226</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

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

(b) Claims outstanding:

	2019			2018		
	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000
Claims notified	1,027,091	88,335	938,756	1,515,162	346,307	1,168,855
Claims incurred but not reported	<u>721,946</u>	<u>37,273</u>	<u>684,673</u>	<u>703,945</u>	<u>30,331</u>	<u>673,614</u>
Balances at January 1	<u>1,749,037</u>	<u>125,608</u>	<u>1,623,429</u>	<u>2,219,107</u>	<u>376,638</u>	<u>1,842,469</u>
Claims incurred	1,295,909	50,868	1,245,041	1,125,718	61,816	1,063,902
Claims paid in year	<u>(1,406,971)</u>	<u>(146,909)</u>	<u>(1,260,062)</u>	<u>(1,595,788)</u>	<u>(312,846)</u>	<u>(1,282,942)</u>
Change in outstanding claims provision	<u>(111,062)</u>	<u>(96,041)</u>	<u>(15,021)</u>	<u>(470,070)</u>	<u>(251,030)</u>	<u>(219,040)</u>
Balances at December 31	<u>1,637,975</u>	<u>29,567</u>	<u>1,608,408</u>	<u>1,749,037</u>	<u>125,608</u>	<u>1,623,429</u>
Claims notified	885,841	27,478	858,363	1,027,091	88,335	938,756
Claims incurred but not reported	<u>752,134</u>	<u>2,089</u>	<u>750,045</u>	<u>721,946</u>	<u>37,273</u>	<u>684,673</u>
Balances at December 31	<u>1,637,975</u>	<u>29,567</u>	<u>1,608,408</u>	<u>1,749,037</u>	<u>125,608</u>	<u>1,623,429</u>

Outstanding claims include gross claims payable of \$17,894,000 (2018: \$30,846,000) under policies issued to related parties.

(c) Unearned premiums:

	2019			2018		
	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000
Balances at January 1	2,222,017	1,082,220	1,139,797	2,232,751	1,151,705	1,081,046
Premiums written during the year	4,919,947	2,573,260	2,346,687	4,875,520	2,632,751	2,242,769
Premiums earned during the year	<u>(4,826,020)</u>	<u>(2,554,234)</u>	<u>(2,271,786)</u>	<u>(4,886,254)</u>	<u>(2,702,236)</u>	<u>(2,184,018)</u>
Balances at December 31	<u>2,315,944</u>	<u>1,101,246</u>	<u>1,214,698</u>	<u>2,222,017</u>	<u>1,082,220</u>	<u>1,139,797</u>

(d) Gross unearned premiums are analysed as follows:

	<u>2019</u> \$'000	<u>2018</u> \$'000
Liability	139,824	137,127
Motor	988,545	909,166
Pecuniary loss	4,507	4,182
Personal Accident	10,882	10,488
Marine	5,427	5,565
Property	1,093,162	1,091,109
Engineering	<u>73,597</u>	<u>64,380</u>
	<u>2,315,944</u>	<u>2,222,017</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

12. Securities purchased under resale agreements

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

	<u>2019</u> \$'000	<u>2018</u> \$'000
Within 3 months	615,547	1,055,520
3 months to 1 year	<u>-</u>	<u>173,577</u>
	<u>615,547</u>	<u>1,229,097</u>

The fair value of securities held as collateral for securities purchased under resale agreements as at December 31, 2019 was \$940,935,000 (2018: \$1,408,090,000).

13. Insurance receivables and deferred expenses

	<u>2019</u> \$'000	<u>2018</u> \$'000
Premiums receivable	821,892	623,150
Due from other insurance companies	<u>70,711</u>	<u>31,109</u>
	892,603	654,259
Less: Allowance for impairment	<u>(25,430)</u>	<u>(19,562)</u>
	867,173	634,697
Deferred commission expense	<u>154,940</u>	<u>143,160</u>
	<u>1,022,113</u>	<u>777,857</u>

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

	<u>2019</u> \$'000	<u>2018</u> \$'000
Balance at January 1	19,562	10,953
Amount expensed during year	5,926	8,790
Amount written-off during year	<u>(58)</u>	<u>(181)</u>
Balance at December 31	<u>25,430</u>	<u>19,562</u>

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

The analysis of the deferred commission expense is as follows:

	<u>2019</u> \$'000	<u>2018</u> \$'000
Balance at January 1	143,160	128,166
Commission paid	349,189	323,636
Transfers to profit or loss	<u>(337,409)</u>	<u>(308,642)</u>
Balance at December 31	<u>154,940</u>	<u>143,160</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

14. Accounts payable and accrued charges

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Accruals	92,375	108,893
General Consumption Tax (G.C.T.) and withholding tax payable	26,524	30,450
Statutory deductions	<u>26,629</u>	<u>25,381</u>
	<u>145,528</u>	<u>164,724</u>

15. Insurance payables and deferred income

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Due to reinsurers	283,169	272,264
Due to policyholders, brokers and agents	113,126	88,105
Deferred commission income	<u>242,842</u>	<u>226,840</u>
	<u>639,137</u>	<u>587,209</u>

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

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Balance at January 1	226,840	189,748
Commission received	690,155	623,185
Commission earned	<u>(674,153)</u>	<u>(586,093)</u>
Balance at December 31	<u>242,842</u>	<u>226,840</u>

16. Leases

The company leases properties for its branches. These leases typically run for a period of two (2) to three (3) years. Some of these include an option to renew after the lease period has ended. Lease payments are renegotiated after the end of the contract period to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the company is a lessee is presented below.

(a) Right-of-use assets:

	<u>Land and buildings</u>
	\$'000
Balance at January 1, 2019	26,919
Additions	1,503
Depreciation charge for the year	<u>(7,860)</u>
Balance at December 31, 2019	<u>20,562</u>

JN GENERAL INSURANCE COMPANY LIMITEDNotes to the Financial Statements (Continued)
December 31, 201916. Leases (cont'd)

(b) Lease liabilities:

Maturity analysis – contractual undiscounted cash flows:

2019
\$'000

Less than one year 10,943

One to five years 14,998Total undiscounted lease liabilities at December 31, 2019 25,941Lease liabilities included in the statement of financial position
at December 31, 20192019
\$'000

Current 10,419

Non-current 10,39120,810

Included in the above are leases with related parties amounting to \$12,098,000.

(c) Amounts recognised in profit or loss:

2019
\$'000Interest on lease liabilities 3,332

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

2019
\$'000Total cash outflow for leases 9,44117. Retirement benefits obligation

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

2019 2018
\$'000 \$'000

Post retirement health benefits obligation 228,124 195,837

Supplementary pension benefit 4,577 6,655232,701 202,492

Post-retirement health benefits obligation:

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

2019 2018
\$'000 \$'000Present value of unfunded obligations 228,124 195,837

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

17. Retirement benefits obligation (cont'd)

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

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

	<u>2019</u> \$'000	<u>2018</u> \$'000
Balance at January 1	195,837	219,150
Contributions paid	(2,619)	(2,402)
Expense recognised in profit or loss	23,327	28,853
Re-measurement loss/(gain) on obligation	<u>11,579</u>	<u>(49,764)</u>
Balance at December 31	<u>228,124</u>	<u>195,837</u>

(c) Expenses recognised in profit or loss:

	<u>2019</u> \$'000	<u>2018</u> \$'000
Current service costs	9,075	10,571
Interest on obligation	<u>14,252</u>	<u>18,282</u>
	<u>23,327</u>	<u>28,853</u>

(d) Included in other comprehensive income:

	<u>2019</u> \$'000	<u>2018</u> \$'000
Re-measurement loss/(gain) on obligation arising from:		
Changes in financial assumptions	23,028	(47,027)
Experience adjustments	<u>(11,449)</u>	<u>(2,737)</u>
	<u>11,579</u>	<u>(49,764)</u>

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

	<u>2019</u> %	<u>2018</u> %
Discount rate	7.5	7.0
Future increases in medical premium	<u>6.0</u>	<u>5.0</u>

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

17. Retirement benefits obligation (cont'd)

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

(f) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analysis for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 0.5% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

	<u>One-half percentage point increase</u>	<u>One-half percentage point decrease</u>
	<u>\$</u>	<u>\$</u>
	\$'000	\$'000
Discount rate	(22,947)	26,463
Future medical cost	<u>26,463</u>	<u>(22,947)</u>

Supplementary pension benefit:

The company provides supplementary pension for 3 pensioners (2018: 4); the defined benefit obligation in respect of these pensioners was \$4,577,000 at December 31, 2019 (2018: \$6,655,000).

18. Share capital

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Authorised:		
75,000,000 ordinary shares of no par value		
25,000,000 - 20% cumulative preference shares of no par value		
Issued and fully paid:		
48,600,000 ordinary shares	48,600	48,600
24,300,000 - 20% cumulative preference shares	<u>24,300</u>	<u>24,300</u>
	<u>72,900</u>	<u>72,900</u>

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

During the year the company declared and paid interim dividends on ordinary shares of \$1,464,974,000 (2018: \$840,000,000) to its shareholders on record as at the date of declaration of the dividends.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

23. Taxation

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

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
(i) Current taxation:		
Income tax at 33 $\frac{1}{3}$ %	98,392	167,897
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 9)	(24,166)	(25,840)
	<u>74,226</u>	<u>142,057</u>

Deferred tax is computed at 33 $\frac{1}{3}$ %.

- (b) Reconciliation of actual tax expense:

The effective tax rate was 18.98% (2018: 28.23%) of pre-tax profits compared to a statutory tax rate of 33 $\frac{1}{3}$ %. The actual expense differed from the "expected" tax expense for the year as follows:

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Profit before taxation	<u>391,094</u>	<u>503,168</u>
Computed "expected" tax charge at 33 $\frac{1}{3}$ %	130,365	167,722
Depreciation, amortisation and capital allowances	4,416	334
Other	8,992	11,790
Tax exempt revenues	(1,939)	(1,530)
Capital gains	(67,608)	(36,259)
	<u>74,226</u>	<u>142,057</u>

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

24. Related parties

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

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
(i) JN Bank Limited:		
Cash and cash equivalents	48,979	18,670
Certificates of deposit	-	372,517
Accrued investment income	247	6,233
Due from related party	<u>639</u>	<u>6,920</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

24. Related parties (cont'd)

- (a) The statement of financial position includes balances, arising in the ordinary course of business with related parties, as follows (cont'd):

	<u>2019</u> \$'000	<u>2018</u> \$'000
(ii) JN Fund Managers Limited: Due to related party	(<u>2,500</u>)	<u>-</u>
(iii) The Jamaica Automobile Association (Services) Limited: Due to related party	(<u>5,942</u>)	(<u>2,805</u>)
(iv) MCS Group Limited: Due from related party	<u>-</u>	<u>63,313</u>
(v) The Creative Unit Limited: Accounts payable	(<u>1,683</u>)	<u>-</u>
(vi) JN Financial Group Limited: Due to parent company	<u>-</u>	(<u>1,995</u>)
(vii) JN Group Limited: Due to related party	(<u>8,099</u>)	<u>-</u>
(viii) JN Foundation: Due from related party	<u>20</u>	<u>960</u>
(ix) JN Finance: Due from related party	<u>50</u>	<u>575</u>

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

		<u>2019</u> \$'000	<u>2018</u> \$'000
Income:			
Management fee	- related party	600	600
Rental income	- related party	1,911	-
Interest income	- fellow subsidiary	11,063	14,337
Gross written premiums	- fellow subsidiaries	107,465	134,083
	- JN Pension Fund	1,605	1,577
	- parent company	1,142	775
	- ultimate parent company	12,533	10,565
Expenses:			
IT services	- ultimate parent company	77,122	-
Life insurance premium	- fellow subsidiary	6,640	8,984
Management fees	- parent company	17,771	3,487
	- fellow subsidiary	2,604	6,566
	- ultimate parent company	115,335	88,904

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

24. Related parties (cont'd)

(b) (Cont'd)

		<u>2019</u>	<u>2018</u>
		\$'000	\$'000
Expenses (cont'd):			
Investment management fees	- fellow subsidiary	5,000	5,000
Advertising	- fellow subsidiary	37,129	25,237
Rental expense	- fellow subsidiary	6,362	4,954
Client assistance and fleet management services	- related party	69,933	68,604
Telephone expenses	- related parties	1,074	1,396
Repairs and maintenance	- related parties	2,874	2,532
Transactions with key management personnel (director and senior executives)			
Short-term employment benefit:			
	- Post-employment	Nil	Nil
	- Salaries, included in employee costs (note 31)	<u>65,055</u>	<u>53,180</u>

25. Reinsurance limits

The company has property catastrophe reinsurance up to a maximum of \$64.33 billion (2018: \$56.64 billion) of which the Property and Condominium Strata Quota Share is \$52.61 billion (2018: \$46.24 billion) and Engineering Quota Share and surplus is \$6.06 billion (2018: \$4.85 billion) and Catastrophe Excess of Loss \$5.66 billion (2018: \$5.55 billion) per event under which it is liable for the first \$400 million (2018: \$400 million) of losses in accordance with the terms of the treaty. Motor catastrophe reinsurance cover is US\$10 million (2018: US\$10 million) per event. The company limits its net exposure to a maximum amount on any one risk (property and engineering) or loss (the other classes) of US\$900,000 (2018: US\$900,000) for property claims, US\$12,000 (2018: US\$60,000) on contractors all risks and other engineering exposures, \$25 million on performance, tender and mobilisation bonds, \$10 million on motor, personal accident, public and employer's liability and fidelity bonds; and \$5 million on fidelity guarantee bonds for the years ended December 31, 2019 and 2018.

26. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The company's management of insurance and financial risk is a critical aspect of the business.

The primary insurance activity carried out by the company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

26. Insurance risk management (cont'd)

The principal types of policies written by the company are:

- Liability insurance
- Property insurance
- Motor insurance

(a) Underwriting policy:

The company manages insurance risk through its underwriting policy that includes *inter alia* authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and analyses.

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

The Board of Directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

(b) Reinsurance strategy:

The company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance results in credit risk. The company manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which have favourable credit ratings as determined by a reputable rating agency. The company monitors the financial condition of re-insurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria and for monitoring its adequacy on an ongoing basis. Credit risk on reinsurance is discussed in more detail in note 29(b).

(c) Terms and conditions of general insurance contracts:

All general insurance contracts are issued for one year. The table below provides an overview of the terms and conditions of general insurance contracts written by the company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

26. Insurance risk management (cont'd)

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

<u>Type of contract</u>	<u>Terms and conditions</u>	<u>Key factors affecting future cash flows</u>
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	<p>The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.</p> <p>The majority of bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.</p>
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	<p>The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property.</p> <p>The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay.</p> <p>Property business is therefore classified as “short-tailed” and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.</p>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

26. Insurance risk management (cont'd)

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

<u>Type of contract</u>	<u>Terms and conditions</u>	<u>Key factors affecting future cash flows</u>
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and bodily injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the deteriorating condition of the road network, failure of some motorists to obey traffic signals and the road code and an overall increase in the incidence of motor vehicle accidents. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. The bodily injury claims have a relatively long tail.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, rating and reinsurance. The company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten.

Property contracts:

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

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

26. Insurance risk management (cont'd)

(d) Risk exposure and concentrations of risk:

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

	<u>Liability</u> \$'000	<u>Property</u> \$'000	<u>Motor</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
At December 31, 2019					
Gross	172,850	23,476	1,437,888	3,761	1,637,975
Net of reinsurance	<u>171,392</u>	<u>4,703</u>	<u>1,430,561</u>	<u>1,752</u>	<u>1,608,408</u>
At December 31, 2018					
Gross	267,771	40,730	1,433,100	7,436	1,749,037
Net of reinsurance	<u>215,157</u>	<u>7,069</u>	<u>1,397,156</u>	<u>4,047</u>	<u>1,623,429</u>

(e) Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the company. The top part of the table shows how the estimates of total claims for each accident year developed over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development:

	<u>Accident year</u>						<u>Total</u> \$'000
	<u>2014</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2017</u> \$'000	<u>2018</u> \$'000	<u>2019</u> \$'000	
Estimate of cumulative claims at end of							
accident year	1,991,939	1,039,487	1,285,664	1,212,574	1,102,581	1,144,693	-
- one year later	1,754,631	969,568	1,186,365	1,175,304	1,080,901	-	-
- two years later	1,761,348	936,815	1,205,337	1,240,028	-	-	-
- three years later	1,767,981	954,524	1,231,848	-	-	-	-
- four years later	1,729,801	971,822	-	-	-	-	-
- five years later	1,749,086	-	-	-	-	-	-
Estimate of cumulative claims	1,749,086	971,822	1,231,848	1,240,028	1,080,901	1,144,693	7,418,378
Cumulative payments	<u>(1,556,045)</u>	<u>(890,108)</u>	<u>(1,068,301)</u>	<u>(1,048,373)</u>	<u>(813,799)</u>	<u>(433,344)</u>	<u>(5,809,970)</u>
Net outstanding liabilities	<u>193,041</u>	<u>81,714</u>	<u>163,547</u>	<u>191,655</u>	<u>267,102</u>	<u>711,349</u>	<u>1,608,408</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

27. Concentration of insurance risks

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

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

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

- (a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the company's underwriting policy [note 26(a)].
- (b) Secondly, the risk is managed through the use of reinsurance [note 26(b)]. The company arranges proportional reinsurance at the risk level and purchases excess of loss cover for motor, liability and property business. The company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

28. Fair values of financial instruments

- (i) Fair values were estimated as follows:

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

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

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

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

	2019		2018	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial assets:				
Securities purchased under resale agreements	615,547	940,935	1,229,097	1,408,090
Investments	4,856,058	4,856,058	5,498,967	5,498,967
Insurance receivables	867,173	867,173	634,697	634,697
Accrued investment income	39,417	39,417	85,746	85,746
Due from related entities	709	709	71,768	71,768
Reinsurance assets	29,567	29,567	125,608	125,608
Cash and cash equivalents	<u>101,434</u>	<u>101,434</u>	<u>55,751</u>	<u>55,751</u>
	<u>6,509,905</u>	<u>6,835,293</u>	<u>7,701,634</u>	<u>7,880,627</u>
Financial liabilities:				
Bank overdraft	-	-	7,311	7,311
Accounts payable	145,528	145,528	164,724	164,724
Insurance payables	396,295	396,295	360,369	360,369
Insurance contract provision	1,637,975	1,637,975	1,749,037	1,749,037
Due to related entities	<u>16,541</u>	<u>16,541</u>	<u>4,800</u>	<u>4,800</u>
	<u>2,196,339</u>	<u>2,196,339</u>	<u>2,286,241</u>	<u>2,286,241</u>

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

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

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

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

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

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investments	<u>401,551</u>	<u>4,454,507</u>	<u>-</u>	<u>4,856,058</u>
	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investments	<u>525,887</u>	<u>4,973,080</u>	<u>-</u>	<u>5,498,967</u>

29. Financial risk management

(a) Overview

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

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

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and its management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's financial risk management framework. The Board and management have established the Audit Committee, Investment and Loans Committee and the Risk and Compliance Unit, which are responsible for developing and monitoring risk management policies in their specific areas. These committees and unit have both executive and non-executive members and report to the Board of Directors on their activities. The company's risk management policies are established to identify, assess and measure the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(a) Overview (cont'd)

The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to, within the policy guidelines, optimise the net risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures. The Audit Committee is assisted by the Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the head of the Risk and Compliance Unit, the Audit Committee and the Board of Directors.

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

(b) Credit risk

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

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

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

Counterparty credit risk

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Cash and cash equivalents:

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

Investment securities and resale agreements:

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

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

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

Management of credit risk

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

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

All intermediaries must meet minimum requirements that are established and enforced by the company's management. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The company also operates a policy to manage its reinsurance counterparty exposures, and assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations.

JN GENERAL INSURANCE COMPANY LIMITEDNotes to the Financial Statements (Continued)
December 31, 201929. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Management of credit risk (cont'd)

	<u>AA</u> \$'000	<u>A</u> \$'000	<u>B</u> \$'000	<u>SD</u> \$'000	<u>Not rated</u> \$'000	<u>Total</u> \$'000
December 31, 2019						
Financial assets						
Carrying amount	-	-	<u>5,018,813</u>	-	<u>51,241</u>	<u>5,070,054</u>
Reinsurance assets (excluding unearned premium reserve):						
Carrying amount	-	<u>29,567</u>	-	-	-	<u>29,567</u>
Insurance and other receivables (excluding prepayments)						
Impaired	-	-	-	-	25,430	25,430
Neither past due nor impaired	-	-	-	-	373,235	373,235
Past due but not impaired	-	-	-	-	<u>551,864</u>	<u>551,864</u>
Carrying amount	-	-	-	-	<u>950,529</u>	<u>950,529</u>
Cash and cash equivalents:						
Carrying amount	-	-	-	-	101,434	101,434
	<u>-</u>	<u>29,567</u>	<u>5,018,813</u>	<u>-</u>	<u>1,103,204</u>	<u>6,151,584</u>
December 31, 2018						
Financial assets						
Carrying amount	-	-	<u>6,167,867</u>	<u>34,310</u>	-	<u>6,202,177</u>
Reinsurance assets (excluding unearned premium reserve):						
Carrying amount	-	<u>125,608</u>	-	-	-	<u>125,608</u>
Insurance and other receivables (excluding prepayments)						
Impaired	-	-	-	-	19,562	19,562
Neither past due nor impaired	-	-	-	-	339,140	339,140
Past due but not impaired	-	-	-	-	<u>385,152</u>	<u>385,152</u>
Carrying amount	-	-	-	-	<u>743,854</u>	<u>743,854</u>
Cash and cash equivalents:						
Carrying amount	-	-	-	-	55,751	55,751
	<u>-</u>	<u>125,608</u>	<u>6,167,867</u>	<u>34,310</u>	<u>799,605</u>	<u>7,127,390</u>

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Concentrations of credit risk:

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

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Allied Insurance Brokers Limited	58,910	45,267
Billy Craig Insurance Brokers Limited	73,427	66,746
Gallagher Insurance Brokers Jamaica Limited	78,768	49,401
Desmond Mair Insurance Brokers Limited	44,857	39,357
Fraser Fontaine & Kong Insurance Brokers	26,303	25,552
Jamaica Citadel Insurance Brokers	36,717	22,563
Maritime General Insurance Brokers Limited	79,085	72,090
Nationwide Insurance Agents & Consultants	60,381	47,867
Thwaites Finson Sharp Insurance Brokers	<u>62,475</u>	<u>52,504</u>
	<u>520,923</u>	<u>421,347</u>

The company has insurance and other receivables that are past due but not fully impaired at the reporting date as indicated by the overall credit risk exposure analysis. An aged analysis of the carrying amounts of these insurance and other receivables is presented below.

	<u>2019</u>				
	Less than 45 <u>days</u>	46-60 <u>days</u>	More than 60 <u>days</u>	Not aged	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivable arising from insurance and reinsurance contracts					
- contract holders	68,540	10,541	66,343	-	145,424
- agents, brokers and intermediaries	<u>176,058</u>	<u>81,419</u>	<u>418,991</u>	<u>70,711</u>	<u>747,179</u>
	244,598	91,960	485,334	70,711	892,603
Allowance for impairment	<u>-</u>	<u>-</u>	<u>(25,430)</u>	<u>-</u>	<u>(25,430)</u>
	<u>244,598</u>	<u>91,960</u>	<u>459,904</u>	<u>70,711</u>	<u>867,173</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Concentrations of credit risk (cont'd):

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

Assets that are individually impaired:

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

	2019		2018	
	<u>Gross</u> \$'000	<u>Net</u> \$'000	<u>Gross</u> \$'000	<u>Net</u> \$'000
Investments	68,109	51,072	63,839	34,310
Insurance and other receivables	<u>25,430</u>	<u>-</u>	<u>19,562</u>	<u>-</u>
	<u>93,539</u>	<u>51,072</u>	<u>83,401</u>	<u>34,310</u>

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

(c) Liquidity risk

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

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

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due, and in the event of reasonably foreseeable abnormal circumstances. The company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines. The company is subject to a liquidity limit imposed by the regulator. The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities. This ratio at the reporting date was 104% (2018: 122%). The level set by the regulator is 95%.

An analysis of the contractual maturities of the company's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

	2019					
	Contractual undiscounted cash flows					
Carrying <u>Amount</u> \$'000	Total cash <u>outflow</u> \$'000	Less than <u>3 months</u> \$'000	3-12 <u>months</u> \$'000	1-2 <u>years</u> \$'000	2 -5 <u>years</u> \$'000	More than 5 <u>years</u> \$'000
Financial liabilities						
- Accounts payable and accrued charges	145,528	145,528	145,528	-	-	-
- Insurance payables	396,295	396,295	396,295	-	-	-
- Due to related parties	<u>16,541</u>	<u>16,541</u>	<u>16,541</u>	-	-	-
Total financial liabilities	<u>558,364</u>	<u>558,364</u>	<u>558,364</u>	-	-	-
Insurance contract liabilities:						
- Claims outstanding	<u>1,637,975</u>	<u>1,637,975</u>	<u>64,726</u>	<u>667,405</u>	<u>470,590</u>	<u>316,099</u>
	<u>2,196,339</u>	<u>2,196,339</u>	<u>623,090</u>	<u>667,405</u>	<u>470,590</u>	<u>119,155</u>

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

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

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

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of the company's liabilities and/or the company's income. Market risk arises in the company due to fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

Management of market risk:

The Investment and Loans Committee manages market risks in accordance with its Investment Policy. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the company at the reporting date to each major risk are addressed below.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and arise primarily from the company's investments.

The company manages its interest rate risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments and by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest-bearing financial assets are primarily represented by long-term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

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

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

	2019					Total \$'000	Weighted average interest rate %
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000		
<u>Assets</u>							
Investments	-	1,981,884	319,345	2,153,278	401,551	4,856,058	5.90
Securities purchased under resale agreements	-	615,547	-	-	-	615,547	4.25
Insurance and other receivables	-	-	-	-	936,734	936,734	
Due from related parties	-	-	-	-	709	709	
Cash and cash equivalents	<u>101,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,434</u>	0.73
Total financial assets	<u>101,434</u>	<u>2,597,431</u>	<u>319,345</u>	<u>2,153,278</u>	<u>1,338,994</u>	<u>6,510,482</u>	
<u>Liabilities</u>							
Insurance payables, accounts payable and accrued charges	-	-	-	-	541,823	541,823	
Due to related entities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,541</u>	<u>16,541</u>	
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,364</u>	<u>558,364</u>	
On-statement of financial position gap, being total interest rate sensitivity gap	<u>101,434</u>	<u>2,597,431</u>	<u>319,345</u>	<u>2,153,278</u>	<u>780,630</u>	<u>5,952,118</u>	
Cumulative gap	<u>101,434</u>	<u>2,698,865</u>	<u>3,018,210</u>	<u>5,171,488</u>	<u>5,952,118</u>	<u>-</u>	

JN GENERAL INSURANCE COMPANY LIMITEDNotes to the Financial Statements (Continued)
December 31, 201929. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

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

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

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

	Increase in interest rate		Decrease in interest rate	
	2019	2018	2019	2018
J\$ denominated instruments	100 basis points	100 basis points	100 basis points	100 basis points
US\$ denominated instruments	100 basis points	100 basis points	100 basis points	100 basis points

Fair value sensitivity analysis for fixed rate instruments:

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

	2019		2018	
	Effect on other comprehensive income		Effect on other comprehensive income	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Other comprehensive income	(58,987)	65,883	(65,133)	70,957

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

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

Cash flow sensitivity analysis for variable rate instruments:

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

	<u>Effect on profit</u>	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
December 31, 2019		
Variable rate instruments	<u>10,123</u>	<u>(10,123)</u>
December 31, 2018		
Variable rate instruments	<u>11,989</u>	<u>(11,989)</u>

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

(ii) Equity price risk:

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio. Management monitors the mix of equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise risk-adjusted investment returns.

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

	<u>2019</u>		<u>2018</u>	
	<u>Equity</u> \$'000	<u>Profit before</u> <u>taxation</u> \$'000	<u>Equity</u> \$'000	<u>Profit before</u> <u>taxation</u> \$'000
10% (2018: 10%) increase	35,072	-	48,852	-
10% (2018: 10%) decrease	<u>(34,019)</u>	<u>(1,053)</u>	<u>(46,339)</u>	<u>(2,513)</u>

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

(iii) Foreign currency risk:

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

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

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

	<u>2019</u>	<u>2018</u>
United States dollars (US\$'000)	3,791	2,783
Pounds Sterling (£'000)	<u>6</u>	<u>-</u>

Exchange rates were as follows:

	<u>GBP</u>	<u>USD</u>
At December 31, 2019	169.37	131.18
At December 31, 2018	<u>-</u>	<u>126.80</u>

Sensitivity analysis:

Movement of J\$ against the US\$ and GBP	Increase/(decrease) in profit before taxation			
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	\$'000	\$'000	\$'000	\$'000
6% (2018: 4%) weakening (GBP/USD)	57	27,311	-	14,116
4% (2018: 2%) strengthening (GBP/USD)	<u>(38)</u>	<u>(18,208)</u>	<u>-</u>	<u>(7,058)</u>

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

29. Financial risk management (cont'd)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors, other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

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

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

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

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

30. Capital management

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

- (i) To comply with the capital requirements set by the regulators of the insurance industry within which the company operates;
- (ii) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

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

Regulatory capital:

The company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the company. General insurers must maintain at least a minimum level of assets, capital and surplus to meet the liabilities of the company. The FSC requires the ratio of available assets to required assets to be 250% (2018: 250%) under the terms of the Minimum Capital Test (MCT).

The MCT ratio attained by the company at December 31, 2019 was 288% (2018: 381%).

31. Employee costs

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Salaries and wages	446,209	431,132
Severance pay	13,857	-
Incentive awards	77,902	65,558
Pension	20,843	21,817
Other employee costs	<u>180,623</u>	<u>176,441</u>
	<u>739,434</u>	<u>694,948</u>

32. Capital commitments

At December 31, 2019 and 2018, the company had no commitments for capital expenditure.

33. Changes in accounting policies

The company initially applied IFRS 16 *Leases* from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the company's financial statements.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

33. Changes in accounting policies (cont'd)

The company applied IFRS 16 using the modified retrospective approach, under which the right-of-use asset is equivalent to the lease liability, thereby no adjustments were recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*, issued by the IFRS Interpretations Committee (IFRIC). The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 34(s).

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the company leases assets including property. The company previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property, the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at January 1, 2019 (see note 16). The company opted for the measurement of the right-of-use asset equal to the lease liability at transition date as permitted by IFRS 16 transition options.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

33. Changes in accounting policies (cont'd)

(b) As a lessee (cont'd)

Leases classified as operating leases under IAS 17 (cont'd)

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(c) As a lessor

The company leases out its investment property, being own property. The company has classified these leases as operating leases.

The company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The company does not sub-lease any of its properties.

The company has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(d) Impact on financial statements

Impact on transition

On transition to IFRS 16, the company recognised additional right-of-use assets and additional lease liabilities, at the same amount, thereby, no adjustment was made to the retained earnings at transition. The impact on transition is summarised below.

	<u>January 1, 2019</u>
	\$'000
Right-of-use assets	291,257
Lease liabilities	<u>(291,257)</u>
Retained earnings	<u> -</u>

For the impact of IFRS 16 on profit or loss for the year, see note 8. For the details of accounting policies under IFRS 16 and IAS 17, see note 6(p).

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

33. Changes in accounting policies (cont'd)

(d) Impact on financial statements (cont'd)

Impact on transition (cont'd)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 6%.

	<u>January 1, 2019</u>
	\$'000
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the company's financial statements	-
Discounted using the incremental borrowing rate at January 1, 2019	<u>26,919</u>
Lease liabilities recognised at January 1, 2019	<u>26,919</u>

34. Significant accounting policies

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

(a) Intangible asset:

(i) Computer software:

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

(ii) Amortisation:

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

The estimated useful life of computer software is 3 years.

(b) Property, plant and equipment and depreciation:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [note 34(n)]. Costs include expenditures that are directly attributable to the acquisition of the assets. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in the profit or loss as incurred.

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

34. Significant accounting policies (cont'd)

(b) Property, plant and equipment and depreciation (cont'd):

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

Freehold buildings	2½%
Furniture and fixtures	10%
Office equipment	20%
Motor vehicles	20%
Computers	33⅓%
Right of use asset	33⅓% - 50%

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

(c) Investment properties:

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

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

(d) Investments:

Available-for-sale investments are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in investment revaluation reserve. The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company on the date it commits to purchase or sell the investments.

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

(e) Securities purchased under resale agreements:

Securities purchased under resale agreements (“reverse repos”) are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending, classified as loans and receivables and measured at amortised cost.

The difference between the sale and repurchase consideration is recognised on the accrual basis over the period of the transaction and is included in interest income.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

(f) Revenue recognition:

Revenue is measured based on the consideration specified in a contract with a policyholder. The company recognises revenue when it transfers control over a service to a policyholder.

Revenue comprises the following:

(i) Gross written premiums

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 34(g)(i).

(ii) Commission income

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts. Profit commission in respect of reinsurance contracts is recognised on the accrual basis.

(iii) Investment income

Investment income arises from financial assets and is comprised of interest and dividends and recognised gains/losses on financial assets. Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(g) Insurance contract recognition and measurement:

(i) Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001. The underwriting results are determined after making provision for, *inter alia*, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

Gross written premiums

Gross premiums reflect business written during the year, and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Unearned premiums

Unearned premiums represent that proportion of the premiums written up to the accounting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" basis on the total premiums written.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

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

(i) Insurance contracts (cont'd)

Unexpired risks

Unexpired risks represent the amount set aside in addition to unearned premiums, in respect of risks to be borne by the company under contracts of insurance entered into up to the end of the financial year and is actuarially determined.

Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses, plus a provision for losses incurred but not reported based on the historical experience of the company. The loss and loss expense reserves have been reviewed by the company's actuary using the past loss experience of the company and industry data. Amounts recoverable in respect of claims from re-insurers are estimated in a manner consistent with the underlying liabilities.

Management believes that, based on the analysis completed by their actuary, the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Deferred acquisition cost and deferred commission income

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

(ii) Reinsurance assets

In the normal course of business the company seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see notes 25, 26 and 27). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of re-insurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming re-insurer is unable to meet its obligations.

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

Reinsurance assets are assessed for impairment at each reporting date.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

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

(ii) Reinsurance assets (cont'd)

A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the re-insurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivable and insurance payable

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

(iv) Temporary exemption to defer the implementation of IFRS 9, *Financial Instruments*

The company has applied the temporary exemption to defer the implementation of IFRS 9, *Financial Instruments*, as its activities met the requirements to demonstrate that their predominant activity is issuing insurance contracts within the scope of IFRS 17 – *Insurance contracts*.

The company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Eighty-five percent (85%) of the company's liabilities at December 31, 2015 were liabilities that arose from contracts within the scope of IFRS 17 and nine percent (9%) of the company's liabilities at December 31, 2015 were liabilities that arose because the company issues insurance contracts and fulfil obligations arising from insurance contracts. Additionally, the company has not previously applied any version of IFRS 9. Therefore, the company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2019, there has been no change in the company's activities.

(h) Taxation:

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case, it is recognised in other comprehensive income.

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

34. Significant accounting policies (cont'd)

(h) Taxation (cont'd):

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted as at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Accounts receivable:

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

(j) Cash and cash equivalents:

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

(k) Accounts payable and provision:

Accounts payable are measured at amortised cost.

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

(l) Related parties:

A related party is a person or entity that is related to the company (reporting entity).

- a. A person or a close member of that person's family is related to a reporting entity, if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

34. Significant accounting policies (cont'd)

(l) Related parties (cont'd):

b. An entity is related to a reporting entity, if any of the following conditions applies:

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity (or of a parent of the entity).

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

(m) Employee benefits:

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

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

The ultimate parent (2018: a fellow subsidiary) company provides post-retirement pension benefits to employees who have satisfied certain minimum service requirements. These benefits are accounted for under a defined contribution pension plan and the obligations for contributions are recognised as an expense in the profit or loss as incurred.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

(n) Impairment:

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

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

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

An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Dividends:

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

(p) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include investments, reinsurance assets, securities purchased under resale agreements, insurance receivables, due from related entities, other accounts receivable, accrued investment income and cash and cash equivalents. Financial liabilities include bank overdraft, accounts payable, insurance payables, and amounts due to related entities.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

(p) Financial instruments (cont'd):

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

(q) Determination of fair value:

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its on-performance risk. Some financial instruments lack an available trading market. These instruments have been valued using present value or other generally accepted valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

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

(r) Foreign currencies:

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

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

(s) Leases

The company has applied IFRS 16 using the modified retrospective approach and, therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 33.

Policy applicable from January 1, 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

(s) Leases (cont'd)

Policy applicable from January 1, 2019 (cont'd)

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

(s) Leases (cont'd)

Policy applicable from January 1, 2019 (cont'd)

As a lessee (cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets in property plant and equipment and lease liabilities in the statement of financial position.

Policy applicable before January 1, 2019

For contracts entered into before January 1, 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

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

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

- IFRS 9 *Financial Instruments*, As an insurance company, the company has exercised the option to defer the effective date of the new standard to January 1, 2022, in line with IFRS 17 *Insurance Contracts*. The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting. The company's current analysis is that this will not have a material impact on the financial statements.
- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2021 (although the IASB proposed to defer the effective date until January 1, 2022), replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

The key principles in IFRS 17 are that an entity:

- Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
- Recognises and measures groups of insurance contracts at:
 - a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and
 - b) an amount representing the unearned profit in the group of contracts (the contractual service margin)

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2019

34. Significant accounting policies (cont'd)

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

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

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

- Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss-making, an entity recognizes the loss immediately.
 - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;
 - Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.
 - Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.
 - The company does not expect the amendment to have a significant impact on its financial statements.
- Amendments to IFRS 9 *Financial Instruments*, effective retrospectively for annual reporting periods beginning on or after January 1, 2019 clarifies the treatment of:
 - (i) Prepayment features with negative compensation:

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

- (ii) Modifications to financial liabilities:

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

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

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

34. Significant accounting policies (cont'd)

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

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

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

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

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

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

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

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

35. Pension Scheme

The ultimate parent (2018: a fellow subsidiary) company provides post-retirement pension benefits to employees who have satisfied certain minimum service requirements.

Employees contribute at a mandatory rate of 5%, but may make additional contributions not exceeding a further 10%. The company makes matching contributions at the rate of 5% to 10% of pensionable salaries, depending on the employees' years of pensionable service. Contributions to the plan for the year amounted to \$20,843,000 (2018: \$21,817,000).