JN GENERAL INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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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 76, which comprise the statement of financial position as at December 31, 2022, 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 International Code of Ethics for Professional Accountants including International Independence Standards (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.

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 Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN GENERAL INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on additional matters as required by the Jamaican Companies Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

March 31, 2023

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Financial Position
December 31, 2022

	Notes	December 31 2022 $'000	Restated* December 31 2021 $'000	Restated* January 1 2021 $'000
ASSETS				
Intangible asset	6	1,455	12,433	12,173
Property, plant and equipment	7	275,985	270,377	279,121
Investment property	8	302,834	241,358	268,174
Deferred taxation	9, 24(c)	434,949	232,146	153,441
Investments	10	5,562,542	4,663,630	4,762,542
Reinsurance assets	11(a)	1,671,854	1,537,100	1,300,377
Securities purchased under resale agreements	12	1,229,102	963,353	702,820
Insurance receivables and deferred expenses	13, 24(c)	1,125,202	1,020,981	1,053,040
Taxation recoverable		234,277	146,312	95,833
Due from related entities	24(c)	5,697	7,285	2,223
Other accounts receivable		94,217	54,129	98,766
Accrued investment income	24(c)	53,862	46,811	51,566
Cash and cash equivalents	24(c)	467,195	216,921	84,340
		11,459,171	9,412,836	8,864,416
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Bank overdraft	10(ii)	39,564	404	5,885
Accounts payable and accrued charges	14	177,692	138,201	91,842
Insurance payable and deferred income	15	754,953	599,052	670,386
Lease liabilities	16(b)	19,539	11,493	13,634
Insurance contract provisions	11(a)	6,756,459	5,509,066	4,650,786
Due to related entities	24(c)	10,943	16,508	17,712
Retirement benefits obligation	17	127,818	213,212	200,889
		7,886,968	6,487,936	5,651,134
Shareholders' equity:				
Share capital	18	1,222,900	72,900	72,900
Capital reserve	19	11,197	11,197	11,197
Investment revaluation reserve	20	(53,833)	75,090	142,670
Retained earnings		2,391,939	2,765,713	2,986,515
		3,572,203	2,924,900	3,213,282
		11,459,171	9,412,836	8,864,416

The financial statements on pages 4 to 76 were approved for issue by the Board of Directors on March 31, 2023 and signed on its behalf by:

Director — Dana Morris Dixon

Director — Hon. Earl Jarrett, OJ, CD, JP, CStJ

*See note 34

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022

	Notes	2022 $'000	Restated* 2021 $'000
Gross premiums written	11(c),24(d)	6,039,674	5,526,336
Change in gross provision for unearned premiums		(224,477)	(253,578)
Gross insurance premium revenue	11(c)	5,815,197	5,272,758
Written premiums ceded to reinsurers	11(c)	(3,451,942)	(3,091,182)
Reinsurers' share of change in provision for unearned premiums		139,168	165,731
Net insurance premium revenue		2,502,423	2,347,307
Claims expenses incurred	11(b)	(2,725,768)	(2,006,296)
Reinsurers' share of claims and benefits incurred	11(b)	104,249	189,318
Net insurance claims		(2,621,519)	(1,816,978)
Commission income	15	800,728	747,921
Commission expense	13	(396,395)	(363,861)
Net commission income		404,333	384,060
Net underwriting income before operating expenses		285,237	914,389
Operating expenses	21,24(d)	(1,488,421)	(1,465,015)
Underwriting loss before other income/(expense) and taxation		(1,203,184)	(550,626)
Investment income, net	22,24(d)	424,797	252,551
Reversal of impairment/impairment of investments	10(i)	2,386	(7,752)
Gain/(loss) on disposal of intangible asset and property, plant and equipment		15	(63)
Other income	24(d)	35,270	15,971
Foreign exchange gains		2,396	32,689
Increase in fair value of investment property	8	61,476	-
Loss before taxation		(676,844)	(257,230)
Taxation	23	237,845	82,899
Loss for the year		(438,999)	(174,331)
Other comprehensive (loss)/income:			
Items that will never be reclassified to profit or loss:			
Remeasurement of retirement benefits obligation	17(d)	105,127	12,583
Deferred tax on retirement benefits obligation	9	(35,042)	(4,194)
		70,085	8,389
Items that are or may be reclassified to profit or loss:			
Net change in fair value of available for sale assets		(85,912)	(1,492)
Released on disposal of investments		(43,011)	(66,088)
		(128,923)	(67,580)
Total other comprehensive loss for the year		(58,838)	(59,191)
Total comprehensive loss for the year		(497,837)	(233,522)

*See note 34
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, 2022

	Share capital (note 18) $'000	Capital reserve (note 19) $'000	Investment revaluation reserve (note 20) $'000	Retained earnings $'000	Total $'000
Balances at December 31, 2020 as previously reported	72,900	11,197	142,670	2,865,203	3,091,970
Prior year adjustments (note 34)	-	-	-	121,312	121,312
Balances at December 31, 2020 as restated	72,900	11,197	142,670	2,986,515	3,213,282
Comprehensive income:					
Loss for the year	-	-	-	(168,254)	(168,254)
Prior year adjustments (note 34)	-	-	-	(6,077)	(6,077)
Loss for the year, as restated	-	-	-	(174,331)	(174,331)
Other comprehensive income:					
Remeasurement of retirement benefits obligation [note 17(d)]	-	-	-	12,583	12,583
Deferred tax on retirement benefits obligation (note 9)	-	-	-	(4,194)	(4,194)
Net change in fair value of available for sale assets	-	-	(1,492)	-	(1,492)
Released on disposal of investments	-	-	(66,088)	-	(66,088)
Total comprehensive loss for the year	-	-	(67,580)	(165,942)	(233,522)
Transactions with owners recorded directly in equity:					
Dividends:					
Preference (20%)	-	-	-	(4,860)	(4,860)
Ordinary ($1.029 per share) [note 18]	-	-	-	(50,000)	(50,000)
Total dividends	-	-	-	(54,860)	(54,860)
Balances at December 31, 2021	72,900	11,197	75,090	2,765,713	2,924,900
Comprehensive income:					
Loss for the year	-	-	-	(438,999)	(438,999)
Other comprehensive income:					
Remeasurement of retirement benefits obligation [note 17(d)]	-	-	-	105,127	105,127
Deferred tax on retirement benefits obligation (note 9)	-	-	-	(35,042)	(35,042)
Net change in fair value of available for sale assets	-	-	(85,912)	-	(85,912)
Released on disposal of investments	-	-	(43,011)	-	(43,011)
Total comprehensive loss for the year	-	-	(128,923)	(368,914)	(497,837)
Transactions with owners recorded directly in equity:					
Dividends:					
Preference (20%), being total dividends	-	-	-	(4,860)	(4,860)
Shares issued (note 18)	1,150,000	-	-	-	1,150,000
Balances at December 31, 2022	1,222,900	11,197	(53,833)	2,391,939	3,572,203

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2022

	Notes	2022 $'000	Restated* 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(438,999)	(174,331)
Adjustments for:			
Amortisation of intangible asset	6	11,991	13,120
Depreciation of property, plant and equipment	7	32,004	29,807
Lease interest expense	16(c)	2,580	2,502
(Loss)/gain on disposal of property, plant and equipment		(15)	63
Gain on disposal of investments	22	(29,189)	(14,658)
Increase in fair value of investment property	8	(61,476)	-
Gain on disposal of investment property	22	-	(233)
Insurance contract provisions, net		1,112,639	621,557
Post-retirement benefit		19,733	24,906
Interest income	22	(376,371)	(224,622)
Impairment of investments	10(i)	(2,386)	7,752
Taxation	9,23(a)	(237,845)	(82,899)
		32,666	202,964
Changes in:			
Insurance receivables and deferred expenses		(104,221)	32,059
Due from related entities		1,588	(5,062)
Due to related entities		(5,565)	(1,204)
Other accounts receivable		(40,088)	44,637
Accounts payable and accrued charges		39,491	46,359
Insurance payables and deferred income		155,901	(71,334)
		79,772	248,419
Interest received		369,320	229,377
Income tax paid		(87,965)	(50,479)
Net cash provided by operating activities		361,127	427,317
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible asset	6	(1,013)	(13,380)
Additions to property, plant and equipment	7	(17,991)	(13,603)
Additions to investment property	8	-	(1,180)
Additions to investments, net		(1,262,009)	(222,295)
Proceeds on disposal of investment property		-	28,229
Proceeds on disposal of property, plant and equipment		126	23
Net cash used by investing activities		(1,280,887)	(222,206)
Net cash (used) /provided by operating and investing activities c/f		(919,760)	205,111

*See note 34

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

JN GENERAL INSURANCE COMPANY LIMITED

Statement of Cash Flows (Continued)
Year ended December 31, 2022

	Notes	2022 $'000	Restated* 2021 $'000
Net cash (used)/provided by operating and investing activities b/f		(919,760)	205,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued	18	1,150,000	-
Lease liabilities, net	16(d)	(14,266)	(12,189)
Ordinary dividends paid	18	-	(50,000)
Preference dividends paid		(4,860)	(4,860)
Net cash provided/(used) by financing activities		1,130,874	(67,049)
Net increase in cash and cash equivalents		211,114	138,062
Cash and cash equivalents at beginning of year		216,517	78,455
Cash and cash equivalents at end of year		427,631	216,517
Comprised of:			
Cash and cash equivalents		467,195	216,921
Bank overdraft	10(ii)	(39,564)	(404)
		427,631	216,517

*See note 34

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

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 99.64% [note 18 (2021: 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") and regulated by the Financial Services Commission.

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 done in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuary's report outlines the scope of his work and opinion. An actuarial valuation is prepared annually.

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 Standards) as issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to the financial statements. The adoption of these standards had no effect on the results and disclosures of the company

Details of the company's accounting policies during the year are included in note 32.

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; and
- Investment property is measured at fair value.

The preparation of the financial statements in conformity with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the company, and rounded to the nearest thousand dollars unless otherwise stated.

(d) Use of estimates, assumptions and judgements:

The preparation of the financial statements to conform with IFRS Standards requires management to make estimates, assumptions and judgements 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.

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 Standards that have a significant effect on the financial statements and estimates, with a significant risk of material adjustment to these financial statements in the next financial year, are presented below:

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 obligations. 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.

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 presented in notes 32(d) and 32(p).

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 [note 28(ii)]. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

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

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

(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.

5. Accounting estimates and judgements (cont'd)

(b) Critical accounting judgements in applying accounting policies (cont'd):

(ii) Impairment of investment in equity securities:

Investments in equity securities are evaluated for impairment on the basis described in the company's accounting policy on impairment [note 32(m)].

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.

6. Intangible asset

	Customer Relationships $'000	Computer Software $'000	Total $'000
Cost:			
December 31, 2020	12,434	291,518	303,952
Additions	13,380	-	13,380
December 31, 2021	25,814	291,518	317,332
Additions	287	726	1,013
December 31, 2022	26,101	292,244	318,345
Amortisation:			
December 31, 2020	4,145	287,634	291,779
Charge for the year	10,399	2,721	13,120
December 31, 2021	14,544	290,355	304,899
Charge for the year	10,930	1,061	11,991
December 31, 2022	25,474	291,416	316,890
Carrying amounts:			
December 31, 2022	627	828	1,455
December 31, 2021	11,270	1,163	12,433

7. Property, plant and equipment

	Land and buildings $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
December 31, 2020	375,022	416,357	36,590	827,969
Additions	4,326	9,277	-	13,603
Adjustment of right-of-use assets [note 16a]	7,546	-	-	7,546
Disposals	-	(132)	-	(132)
December 31, 2021	386,894	425,502	36,590	848,986
Additions	4,824	13,167	-	17,991
Adjustment of right-of-use assets [note 16a]	19,733	-	-	19,733
Disposals	-	(765)	-	(765)
December 31, 2022	411,451	437,904	36,590	885,945
Depreciation:				
December 31, 2020	129,050	396,969	22,829	548,848
Charge for the year	15,699	10,020	4,088	29,807
Eliminated on disposals	-	(46)	-	(46)
December 31, 2021	144,749	406,943	26,917	578,609
Charge for the year	19,107	8,880	4,017	32,004
Eliminated on disposals	-	(653)	-	(653)
December 31, 2022	163,856	415,170	30,934	609,960
Carrying amounts:				
December 31, 2022	247,595	22,734	5,656	275,985
December 31, 2021	242,145	18,559	9,673	270,377

Included in land and buildings is the cost of land at $18,466,000 (2021: $18,466,000).

8. Investment property (restated)

(a) Reconciliation of carrying amount

	Total $'000
Balance at January 1, 2020, as previously reported	133,335
Effect of change in accounting policy [note 34(a)]	134,839
Balance at January 1, 2020, as restated*	268,174
Addition	1,180
Disposal	(27,996)
Balance at December 31, 2021, as restated*	241,358
Change in fair value	61,476
Balance at December 31, 2022	302,834

*See note 34(a)

8. Investment property (restated) (cont'd)

(a) Reconciliation of carrying amount (continued)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of five years. Subsequent renewals are negotiated with the lessee and historically the average renewal period is four years. Further information about these leases is included in note 16.

Changes in fair values are recognised as gains in profit or loss. All gains are unrealised.

(b) Amounts recognised in profit or loss

The property rental income earned by the company from some of its investment property which are leased under operating leases amounted to $17.77 million (2021: $14.08 million). Direct operating expenses, arising from the investment property that generated rental income during the year amounted to $5.13 million (2021: $6.73 million).

(c) Measurement of fair values

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the company's investment property portfolio every three years and estimated changes in fair value methods in the intervening periods.

The fair value measurement for all of the investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key inputs and fair value measurement**
Income approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.	• Expected market rental growth yields • Rental rates	The estimated fair value would increase/(decrease) if: (a) Expected market rental growth were higher/(lower); (b) The occupancy rates were higher/(lower);

8. Investment property (restated) (cont'd)

(c) Measurement of fair value (cont'd):

Fair value hierarchy (cont'd)

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

9. Deferred taxation (restated)

Deferred taxation assets are attributable to the following:

	Assets	
		Restated*
	2022	2021
	$'000	$'000
Intangible asset	26,431	28,484
Property, plant and equipment	25,714	26,907
Accrued investment income	(17,926)	(14,638)
Other accounts payable	6,347	5,434
Investment property	(11,738)	(8,856)
Foreign exchange gain	1,295	307
Tax losses	362,022	122,951
Leases, net	198	486
Retirement benefits obligation	42,606	71,071
Net deferred tax assets	434,949	232,146

*See note 34

9. Deferred taxation (restated) (cont'd)

Movement in temporary differences during the year is as follows:

	2020 $'000	Recognised in income $'000 (note 23)	Recognised in other comprehensive income $'000	Restated* 2021 $'000	Recognised in income $'000 (note 23)	Recognised in other comprehensive income $'000	2022 $'000
Intangible asset	32,301	(3,817)	-	28,484	(2,053)	-	26,431
Property, plant and equipment	31,809	(4,902)	-	26,907	(1,193)	-	25,714
Accrued investment income	(16,867)	2,229	-	(14,638)	(3,288)	-	(17,926)
Other accounts payable	5,705	(271)	-	5,434	913	-	6,347
Investment property	(14,562)	5,706	-	(8,856)	(2,882)	-	(11,738)
Foreign exchange (loss)/gain	(11,019)	11,326	-	307	988	-	1,295
Tax losses	58,053	64,898	-	122,951	239,071	-	362,022
Leases, net	1,058	(572)	-	486	(288)	-	198
Retirement benefits obligation	66,963	8,302	(4,194)	71,071	6,577	(35,042)	42,606
	153,441	82,899	(4,194)	232,146	237,845	(35,042)	434,949

10. Investments

	2022 $'000	2021 $'000
Available-for-sale securities:		
Quoted equities	225,235	261,401
Unit trust	-	40,697
Government of Jamaica Securities:		
J$ local bonds	1,785,847	1,977,511
US$ global bonds	-	242,058
Treasury bills	104,422	192,474
Bank of Jamaica certificates of deposit	2,844,601	1,105,453
United States Treasury Securities	19,504	-
Government of Barbados bond	-	58,064
Other bonds, unsecured	180,809	646,188
Certificates of deposit	402,124	139,784
	5,562,542	4,663,630

(i) Investments are stated after provision (reducing)/deducting provision for impairment of $2,386,000 (2021: $7,752,000).

(ii) Investments totalling $45,000,000 (2021: $45,000,000) are held to the order of the Financial Services Commission as required by the Insurance Act 2001 and $8,000,000 (2021: $8,000,000) to the order of National Commercial Bank Jamaica Limited as guarantee for the bank overdraft facility. The overdraft was $39,564,000 (2021: $404,000) at the reporting date.

*See note 34

10. Investments (cont'd)

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

	2022 $'000	2021 $'000
No specific maturity	225,235	302,098
Within 3 months	3,316,798	1,327,129
Over 3 months to 1 year	1,229,798	539,479
Over 1 year to 5 years	513,844	1,851,665
Over 5 years	276,867	643,259
	5,562,542	4,663,630

(iv) The following tables present the fair value and the amount of difference between fair value and carrying value of the company's financial assets as at and for the year ended December 31, 2022 and 2021, 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"):

	2022				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Difference in value	Fair value	Difference in value
	$'000	$'000	$'000	$'000	$'000
Securities purchased under resale agreements (note 12)	1,229,102	1,395,635	166,533	-	-
Other investments	3,370,651	3,370,651	-	-	-
Bonds and debentures	1,966,656	1,966,656	-	-	-
Quoted equities	225,235	-	-	225,235	-
	6,791,644	6,732,942	166,533	225,235	-

	2021				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Difference in value	Fair value	Difference in value
	$'000	$'000	$'000	$'000	$'000
Securities purchased under resale agreements (note 12)	963,353	1,011,371	48,018	-	-
Other investments	1,437,711	1,437,711	-	-	-
Bonds and debentures	2,923,821	2,923,821	-	-	-
Quoted equities	261,401	-	-	261,401	-
Unit Trust	40,697	-	-	40,697	-
	5,626,983	5,372,903	48,018	302,098	-

10. Investments (cont'd)

Credit risk:

(v) The following tables present the credit risk ratings of SPPI financial assets as at December 31, 2022 and 2021:

	2022		
Credit rating	Carrying value amount	Fair value	% of fair value
	$'000	$'000	
Bonds and debentures and other investments:			
B2	5,337,307	5,337,307	100
Securities purchased under resale agreement:			
B2	1,229,102	1,395,635	100

	2021		
Credit rating	Carrying value amount	Fair value	% of fair value
	$'000	$'000	
Bonds and debentures and other investments:			
B2	4,303,468	4,303,468	99
Not rated	58,064	58,064	1
	4,361,532	4,361,532	100
Securities purchased under resale agreement:			
B2	963,353	1,011,371	100

11. Reinsurance assets and insurance contract provisions

(a) Analysis of movements in insurance contract provisions:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims outstanding	3,896,107	216,646	3,679,461	2,873,191	221,060	2,652,131
Unearned premiums	2,860,352	1,455,208	1,405,144	2,635,875	1,316,040	1,319,835
	6,756,459	1,671,854	5,084,605	5,509,066	1,537,100	3,971,966

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

(b) Claims outstanding:

	2022			2021		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims notified	1,235,941	100,396	1,135,545	1,100,211	108,308	991,903
Claims incurred but not reported	1,637,250	120,664	1,516,586	1,168,278	41,760	1,126,518
Balances at January 1	2,873,191	221,060	2,652,131	2,268,489	150,068	2,118,421
Claims incurred	2,725,768	104,249	2,621,519	2,006,296	189,318	1,816,978
Claims paid in year	(1,702,852)	(108,663)	(1,594,189)	(1,401,594)	(118,326)	(1,283,268)
Change in outstanding claims provision	1,022,916	(4,414)	1,027,330	604,702	70,992	533,710
Balances at December 31	3,896,107	216,646	3,679,461	2,873,191	221,060	2,652,131
Claims notified	2,288,752	132,154	2,156,598	1,235,941	100,396	1,135,545
Claims incurred but not reported	1,607,355	84,492	1,522,863	1,637,250	120,664	1,516,586
Balances at December 31	3,896,107	216,646	3,679,461	2,873,191	221,060	2,652,131

Outstanding claims include gross claims payable of $43,420,000 (2021: $58,908,000) under policies issued to related parties.

(c) Unearned premiums:

	2022			2021		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balances at January 1	2,635,875	1,316,040	1,319,835	2,382,297	1,150,309	1,231,988
Premiums written during the year	6,039,674	3,451,942	2,587,732	5,526,336	3,091,182	2,435,154
Premiums earned during the year	(5,815,197)	(3,312,774)	(2,502,423)	(5,272,758)	(2,925,451)	(2,347,307)
Balances at December 31	2,860,352	1,455,208	1,405,144	2,635,875	1,316,040	1,319,835

(d) Gross unearned premiums are analysed as follows:

	2022 $'000	2021 $'000
Liability	246,048	225,080
Motor	1,137,679	1,075,096
Pecuniary loss	4,465	4,303
Personal accident	14,011	13,986
Marine	9,322	7,965
Property	1,352,724	1,228,455
Engineering	96,103	80,990
	2,860,352	2,635,875

12. Securities purchased under resale agreements

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

	2022 $'000	2021 $'000
Within 3 months	1,229,102	963,353

The fair value of securities held as collateral for securities purchased under resale agreements as at December 31, 2022 was $1,395,635,000 (2021: $1,011,371,000) (note 10).

13. Insurance receivables and deferred expenses

	2022 $'000	2021 $'000
Premiums receivable	1,037,467	891,983
Due from other insurance companies	35,026	39,151
	1,072,493	931,134
Less: Allowance for impairment	(128,896)	(71,746)
	943,597	859,388
Deferred commission expense	181,605	161,593
	1,125,202	1,020,981

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

	2022 $'000	2021 $'000
Balance at January 1	71,746	35,651
Bad debt expensed during year (note 21)	70,101	39,593
Amount written-off during year	(12,951)	(3,498)
Balance at December 31	128,896	71,746

Information relating to credit risk management and aging 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:

	2022 $'000	2021 $'000
Balance at January 1	161,593	155,300
Commission paid	416,407	370,154
Commission expense	(396,395)	(363,861)
Balance at December 31	181,605	161,593

14. Accounts payable and accrued charges

	2022 $'000	2021 $'000
Accruals	118,569	90,245
General Consumption Tax (GCT) and withholding tax payable	35,902	25,042
Statutory deductions	23,221	22,914
	177,692	138,201

Included in accruals is $19,452,000 (2021: $7,785,000) for The Jamaica National Group Limited.

15. Insurance payable and deferred income

	2022 $'000	2021 $'000
Due to reinsurers	314,989	221,547
Due to policyholders, brokers and agents	133,650	107,683
Deferred commission income	306,314	269,822
	754,953	599,052

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

	2022 $'000	2021 $'000
Balance at January 1	269,822	252,947
Commission received	837,220	764,796
Commission earned	(800,728)	(747,921)
Balance at December 31	306,314	269,822

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.

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

(a) Right-of-use assets:

	Land and buildings	
	2022 $'000	2021 $'000
Balance at January 1	10,036	10,460
Adjustment (note 7)	19,733	7,546
Depreciation charge for year	(10,824)	(7,970)
Balance at December 31	18,945	10,036

The company presents right-of-use assets in property, plant and equipment in accordance with its accounting policy [note 32(r)].

16. Leases (cont'd)

(b) Lease liabilities:

Maturity analysis – contractual undiscounted cash flows:

	2022 $'000	2021 $'000
Less than 1 year	10,099	9,522
Over 1 to 5 years	13,845	3,479
Total undiscounted lease liabilities	23,944	13,001

Lease liabilities included in the statement of financial position:

	2022 $'000	2021 $'000
Current	7,693	8,336
Non-current	11,846	3,157
	19,539	11,493

Included in the above are leases with related parties amounting to $15,472,000 (2021: $3,049,000).

(c) Amounts recognised in profit or loss:

	2022 $'000	2021 $'000
Interest on lease liabilities	2,580	2,502

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

	2022 $'000	2021 $'000
Total cash outflow for leases	14,266	12,189

(e) Leases as lessor:

The company leases out its investment property consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets. Note 8 sets out information about the company's investment property.

JN GENERAL INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

16. Leases (cont'd)

(e) Leases as lessor (cont'd):

The following table sets out a maturity analysis of the lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2022 $'000	2021 $'000
Less than 1 year	11,317	9,347

17. Retirement benefits obligation

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

	2022 $'000	2021 $'000
Post-retirement health benefits obligation	125,503	209,098
Supplementary pension benefit [note 17 (g)]	2,315	4,114
	127,818	213,212

Post-retirement health benefits obligation:

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

	2022 $'000	2021 $'000
Present value of unfunded obligations	125,503	209,098

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

	2022 $'000	2021 $'000
Balance at January 1	209,098	196,793
Contributions paid	(2,753)	(2,408)
Expense recognised in profit or loss	24,285	27,296
Re-measurement gain on obligation	(105,127)	(12,583)
Balance at December 31	125,503	209,098

17. Retirement benefits obligation (cont'd)

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

(c) Expenses recognised in profit or loss:

	2022 $'000	2021 $'000
Current service costs	7,488	8,893
Interest on obligation	16,797	18,403
	24,285	27,296

(d) Included in other comprehensive income:

	2022 $'000	2021 $'000
Re-measurement gain on obligation arising from:		
Changes in financial assumptions	(147,058)	-
Prior year adjustment for changes in normal retirement age	(5,251)	-
Experience adjustments	47,182	(12,583)
	(105,127)	(12,583)

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

	2022 %	2021 %
Discount rate	13.0	8.0
Future increases in medical premium	7.5	7.0

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

(f) Sensitivity of projected benefit obligation to changes in assumed rates:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summaries 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 1 percentage point.

	One percentage point increase $ $'000	One percentage point decrease $ $'000
Discount rate	(16,983)	21,412
Future medical cost	21,412	(16,983)

In preparing the analysis for each assumption, all other factors were held constant. The economic assumptions are somewhat linked as they are all related to inflation. For example, a 0.5% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

17. Retirement benefits obligation (cont'd)

(g) Supplementary pension benefit:

The company provides supplementary pension for 2 pensioners (2021: 3). The defined benefit obligation in respect of these pensioners was $2,315,000 at December 31, 2022 (2021: $4,114,000).

18. Share capital

	2022 $'000	2021 $'000
Authorised:		
275,000,000 (2021: 75,000,000) ordinary shares of no par value		
25,000,000 - 20% cumulative preference shares of no par value		
Issued and fully paid:		
68,665,122 (2021: 48,600,000) ordinary shares		
In issue at 1 January	48,600	48,600
Shares issued (see below)	1,150,000	-
	1,198,600	48,600
24,300,000 (2021:24,300,000)- 20% cumulative preference shares	24,300	24,300
	1,222,900	72,900

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

During the year, the company increased its authorised capital to 275,000,000 ordinary shares of no par value and issued 20,065,122 ordinary shares for $1,150,000,000 to JN Financial Group Limited. The minority shareholders declined the offer to subscribe to the new issue (note 1).

During the year, the company declared and paid interim dividends totalling $Nil (2021: $50,000,000) on ordinary shares to shareholders on record as at the date of declaration of the dividends.

19. Capital reserve

	2022 $'000	2021 $'000
Realised:		
Gains on disposal of investments and property, plant and equipment	5,749	5,749
Capital dividends received	5,448	5,448
	11,197	11,197

20. Investment revaluation reserve

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

21. Operating expenses

		2022 $’000	2021 $’000
Administration		506,035	560,620
Employee costs (note 31)		726,979	675,456
Directors' emoluments	- non-executive	9,188	8,302
	- executive	6,677	24,269
Advertising and promotions		41,622	50,999
Auditors’ remuneration	- prior year	-	1,729
	- current year	15,344	14,613
Bad debts (note 13)		70,101	39,593
Depreciation and amortisation		43,995	42,927
Legal and professional fees		68,480	46,507
		1,488,421	1,465,015

22. Investment income

	2022 $’000	2021 $’000
Interest income - available-for-sale financial assets	376,371	224,622
Dividend income - available-for-sale financial assets	6,599	5,691
Rental income, net [note 8(b)]	12,638	7,347
	395,608	237,660
Net gain on disposal:		
Available-for-sale financial assets	29,189	14,658
Investment property	-	233
	424,797	252,551

23. Taxation

(a) The charge for taxation is income tax computed at 33⅓ % of profit for the year as adjusted for tax purposes, and comprises the following:

	2022 $’000	2021 $’000
(i) Current income tax	-	-
(ii) Deferred income tax (note 9):		
Tax benefit of unused tax losses	(239,071)	(64,898)
Origination and reversal of temporary differences	1,226	(18,001)
	(237,845)	(82,899)

23. Taxation (cont'd)

(b) Reconciliation of actual tax expense:

The effective tax rate was a credit of 35.14% (2021: credit of 32.23%*) compared to a statutory tax rate of 33 1/3%. The actual credit differed from the "expected" tax credit for the year as follows:

	2022 $'000	Restated* 2021 $'000
Loss before taxation	(676,844)	(257,230)
Computed "expected" tax credit at 33⅓%	(225,615)	(85,743)
Tax effect of difference between profit for financial statement and tax reporting purposes on:		
Depreciation, amortisation and capital allowances	6,466	5,650
Disallowed items	4,327	5,569
Other	2,021	3,937
Tax exempt income	(3,654)	(1,139)
Tax losses	(1,210)	(9,597)
Investment Property revaluation	(20,733)	-
Capital gains – not taxed	553	(1,576)
Actual tax credit	(237,845)	(82,899)

(c) As at December 31, 2022, subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses available for offset against future taxable profits was $1,086,066,000 (2021: $368,852,000). Effective January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of the taxable profits for the year.

24. Related entities

(a) Definition of related party:

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

A. A person or a close member of that person's family is related to the company, if that person:

   i. has control or joint control over the company;

   ii. has significant influence over the company; or

   iii. is a member of the key management personnel of the company or of a parent of the company.

B. An entity is related to the company, if any of the following conditions apply:

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

*See note 34

24. Related entities (cont'd)

(a) Definition of related party (cont'd)

B. An entity is related to the company if any of the following conditions apply (cont'd):

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 company or an entity related to the company.

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 company (or to the parent of the company).

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

(b) Identity of related parties

The company has a related party relationship with its ultimate parent, parent, fellow subsidiaries, directors, companies controlled by directors, associated companies of the group, key management personnel and JN Foundation.

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

	2022 $'000	2021 $'000
(i) JN Bank Limited:		
Cash and cash equivalents	426,409	107,476
Certificates of deposit	402,124	139,786
Accrued investment income	1,265	883
Premium receivable	56,485	49,645
Due from related entities	5,696	5,331

24. Related entities (cont'd)

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

	2022 $'000	2021 $'000
(ii) The Jamaica Automobile Association (Services) Limited:		
Due to related entity	(5,739)	(3,214)
(iii) The Creative Unit Limited:		
Due to related entity	(2,867)	(3,406)
(iv) The Jamaica National Group Limited:		
Due to related entity	(427)	(9,757)
(v) MCS Limited:		
Due to related entity	(205)	(131)
(vi) JN Money Services Limited:		
Due from related entity	1	1,276
(vii) JN Life Insurance Company Limited:		
Due to related entity	(791)	-
(viii) JN Small Business Loans Limited:		
Due to related entity	-	678
(ix) Total Credit Services Limited:		
Due to related entity	(914)	-

(d) The statement of profit or loss includes the following income earned from, and expenses incurred in, transactions with related entities, arising in the ordinary course of business:

			2022 $'000	2021 $'000
Income:				
Management fee	-	related entity	600	600
Rental income	-	related entity	9,890	2,473
Interest income	-	fellow subsidiary	22,375	5,709
Gross written premiums	-	fellow subsidiaries	144,747	151,505
	-	The JN Group Pension Fund	1,563	1,598
	-	parent company	1,747	1,732
	-	ultimate parent company	18,082	15,849
Expenses:				
IT services	-	ultimate parent company	158,555	153,876
Life insurance premium	-	fellow subsidiary	8,345	8,724
Management fees	-	parent company	27,374	22,666
	-	fellow subsidiary	2,604	2,604
	-	ultimate parent company	25,624	102,602

24. Related entities (cont'd)

(d) The statement of profit or loss includes the following income earned from, and expenses incurred in, transactions with related entities, arising in the ordinary course of business (cont'd):

Expenses (cont'd):

		2022	2021
		$'000	$'000
Investment management fees	- fellow subsidiary	5,000	5,000
Advertising	- fellow subsidiary	21,804	34,236
Rental expense	- fellow subsidiary	7,917	8,191
Client assistance and fleet management services	- related entity	45,183	37,916
Repairs and maintenance	- related entities	2,570	1,346

(e) Transactions with key management personnel (director and senior executives):

	2022	2021
	$'000	$'000
Short-term employment benefits:		
Salaries, included in employee costs (note 31)	40,224	57,549
Gross written premiums	6,004	4,956
Claims incurred and commission expenses	7,185	4,416

25. Reinsurance limits

The company has property catastrophe reinsurance up to a maximum of $71.24 billion (2021: $66.63 billion) of which the Property and Condominium Strata Quota Share is $57.70 billion (2021: $54.18 billion), Engineering Quota Share and surplus $6.89 billion (2021: $6.25 billion) and Catastrophe Excess of Loss $6.64 billion (2021: $6.20 billion) per event under which it is liable for the first $150 million (2021: $250 million) of losses in accordance with the terms of the treaty. Motor catastrophe reinsurance cover is US$17.50 million (2021: US$17.50 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 (2021: US$900,000) for property claims, US$90,000 (2021: US$60,000) on contractors all risks and other engineering exposures, $27.50 million on performance, tender and mobilisation bonds (2021: $25 million), $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, 2022 and 2021.

26. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

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

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

The principal types of policies written by the company are:

- Liability insurance
- Property insurance
- Motor insurance

(a) Underwriting policy:

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

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

The company seeks to underwrite a balanced portfolio of risks at rates and on 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 presented in more detail in note 29(b).

26. Insurance risk management (cont'd)

(c) Terms and conditions of general insurance contracts:

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. 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.

26. Insurance risk management (cont'd)

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
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. In general, these claims involve higher estimation uncertainty.

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.

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.

	Liability $'000	Property $'000	Motor $'000	Other $'000	Total $'000
At December 31, 2022					
Gross	485,192	154,412	3,219,783	36,720	3,896,107
Net of reinsurance	463,826	28,116	3,170,695	16,824	3,679,461
At December 31, 2021					
Gross	327,772	126,688	2,396,113	22,617	2,873,191
Net of reinsurance	255,928	23,210	2,361,464	11,529	2,652,131

(e) Claims development:

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

Analysis of net claims development:

	Accident year						
-	2017 and prior $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
Estimate of cumulative claims at end of accident year	1,842,471	1,102,581	1,144,693	1,285,627	1,380,239	1,994,326	-
- one year later	1,803,701	1,080,901	1,227,747	1,326,686	1,576,524	-	-
- two years later	1,932,070	1,198,953	1,350,194	1,371,224	-	-	-
- three years later	2,214,631	1,272,910	1,457,550	-	-	-	-
- four years later	2,413,839	1,339,126	-	-	-	-	-
- five years later	2,625,171	-	-	-	-	-	-
Estimate of cumulative claims	2,625,171	1,339,126	1,457,550	1,371,224	1,576,524	1,994,326	10,363,921
Cumulative payments	(1,963,093)	(1,088,123)	(1,107,777)	(930,679)	(962,167)	(632,621)	(6,684,460)
Net outstanding liabilities	662,078	251,003	349,773	440,545	614,357	1,361,705	3,679,461

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.

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

Financial instruments	Method and assumptions
Government of Jamaica securities and J$ corporate bonds.	Determined at the reporting date using prices published by a broker. Where prices are not available, fair value is assumed to approximate amortised cost.
Government of Jamaica US$ Global bonds and US$ 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.
Quoted equities	Bid prices published by the Jamaica Stock Exchange.
Unitised funds	Unit prices provided by the fund manager.

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

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

The table below sets out the fair values of financial instruments using the valuation methods and assumptions described above.

	2022		2021	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial assets:				
Securities purchased under resale agreements	1,229,102	1,395,635	963,353	1,011,371
Investments	5,562,542	5,562,542	4,663,630	4,663,630
Insurance receivables	943,597	943,597	859,388	859,388
Accrued investment income	53,862	53,862	46,811	46,811
Due from related entities	5,697	5,697	7,285	7,285
Reinsurance assets	216,646	216,646	221,060	221,060
Cash and cash equivalents	467,195	467,195	216,921	216,921
	8,478,641	8,645,174	6,978,448	7,026,466
Financial liabilities:				
Bank overdraft	39,564	39,564	404	404
Accounts payable and accrued charges	177,692	177,692	138,201	138,201
Insurance payables	448,639	448,639	329,230	329,230
Insurance contract provision	3,896,107	3,896,107	2,873,191	2,873,191
Due to related entities	10,943	10,943	16,508	16,508
	4,572,945	4,572,945	3,357,534	3,357,534

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

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs into 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 level in the hierarchy requires the use of observable market data when available.

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

(ii) Determination of fair value and fair 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.

	2022			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Investments	225,235	5,337,307	-	5,562,542

	2021			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Investments	302,098	4,361,532	-	4,663,630

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

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.

Certain risk management activities are arranged and directed on a group-wide basis (note 1) and overseen or performed at that level. References in this note to 'Group' activities or entities - such as 'Group Audit Committee' or 'Group Risk and Compliance Unit'- should be understood accordingly.

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.

29. Financial risk management (cont'd)

(a) Overview (cont'd)

The company's risk management policies are established to identify, assess and measure the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The focus of financial risk management for the company is to ensure 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 Group 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. With the exception of Government of Jamaica securities, there is no significant concentration of credit risk related to liquid funds and debt securities.

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
(vi) amounts due from related entities

Cash and cash equivalents:

Cash and cash equivalents are managed in line with the company's policy. Excess funds are invested (for short periods of time), based on the company's cash flow requirements. These are held with reputable financial institutions and collateral is not required for such accounts as management regards these institutions as strong.

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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 subsequent Amendments thereto, 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.

The nature of the company's exposures to credit risk and its objectives, policies and processes for measuring and 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 debt securities issued by financial institutions that 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.

All related party transactions are pre-authorised and approved by the Conduct Review Committee and by the Board during the budgeting process and subsequently by management in the ordinary course of business.

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Management of credit risk (cont'd)

	AA $'000	A $'000	B $'000	Not rated $'000	Total $'000
December 31, 2022					
Financial assets					
Carrying amount	-	-	6,566,409	-	6,566,409
Reinsurance assets (excluding unearned premium reserve):					
Carrying amount	-	216,646	-	-	216,646
Insurance and other receivables (excluding prepayments)					
Impaired				128,896	128,896
Neither past due nor Impaired				373,334	373,334
Past due but not impaired	-	-	-	585,742	585,742
Carrying amount	-	-	-	1,087,972	1,087,972
Cash and cash equivalents:					
Carrying amount	-	-	-	467,195	467,195
	-	216,646	6,566,409	1,555,167	8,338,222

	AA $'000	A $'000	B $'000	Not rated $'000	Total $'000
December 31, 2021					
Financial assets					
Carrying amount	-	-	5,266,821	58,064	5,324,885
Reinsurance assets (excluding unearned premium reserve):					
Carrying amount	-	221,060	-	-	221,060
Insurance and other receivables (excluding prepayments)					
Impaired	-	-	-	71,746	71,746
Neither past due nor Impaired	-	-	-	301,121	301,121
Past due but not impaired	-	-	-	597,664	597,664
Carrying amount	-	-	-	970,531	970,531
Cash and cash equivalents:					
Carrying amount	-	-	-	216,921	216,921
	-	221,060	5,266,821	1,245,516	6,733,397

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

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Management of credit risk (cont'd)

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

Concentrations of credit risk:

The specific concentration of risk from one counterparty or group of connected counterparties from whom amounts of $25 million or more are due is as follows:

	2022 $'000	2021 $'000
Allied Insurance Brokers Limited	44,123	39,296
BCMG Insurance Brokers	247,371	168,899
Gallagher Insurance Brokers Jamaica Limited	113,840	59,023
Desmond Mair Insurance Brokers Limited	63,687	64,799
Fraser Fontaine & Kong Insurance Brokers	43,552	29,921
Jamaica Citadel Insurance Brokers	44,297	34,316
MGI Brokers Limited	-	30,595
Nationwide Insurance Agents & Consultants	74,291	53,888
Thwaites Finson Sharp Insurance Brokers	35,805	37,919
JMMB Insurance Brokers	39,443	28,948
	706,409	547,604

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.

	2022				
	Less than 45 days $'000	46-60 days $'000	Over 60 days $'000	Not aged $'000	Total $'000
Receivable arising from insurance and reinsurance contracts:					
- contract holders	87,555	12,822	77,866	-	178,243
- agents, brokers and intermediaries	260,515	50,063	548,646	35,026	894,250
	348,070	62,885	626,512	35,026	1,072,493
Allowance for impairment	-	-	(103,655)	(25,241)	(128,896)
	348,070	62,885	522,857	9,785	943,597

29. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Concentrations of credit risk (cont'd):

	2021				
	Less than 45 days $'000	46-60 days $'000	Over 60 days $'000	Not aged $'000	Total $'000
Receivable arising from insurance and reinsurance contracts:					
- contract holders	67,019	13,839	77,143	-	158,001
- agents, brokers and intermediaries	165,328	44,739	523,915	39,151	773,133
	232,347	58,578	601,058	39,151	931,134
Allowance for impairment	-	-	(61,972)	(9,774)	(71,746)
	232,347	58,578	539,086	29,377	859,388

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:

	2022		2021	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Insurance and other receivables	128,896	-	71,746	-

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

29. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

ii. *Asset/Market Liquidity Risk* - the risk that the company will not be able 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 objective in 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. The actual ratio at the reporting date was 113% (2021: 103%). 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.

	2022						
	Contractual undiscounted cash flows						
	Carrying Amount $'000	Total cash outflow $'000	Less than 3 months $'000	Over 3-12 months $'000	Over 1-2 years $'000	Over 2 -5 years $'000	Over 5 years $'000
Financial liabilities							
- Bank overdraft	39,564	39,564	39,564	-	-	-	-
- Accounts payable and accrued charges	177,692	177,692	177,692	-	-	-	-
- Insurance payables	448,639	448,639	448,639				
- Lease liabilities	19,539	23,943	2,450	7,649	9,745	4,099	-
- Due to related parties	10,943	10,943	10,943	-	-	-	-
Total financial liabilities	696,377	700,781	679,288	7,649	9,745	4,099	-
Insurance contract liabilities:							
-Claims outstanding	3,896,107	3,896,107	350,650	1,129,871	623,377	818,182	974,027
	4,592,484	4,596,888	1,029,938	1,137,520	633,122	822,281	974,027

29. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

	2021						
		Contractual undiscounted cash flows					
	Carrying Amount $'000	Total cash outflow $'000	Less than 3 months $'000	Over 3-12 months $'000	Over 1-2 years $'000	Over 2 -5 years $'000	Over 5 years $'000
Financial liabilities							
- Bank overdraft	404	404	404	-	-	-	-
- Accounts payable and accrued charges	138,201	138,201	138,201	-	-	-	-
- Insurance payables	329,230	329,230	329,230	-	-	-	-
- Lease liabilities	11,493	13,001	3,378	6,144	1,958	1,521	-
- Due to related parties	16,508	16,508	16,508	-	-	-	-
Total financial liabilities	495,836	497,344	487,721	6,144	1,958	1,521	-
Insurance contract liabilities:							
- Claims outstanding	2,873,191	2,873,191	59,716	987,159	893,969	488,974	443,373
	3,369,027	3,370,535	547,437	993,303	895,927	490,495	443,373

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

(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 market risk have not changed significantly from the prior period.

Management of market risk:

The Investment and Loans Committee manages market risks in accordance with the company's 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.

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 arises 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 primarily comprise of 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 and maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

	2022						
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Financial assets							
Investments	-	3,316,798	1,229,798	790,711	225,235	5,562,542	7.80
Securities purchased under resale agreements	-	1,229,102	-	-	-	1,229,102	6.26
Insurance and other receivables	-	-	-	-	987,035	987,035	-
Due from related parties	-	-	-	-	5,697	5,697	-
Cash and cash equivalents	467,195	-	-	-	-	467,195	0.20
Total financial assets	467,195	4,545,900	1,229,798	790,711	1,217,967	8,251,571	
Financial liabilities							
Bank overdraft	39,564	-	-	-	-	39,564	7.00
Insurance payables, accounts payable and accrued charges	-	-	-	-	506,922	506,922	
Due to related entities	-	-	-	-	10,943	10,943	
Total financial liabilities	39,564	-	-	-	517,865	557,429	
On-statement of financial position gap, being total interest rate sensitivity gap	427,631	4,545,900	1,229,798	790,711	700,102	7,694,142	
Cumulative gap	427,631	4,973,531	6,203,329	6,994,040	7,694,142	-	

29. Financial risk management (cont'd)

(d) Market risk (cont'd)

Management of market risk (cont'd):

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

	2021						
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Financial assets							
Investments	-	1,327,129	539,479	2,494,924	302,098	4,663,630	5.52
Securities purchased under resale agreements	-	963,353	-	-	-	963,353	3.47
Insurance and other receivables	-	-	-	-	913,517	913,517	
Due from related parties	-	-	-	-	7,285	7,285	
Cash and cash equivalents	216,921	-	-	-	-	216,921	0.10
Total financial assets	216,921	2,290,482	539,479	2,494,924	1,222,900	6,764,706	
Financial liabilities							
Bank overdraft	404	-	-	-	-	404	7.00
Insurance payables, accounts payable and accrued charges	-	-	-	-	467,431	467,431	
Due to related entities	-	-	-	-	16,508	16,508	
Total financial liabilities	404	-	-	-	483,939	484,343	
On-statement of financial position gap, being total interest rate sensitivity gap	216,517	2,290,482	539,479	2,494,924	738,961	6,280,363	
Cumulative gap	216,517	2,506,999	3,046,478	5,541,402	6,280,363	-	

The sensitivity of the company's financial assets and financial liabilities to interest rate risk is evaluated by assessing the impact on reserves and profit of a reasonably possible change in interest rates, at the reporting date, using the following scenarios:

	Increase in interest rate		**Decrease in interest rate**	
	2022	2021	2022	2021
J$ denominated instruments	100 basis points	300 basis points	50 basis points	50 basis points
US$ denominated Instruments	100 basis points	100 basis points	50 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.

	2022		2021	
	Effect on other comprehensive income		Effect on other comprehensive income	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Other comprehensive income	(32,674)	17,459	(137,510)	37,310

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. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect on loss	
	Increase	Decrease
	$'000	$'000
December 31, 2022		
Variable rate instruments	5,695	(2,848)
December 31, 2021		
Variable rate instruments	13,953	(2,326)

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

(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.

An increase of 6% (2021: 5%) or a decrease of 6% (2021: 5%) in the market price at the reporting date would result in an increase/(decrease), respectively, in equity and loss before taxation by the amounts shown below.

	2022		2021	
	Equity	Loss before taxation	Equity	Loss before taxation
	$'000	$'000	$'000	$'000
6% (2021: 5%) increase	13,514	-	13,070	-
6% (2021: 5%) decrease	(7,927)	(5,587)	(9,435)	(3,635)

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

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 is exposed to 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 arise from its holding of financial instruments denominated in the United States dollar (US$). The company ensures that the net exposure is kept to an acceptable level by monitoring its daily positions against approved limits.

At the reporting date, net foreign currency asset exposure was as follows:

	2022	2021
United States dollar (US$'000)	240	2,605
Pound Sterling (£'000)	1	1

Exchange rates were as follows:

	£	US$
At December 31, 2022 (J$)	182.48	151.77
At December 31, 2021 (J$)	202.92	154.03

Sensitivity analysis:

Movement of J$ against the US$ and £	Effect on loss before taxation			
	£		US$	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
4% (2021: 8%) weakening (£/US$)	7	16	1,457	32,099
1% (2021: 2%) strengthening (£/US$)	(2)	(4)	(364)	(8,025)

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

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 natural and man-made disasters and from the need to comply with legal and regulatory requirements and 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 risks is assigned, centrally, to the Group's Risk and Compliance Unit, and, in daily operations, to the senior management team of the company.

This responsibility is supported by the development of overall JN Group standards for the management of operational risks with requirements specified in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- appropriate segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- 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 risks reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by the Group's Internal Audit Unit. 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 was no change during the year in the company's exposure to operational risks or the manner in which it managed the risks.

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 primary measure used to assess capital adequacy is the Minimum Capital Test (MCT) which is used by the FSC to determine solvency of the company. A revised test to calculate MCT came into effect on December 22, 2022 following the signing of the amended Insurance Regulations 2022. The revised test stipulated a required MCT of 175% for 2022 and 200% for 2021. The MCT disclosed below for the current year was calculated using the revised test. The prior year's MCT ratio, however, was not updated to reflect the revised test and is consistent with the calculation which was applicable in 2021.

As at December 31, 2022 and 2021 the company achieved the minimum required level of capital based on the MCT ratio.

	2022	2021
Actual MCT ratio	267%	254%
Minimum required MCT ratio	175%	250%

31. Employee costs

	2022 $'000	2021 $'000
Salaries and wages	496,922	456,720
Incentive awards	27,770	25,892
Pension (note 33)	25,093	22,884
Other employee costs	177,194	169,960
	726,979	675,456

32. Significant accounting policies

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 32(m)].

32. Significant accounting policies (cont'd)

(a) Intangible asset (cont'd):

(ii) Amortisation:

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

The estimated useful life of computer software is 3 years.

(iii) Customer relationships:

This represents the carrying value of acquired customer relationships, primarily for insurance business and is measured at cost less impairment losses.

(b) Property, plant and equipment and depreciation:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [note 32(m)]. 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 profit or loss as incurred.

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

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

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

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

The depreciation methods, useful lives and residual values are re-assessed at each reporting date.

32. Significant accounting policies (cont'd)

(c) Investment property:

Investment property is measured at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(d) Investments:

Available-for-sale investments are stated at fair value, except that where fair value cannot be reliably determined, 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.

(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 32(g)(i).

32. Significant accounting policies (cont'd)

(f) Revenue recognition (cont'd):

(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, 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 and the amended Insurance Regulation 2022. 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 reporting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" basis on the total premiums written.

Unexpired risks

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

32. Significant accounting policies (cont'd)

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

(i) Insurance contracts (cont'd)

Outstanding claims

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

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.

32. 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 [see note 32(s)]. Therefore, the company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2022, 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 income 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 income 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.

32. Significant accounting policies (cont'd)

(h) Taxation (cont'd):

Deferred income 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 income 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 32(m)].

(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) 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.

32. Significant accounting policies (cont'd)

(l) Employee benefits (cont'd):

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

The ultimate parent company is the sponsor of a separate, trustee-administered plan that provides post-retirement pension benefits to employees who have satisfied certain minimum service requirements (note 33). As it is a defined-contribution pension plan, the company's only obligation is to make contributions to the fund established in accordance with the plan rules. The obligation for contributions is recognised as an expense in the profit or loss as incurred.

(m) 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. An impairment loss for any asset is recognised whenever the carrying amount of the 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 asset's 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.

32. Significant accounting policies (cont'd)

(n) Dividends:

Dividends are recognised as a liability in the period in which they are declared and become irrevocably payable.

(o) 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.

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

(p) 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 non-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 accounting policy on the determination of fair value is disclosed in note 28.

(q) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. 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.

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.

32. Significant accounting policies (cont'd)

(r) Leases

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.

The company as 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 that 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.

32. Significant accounting policies (cont'd)

(r) Leases (cont'd)

The company as lessee (cont'd)

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.

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, or 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 [note 16(a)] in property, plant and equipment (note 7) and lease liabilities in the statement of financial position.

The company as lessor

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

At inception 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 their relative stand-alone prices.

To classify each lease as finance or operating, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the company applies the applicable standard to allocate the consideration in the contract.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'investment income'.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are 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 had not been early-adopted by the company. The company has assessed the relevance of all such standards and amendments to standards and has determined that the following are likely to be relevant to its operations:

IFRS 17 replaces IFRS 4 *Insurance Contracts* and will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a significant impact on the company's financial statements in the period of initial application. For the company, the date of initial application is January 1, 2023. The first financial statements applying IFRS 17 will be as at December 31, 2023, with comparative figures as at December 31, 2022.

Estimated impact of the adoption of IFRS 17 and IFRS 9

The company is assessing the estimated impact that the initial application of IFRS 17 will have on its financial statements and has established a project team to determine the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and reinsurance contracts within the scope of the new standard. Noting that the transition to IFRS 17 will have significant impact on financial statement presentations, key performance indicators, financial reporting processes and operations, the project is in its final phase and is near completion. As such, at this time, the actual impact of adopting IFRS 17 on January 1, 2023 and 2022 cannot be reliably quantified as:

- the company is undertaking final reviews of transition journal adjustments,
- the company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- the company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the company finalises its first financial statements that include the date of initial application.

- **IFRS 17 *Insurance Contracts***:

The definition of an insurance contract in IFRS 17 is similar to the current guidance under IFRS 4. This is assessed on a contract-by-contract basis. Significant insurance risk exists where an insurance contract has commercial substance and the present value of amounts to be paid by the issuer exceeds the amounts that the issuer would have paid if the insured event did not occur.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(i) Identifying contracts in the scope of IFRS 17

The definition of an insurance contract in IFRS 17 is similar to the current guidance under IFRS 4. This is assessed on a contract-by-contract basis. Significant insurance risk exists where an insurance contract has commercial substance and the present value of amounts to be paid by the issuer exceeds the amounts that the issuer would have paid if the insured event did not occur.

The requirements for assessing significant insurance risk for reinsurance contracts issued are the same as for insurance contracts.

The company also issues riders, where the riders and their base contracts will be combined for measurement under IFRS 17.

For all contracts, the legal contract between the company and the policyholder will constitute the IFRS 17 contract. The legal contract will be at the group/master contract level as the company does not issue or price certificates at an individual level.

The company issues insurance contracts and hold reinsurance contracts. The company also issues reinsurance contracts. No investment contracts with discretionary participation feature (DPF) are issued. The same contracts considered to be insurance under IFRS 4 continue to be in scope under IFRS 17.

The company issues financial guarantees which were previously measured under IFRS 4 and will continue to regard these contracts as insurance contracts, measured under IFRS 17.

Separation of components

When identifying contracts in the scope of IFRS 17, in some cases the company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard.

The company does not issue or hold any insurance contracts that contain embedded derivatives.

The company does not issue or hold any other insurance contracts that contain investment components, except for reinsurance commissions. Reinsurance commissions will not be distinct investment components as they exist solely as part of the reinsurance agreements.

The company does not issue or hold any insurance contracts that contain goods or non-insurance services, except for roadside assistance on motor contracts. Roadside assistance is highly interrelated with the motor contract and will be measured together with the host contract.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(i) Identifying contracts in the scope of IFRS 17 (cont'd)

Combination of contracts

It may be necessary to treat a set of contracts as a single contract to properly reflect the economic substance of the agreement. For example, two separate contracts may have opposite obligations and have a fully offset effect when combined, thus resulting in zero (e.g. 100% risk-transfer fronting arrangement) or a lower net liability.

Only the company's motor products offer a rider, for excess buyback. The rider cannot exist without the base motor contract, cannot be purchased on its own, and will terminate on the surrender or cancellation of the base contract. Therefore, the excess rider cannot be separated from the host motor contract.

(ii) Levels of aggregation

In comparison to IFRS 4 practices, IFRS 17 intends to provide a more granular grouping of insurance contracts for measurement purposes. IFRS 17 is explicit in the minimum requirements for the grouping of insurance contracts.

Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Furthermore, some groups will further be separated by measurement model.

- **Portfolios**

Portfolios are determined based on the company's interpretations of similar risks and managed together. Generally, contracts in different product lines would not be expected to have similar risks and would be expected to be in different portfolios.

- **Riders**

The company only offers riders on motor policies. The excess buyback rider serves the purpose of enhancing the coverage of the motor risk, rather than insuring a new risk. Therefore, the rider does not impact the similar risk categorizations.

- **Reinsurance contracts**

IFRS 17 requires reinsurance held to be measured and reported separately from the underlying insurance contracts. Reinsurance contracts have been allocated to one portfolio for the company.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(ii) Levels of aggregation ***(cont'd)***

- **Cohort time period**

The company will group contracts using annual cohorts, the maximum length allowable by the Standard. The annual cohorts will be based on calendar year, which is consistent with the company's fiscal year.

(iii) Cash Flows and Contract Boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17. The company expects that the contract boundary will be equal to the coverage period for all contracts.

The company's contracts begin coverage at issue. At the time of IFRS 17's adoption, the company does not expect to have onerous groups of contracts.

(iv) Measurement overview

There are three measurement models under IFRS 17:

- General measurement model (GMM)
- Premium allocation approach (PAA)
- Variable fee approach (VFA)

The general measurement model (GMM) is the default model for all insurance contracts. By process of elimination, all insurance contracts not identified as PAA or VFA will be measured using the general model.

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The company's anticipates that its contracts issued and reinsurance contracts held will be eligible for, and will apply, the PAA.

(v) Measurement

General Measurement Model (GMM)

Under the general model, the default approach, the carrying amount of a group of contracts comprises:

- A liability for remaining coverage ("LRC") – future cash flows relating to future service to be provided, a risk adjustment, and a CSM; and
- A liability for incurred claims ("LIC") – cash flows relating to past service for claims and expenses already incurred, and a risk adjustment.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(v) Measurement (cont'd)

General Measurement Model (GMM) (cont'd)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

Premium Allocation Approach (PAA)

The PAA is a simplification of the general model. The simplification predominantly relates to the LRC, while there are also minor simplifications for the LIC. Although the PAA is only permitted when specific criteria are met, it is optional as the company may choose to apply the general model instead.

Approach	**Decision**
PAA Eligibility	The company will apply the PAA to contracts with a coverage period of one year or less. The company is assessing whether contracts with a coverage period exceeding one year are eligible for the PAA.
PAA LRC	*Premium recognition:* Premiums will be recognised in the LRC when received by the company, its agents, or its brokers. Broker receivables will be set up in the balance sheet and apply IFRS 9. *Revenue recognition:* the company has analysed past claims experience and did not identify any material non-linear patterns of risk, thus passage of time will be applied. *Expense recognition:* The company has elected to defer the insurance acquisition cash flows for contracts applying PAA and will amortise them on the same basis as revenue recognition. *Financing components:* The company has determined that there does not exist a significant financing component for all contracts and thus will not accrue interest on the LRC. *Investment components:* The company has non distinct investment components (NDICs) only for reinsurance held contracts in the form of profit commissions.
PAA LIC	The company will discount LIC cash flows for all contracts.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(v) Measurement (cont'd)

PAA for Reinsurance Held

The eligibility criteria to use the PAA for reinsurance held is similar to those for insurance contracts:

a) Each contract in the group of reinsurance contracts held has a coverage period of one year or less; or
b) If the coverage period of a group of reinsurance contracts is greater than one year, the PAA can be used if the results are not materially different from the general model. Additionally, there should not be significant variability expected in the fulfilment cash flows.

The company has elected to apply PAA for all reinsurance contracts held.

(vi) Discounting

The estimates of future cash flows that form the insurance liabilities should be adjusted to reflect the time value of money and other financial risks. This is achieved by discounting the cash flows for both unexpired and expired risks (LRC and LIC).

The company's will use the top-down approach based on Government of Jamaica (GOJ) bonds with adjustments for sovereign risk and liquidity.

(vii) Estimates of future cash flows

In estimating future cash flows, the company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(viii) Risk adjustment

The risk adjustment is a component of the insurance liability that relates to the non-financial insurance risks, which have been separated from the financial risks as those are reflected in the discount rates. The risk adjustment is a component of the fulfilment cash flows that:

- Measures the uncertainty in the insurance cash flows arising from non-financial risks
- Reflects the compensation that an entity requires to be indifferent between the insurance liability which has a range of possible outcomes due to non-financial risk, and an insurance liability if it had fixed cash flows
- Represents the amount added to the best estimate liability such that the actual outcome will be more than the fulfilment cash flows at a targeted probability level (the confidence level).

The risk adjustment is an explicit balance for each group of contracts, in both the LRC and the LIC. Under the PAA, the LRC is simplified to remove the risk adjustment for profitable business. The table below shows where a risk adjustment is applicable for the company.

Measurement Model	**LRC Risk Adjustment**	**LIC Risk Adjustment**
PAA	None unless onerous	Applicable

The risk adjustment will be produced for each valuation period. To determine the risk adjustment for non-financial risk, the company will use a confidence level technique which will be produced annually and will be disclosed in the annual financial statements.

(ix) Presentation and Disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the company's financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

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

(ix) Presentation and Disclosure (cont'd)

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Amounts from reinsurance contracts will be presented separately. The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

The company will disclose the quantitative and qualitative information of groups of insurance contracts at the entity level, as this is by nature of insurance business.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

(x) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at January 1, 2022 the company will:

- identify, recognise and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before January 1, 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs); and
- recognise any resulting net difference in equity.

The company has determined that the full retrospective approach can be applied for contracts measured using PAA. This is because the contracts have short contract boundaries, such that data does not need to be retrieved from significantly far in the past. Therefore, the company will apply the full retrospective approach for all contracts measured using the PAA.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

- IFRS 9 *Financial Instruments*

The company is required to adopt IFRS 9 *Financial Instruments* from January 1, 2023. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for accounts receivables, loans, investments in debt securities and securities purchased under resale agreements. However, the company is still in the process of its assessment and the final impact is not yet known.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The company believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the company is still in the process of determining the likely financial impact on its financial statements.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

- IFRS 9 *Financial Instruments (cont'd)*

  Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

  The company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2023.

  The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

  - The determination of the business model within which a financial asset is held
  - The designation and revocation of previous designations of certain financial assets as measured at FVTPL
  - The designation of certain investments in equity investments not held for trading as at FVOCI.

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments:* Recognition *and Measurement*, IFRS 7 *Financial Instruments*: *Disclosures*, IFRS 4 *Insurance contracts* and IFRS 16 *Leases*, are effective for annual reporting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications.

  A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

- Amendments to IAS 1 *Presentation of Financial Statements* (cont'd)

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

  A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

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

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

32. Significant accounting policies (cont'd)

(s) New and amended standards and interpretations that are not yet effective (cont'd):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors (continued)*

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

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

33. Pension scheme

The ultimate parent company provides post-retirement pension benefits to employees who have satisfied certain minimum service requirements [note 32(l)].

Employees contribute at a mandatory rate of 5% of pensionable salary, 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 scheme for the year amounted to $25,093,000 (2021: $22,884,000).

34. Prior year adjustments

The following tables summarise the impact of the change in accounting policy. [See note (34)(d) below].

(a) Effects on the Statements of Financial Position:

		Impact of change in accounting policy					
		2021			2020		
	Notes	As previously reported $'000	Adjustments $'000	As restated $'000	As previously reported $'000	Adjustments $'000	As restated $'000
Investment property	34(d)	112,978	128,380	241,358	133,335	134,839	268,174
Deferred tax		245,291	(13,145)	232,146	166,968	(13,527)	153,441
Others		8,939,332	-	8,939,332	8,442,801	-	8,442,801
Total assets		9,297,601	115,235	9,412,836	8,743,104	121,312	8,864,416
Total liabilities		6,487,936	-	6,487,936	5,651,134	-	5,651,134
Retained earnings	34(d)	2,650,478	115,235	2,765,713	2,865,203	121,312	2,986,515
Others		159,187	-	159,187	226,767	-	226,767
Total equity		2,809,665	115,235	2,924,900	3,091,970	121,312	3,213,282
Total liabilities and equity		9,297,601	115,235	9,412,836	8,743,104	121,312	8,864,416

(b) Effects on the Statement of Profit or Loss and Other Comprehensive Income

		December 31, 2021		
		Impact of change in accounting policy		
	Notes	As previously reported $'000	Adjustments $'000	As restated $'000
Underwriting loss before other income/ (expense) and taxation		(550,626)		(550,626)
Investment income, net	34(d)	259,010	(6,459)	252,551
Others		40,845	-	40,845
Loss before taxation		(250,771)	(6,459)	(257,230)
Taxation		82,517	382	82,899
Loss for the year		(168,254)	(6,077)	(174,331)
Other comprehensive (loss)/income:				
Items that will never be reclassified to profit or loss:				
Others		8,389	-	8,389
Items that are or may be reclassified to profit or loss:				
Others		(67,580)	-	(67,580)
Total other comprehensive loss for the year		(59,191)	-	(59,191)
Total comprehensive loss for the year		(227,445)	(6,077)	(233,522)

34. Prior year adjustments (continued)

(c) Effects on the Statement of Cash Flows

		December 31, 2021		
	Notes	As previously reported $'000	Adjustments $'000	As restated $'000
Cash flows from operating activities				
Loss for the year	34(b)	(168,254)	(6,077)	(174,331)
Adjustments to reconcile profit to net cash provided by operating activities:				
Depreciation of investment property	34(d)	4,077	(4,077)	-
Gain on sale of investment property	34(d)	(10,769)	10,536	(233)
Taxation		(82,517)	(382)	(82,899)
Others		684,780	-	684,780
Net cash provided by operating activities		427,317	-	427,317
Cash flows from investing activities				
Others		(222,206)	-	(222,206)
Net cash used in investing activities		(222,206)	-	(222,206)
Cash flow from financing activities				
Others		(67,409)	-	(67,049)
Net cash used by financing activities		(67,409)	-	(67,409)
Net increase in cash and cash equivalents		138,062	-	138,062
Cash and cash equivalents at beginning of the year		78,455	-	78,455
Cash and cash equivalents at end of year		216,517	-	216,517

(d) Change in accounting policy

In the previous years, the company applied the cost model for its investment property. During the year, the company changed the accounting policy from cost model to the fair value model. The fair value approach when compared to the cost approach, is viewed by management as more updated, realistic and of comparable value. Consequently, the total assets and equity were understated since the fair value gains were not recognised. The impact of the change is applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

35. Commitment

Capital commitment:

As at December 31, 2021 and 2022, the Company had no commitment for capital expenditure.

36. Impact of COVID-19 and Russia/Ukraine war

The Jamaican economy continues to show resilience with strong recovery from the COVID-19 pandemic and the Russia/Ukraine war. External shocks have resulted in high inflation, tightening monetary policy geared towards curbing inflation and increased risk of a global recession. Inflation is above acceptable ranges and tighter monetary actions are expected to continue in most jurisdictions, leading to a slowdown in global economic activity, reduction in the fair value of some financial instruments and potentially impacting the financial sector stability. The Government of Jamaica (GOJ) continues to be focused on recovery activities and the Bank of Jamaica has taken an aggressive monetary policy stance geared towards addressing the rising inflation concerns.

The JN Group continues to actively monitor and manage risks identified from the global macroeconomic environment due to the Russia/Ukraine war, other external shocks and potential financial market uncertainty or instability in the markets in which the Group operates. The capital of the company has been strengthened to deal with significant market risks arising from these threats.