



## **GK General Insurance Company Limited**

**Summary Financial Statements**  
**31 December 2019**

# GK General Insurance Company Limited

Index

31 December 2019

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	<b>Page</b>
<b>Actuary’s Report</b>	
<b>Report of the Independent Auditor on the Summary Financial Statements</b>	
<b>Summary Financial Statements</b>	
Statement of financial position	1 – 2
Statement of comprehensive income	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the summary financial statements	6 – 9

### 3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of GKICL for its balance sheet as at December 31, 2019 and the corresponding change in the policy and claims liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica. I have relied upon PriceWaterhouseCoopers for the substantial accuracy of the records and information concerning other liabilities, as certified in the attached statement.

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

Claims Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Direct unpaid claims and adjustment expenses:	3,311,579	3,321,224
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	3,311,579	3,321,224
Ceded unpaid claims and adjustment expenses:	673,075	689,575
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	2,638,504	2,631,649

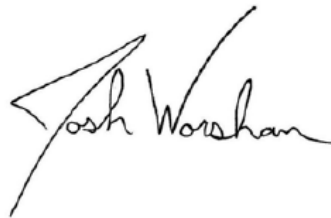
Policy Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		1,277,094
Net policy liabilities in connection with unearned premiums:		1,196,274
Gross unearned premiums:	2,814,697	
Net unearned premiums:	1,632,708	
Premium deficiency:	0	
Other net liabilities:	0	

In my opinion:

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

Josh Worsham, FCAS, MAAA

\_\_\_\_\_  
Name of Appointed Actuary



\_\_\_\_\_  
Signature of Appointed Actuary

March 27, 2020

Date



## **Independent auditor's report on the summary financial statements**

*To the Members of GK General Insurance Company Limited*

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### **Our opinion**

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

### ***The summary financial statements***

The Company's summary financial statements derived from the audited financial statements for the year ended 31 December 2019 comprise:

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

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

### ***The audited financial statements and our audit report thereon***

We expressed an unmodified audit opinion on the audited financial statements in our report dated 31 March 2020.

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### **Responsibilities of management for the summary financial statements**

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



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**Auditor's responsibility**

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

*PricewaterhouseCoopers*

Chartered Accountants  
9 April 2020  
Kingston, Jamaica

# GK General Insurance Company Limited

Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 \$'000	2018 \$'000
<b>Assets</b>		
Cash and deposits	3,048,041	1,555,023
Financial assets at amortised cost	2,994,700	3,652,430
Financial assets at fair value through other comprehensive income	337,097	288,370
Financial assets at fair value through profit or loss	527,008	320,106
Receivables from agents, brokers and policyholders	1,134,703	939,772
Recoverable from reinsurers and co-insurers	1,859,887	1,767,492
Deferred policy acquisition costs	253,736	220,036
Other receivables	7,199	70,681
Due from group companies	184,042	164,866
Property, plant and equipment	994,344	838,547
Intangible assets	147,033	185,797
	<u>11,487,790</u>	<u>10,003,120</u>

# GK General Insurance Company Limited

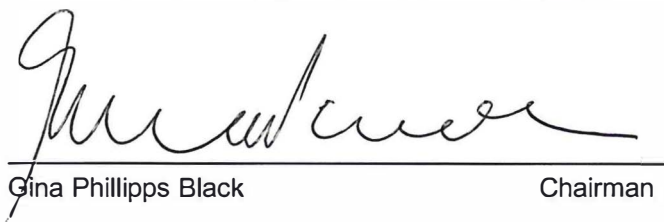
Statement of Financial Position (Continued)

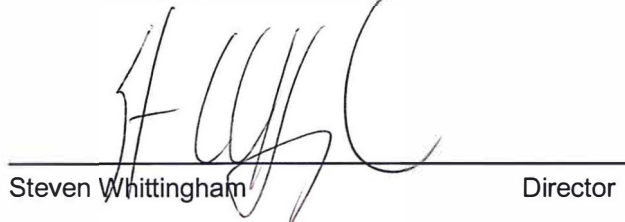
31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Due to reinsurers		848,312	574,330
Insurance reserves	16	6,370,558	5,795,761
Other payables	17	431,022	358,655
Taxation payable		4,559	35,288
Due to group companies	13	135,017	34,669
Lease liabilities	18	143,941	-
Deferred tax liabilities	19	88,076	22,984
Post-employment benefit obligations	20	324,551	357,153
		<u>8,346,036</u>	<u>7,178,840</u>
<b>Shareholder's Equity</b>			
Share capital	21	1,291,739	1,291,739
Capital and fair value reserves	22	346,669	328,764
Share options reserve		10,777	10,777
Retained earnings		1,492,569	1,193,000
		<u>3,141,754</u>	<u>2,824,280</u>
		<u>11,487,790</u>	<u>10,003,120</u>

Approved for issue by the Board of Directors on 9 April 2020 and signed on its behalf by:

  
 Gina Phillipps Black Chairman

  
 Steven Whittingham Director



# GK General Insurance Company Limited

## Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 \$'000	2018 \$'000
<b>Gross Premiums Written</b>	6,016,525	5,484,859
Reinsurance ceded	(2,840,480)	(2,590,541)
Net premiums written	3,176,045	2,894,318
Change in unearned premiums, net	(169,590)	(151,996)
<b>Net Premiums Earned</b>	3,006,455	2,742,322
Commission income	537,576	473,034
Commission expense	(498,763)	(437,036)
Claims expense	(1,803,526)	(1,577,721)
Underwriting expenses	(39,011)	(45,043)
Administration expenses	(1,099,432)	(1,021,281)
Net (reversal of impairment)/impairment losses on financial assets	8,866	(6,032)
<b>Underwriting Profit</b>	112,165	128,243
Interest income	233,494	273,438
Other income	394,864	258,134
Interest expense on lease liabilities	(9,751)	-
Other operating expenses	(201,504)	(159,394)
<b>Profit before Taxation</b>	529,268	500,421
Taxation	(178,643)	(194,547)
<b>Profit for the Year</b>	350,625	305,874
<b>Other Comprehensive Income:</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Changes in the fair value of financial assets at fair value through other comprehensive income, net of taxes	17,905	(11,629)
<b>Items that will not be reclassified to profit and loss</b>		
Gains on revaluation of land and buildings, net of taxes	-	32,537
Re-measurements of post-employment benefit obligations	24,468	(18,549)
Other comprehensive income, net of taxes	42,373	2,359
<b>Total Comprehensive Income</b>	392,998	308,233

# GK General Insurance Company Limited

## Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Capital and Fair Value Reserves	Share Options Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	1,291,739	307,856	6,795	1,001,457	2,607,847
Profit for the year	-	-	-	305,874	305,874
Other comprehensive income:					
Fair value losses on instruments at fair value through other comprehensive income, net of taxes	-	(11,629)	-	-	(11,629)
Gains on revaluation of land and buildings, net of taxes	-	32,537	-	-	32,537
Re-measurements of post-employment benefit obligations, net of taxes	-	-	-	(18,549)	(18,549)
Other comprehensive income	-	20,908	-	(18,549)	2,359
Total comprehensive income	-	20,908	-	287,325	308,233
Transactions with owners:					
Dividends on preference shares	-	-	-	(45,782)	(45,782)
Dividends on ordinary shares	-	-	-	(50,000)	(50,000)
Employee share option scheme:					
Value of services rendered	-	-	3,982	-	3,982
<b>Balance at 31 December 2018</b>	<b>1,291,739</b>	<b>328,764</b>	<b>10,777</b>	<b>1,193,000</b>	<b>2,824,280</b>
Profit for the year	-	-	-	350,625	350,625
Other comprehensive income:					
Fair value losses on instruments at fair value through other comprehensive income, net of taxes	-	17,905	-	-	17,905
Re-measurements of post-employment benefit obligations, net of taxes	-	-	-	24,468	24,468
Other comprehensive income	-	17,905	-	24,468	42,373
Total comprehensive income	-	17,905	-	375,093	392,998
Transactions with owners:					
Dividends on preference shares	-	-	-	(45,524)	(45,524)
Dividends on ordinary shares	-	-	-	(30,000)	(30,000)
<b>Balance at 31 December 2019</b>	<b>1,291,739</b>	<b>346,669</b>	<b>10,777</b>	<b>1,492,569</b>	<b>3,141,754</b>

# GK General Insurance Company Limited

## Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>		
Premiums received	5,821,595	5,387,836
Reinsurance paid	(2,566,499)	(2,245,597)
Commissions received	559,925	497,668
Commissions paid	(532,464)	(464,404)
Claims paid	(1,572,566)	(1,589,770)
Rent received	102,892	96,474
Underwriting, administration and other operating expenditure paid	(846,269)	(1,125,843)
Other receipts, net	203,000	98,760
Cash generated from operating activities	1,169,614	655,124
Taxation paid	(164,962)	(50,459)
Net cash generated from operating activities	1,004,652	604,665
<b>Cash Flows from Investing Activities</b>		
Interest received	233,119	253,508
Proceeds from sale of investment securities	2,729,221	3,288,418
Investments securities purchased	(2,302,422)	(3,221,650)
Additions to property, plant and equipment	(91,031)	(118,387)
Additions to intangible assets	(21,166)	(55,276)
Proceeds on disposal of property, plant and equipment	10,075	10,108
Net cash provided by investing activities	557,796	156,721
<b>Cash Flows from Financing Activities</b>		
Preference dividends paid	(45,782)	-
Ordinary dividends paid	(30,000)	(50,000)
Payments of principal on leases	(22,520)	
Payments of interest on leases	(9,751)	
Net cash used in financing activities	(108,053)	(50,000)
Net increase in cash and cash equivalents	1,454,395	711,386
Cash and cash equivalents at beginning of year	1,506,422	775,911
Effect of exchange rate changes on cash and cash equivalents	36,665	19,125
<b>Cash and Cash Equivalents at End of Year</b>	<b>2,997,482</b>	<b>1,506,422</b>

# GK General Insurance Company Limited

## Notes to the Summary Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Activities

- (a) GK General Insurance Company Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. The immediate parent company is GraceKennedy Financial Group Limited, and its ultimate parent company is GraceKennedy Limited. Both companies are incorporated and domiciled in Jamaica. The company also has issued preference shares, which are held by fellow subsidiary, GraceKennedy (St. Lucia) Limited.
- (b) The registered office and principal place of business of the company, and its ultimate parent, is located at 73 Harbour Street, Kingston, Jamaica.

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

### 2. Basis of preparation

The summary financial statements have been extracted from the full financial statements, and prepared in accordance with Practice Statement 2016-01 issued by the Institute of Chartered Accountants of Jamaica and the guidance on the publication of abridged financial statements issued by the Financial Service Commission. The full financial statements as at and for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 31 March 2020. Those financial statements have been prepared in accordance with IFRS, and contain an explicit and unreserved statement of compliance with IFRS.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. The full financial statements are available on the company's website at [www.gkgeneral.com](http://www.gkgeneral.com).

The full financial statements have been audited by PricewaterhouseCoopers who, in their report dated 31 March 2020, expressed an unmodified opinion in relation to those full financial statements.

The company has applied the following standards for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16, Leases
- Annual improvements 2015-2017 Cycle
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'
- IFRIC 23, 'Uncertainty over income tax treatments'

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of IFRS 16, Leases. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

The other amendments and interpretation listed above did not have any impact on the amounts recognised in the prior period and are not expected to significantly affect the current or future periods.

# GK General Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Basis of preparation (continued)

### IFRS 16 'Leases'

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The company applied the simplified transition approach that allows the measurement of the right-of-use assets at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The new accounting policies are disclosed in Note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.25%.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

# GK General Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

## 2. Basis of preparation (continued)

### IFRS 16 'Leases' (continued)

The following line items were affected as a result of adoption of this new accounting standard at the date of initial application, 1 January 2019:

	IAS 17 31 December 2018 \$'000	IFRS 16 adjustments \$'000	IFRS 16 1 January 2019 \$'000
<b>Statement of financial position (extract)</b>			
<b>Assets</b>			
Property, plant and equipment	-	166,461	166,461
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Lease liabilities	-	166,461	166,461
<b>Shareholders' Equity</b>			
Retained earnings	-	-	-
	-	166,461	166,461

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	<b>\$'000</b>
Operating lease commitments as at 31 December 2018 under IAS 17	168,826
Weighted average incremental borrowing rate as at 1 January 2019	6.25%
Discounted operating lease commitments as at 1 January 2019	138,269
Adjustments as a result of a different treatment of extension and terminal options	68,586
Less:	
Commitments relating to short-term leases	(13,439)
Adjustments relating to changes in rates	(26,955)
Lease liabilities as at 1 January 2019	166,461

# GK General Insurance Company Limited

## Notes to the Summary Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Capital Management

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

- To comply with the capital requirements set by the regulators, the Financial Services Commission (FSC);
- To safeguard the company's ability to continue as a going concern so that it can continue to provide an appropriate level of return for its parent as well as benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is managed and monitored by the company's management, the Audit Committee and the Board of Directors and certified by the Appointed Actuary. The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements.

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT) which is used by the FSC to determine the solvency of the company. The minimum standard stipulated by the Regulation 17(4) of the Insurance (Actuaries) (General Insurance Companies) (Amendment) Regulations, 2013 is that a general insurance company shall have a minimum MCT percentage of 250%. This information is required to be included in the company's annual returns filed with the Financial Services Commission (FSC). Under Section 15(1) of the Insurance Act, 2011, the FSC may cancel the registration of a general insurance company if it is considered to be insolvent.

In January 2017, the Financial Services Commission (FSC) announced a measure to allow for the relaxation of the MCT ratio of 250% to 150% for a period of two years. The measure will reduce the amount of capital that the general insurance industry would need to hold for the purpose of meeting capital adequacy requirements. During this period of regulatory forbearance, the FSC will carry out a Quantitative Impact Study (QIS) to determine the optimal position for the MCT that balances growth and stability of the insurance industry. In this period, the amount of dividends paid to shareholders of the company should not exceed 50% of profit that was achieved for the previous year.

To qualify for the special provisions for relaxed MCT ratio, investment proposals must be approved by the FSC and commence within the 2-year window provided for in the January 2017 advisory. The company took advantage of this relaxation through an investment in a Business Process Outsourcing project, and as such, the FSC has granted forbearance on the MCT ratio requirement allowing the company to maintain a minimum MCT ratio of 235%.

The MCT of 232% at 31 December 2018 was due to a classification adjustment related to an intercompany balance. The minimum level required was achieved at 31 December 2019. The MCT ratio for the company for the years ended 31 December 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Actual MCT ratio	237%	232%
Minimum Required MCT ratio	<u>235%</u>	<u>235%</u>

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