

GK General Insurance Company Limited

**Summary Financial Statements
31 December 2020**

GK General Insurance Company Limited

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31 December 2020

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Actuary's Report

Report of the Independent Auditor on the Summary Financial Statements

Summary Financial Statements

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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, 2020 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:	3,208,957	3,238,593
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	3,208,957	3,238,593
Ceded unpaid claims and adjustment expenses:	467,018	470,325
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	2,741,939	2,768,268

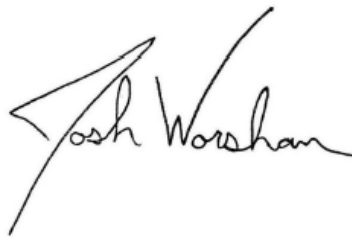
Policy Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		1,326,603
Net policy liabilities in connection with unearned premiums:		1,231,915
Gross unearned premiums:	3,006,685	
Net unearned premiums:	1,674,248	
Premium deficiency:	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 GKICL 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 29, 2021

Date



Independent auditor's report on the summary financial statements

To the Members of GK General Insurance Company Limited

Our opinion

In our opinion, the accompanying summary financial statements of GK General Insurance Company Limited (the Company) are consistent, in all material respects, with the audited financial statements, in accordance with Practice Statement 2016 -1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica.

The summary financial statements

The Company's summary financial statements derived from the audited financial statements for the year ended 31 December 2020 comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the related 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 2021.

Responsibilities of management and those charged with governance for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with Practice Statement 2016 - 1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica.

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

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'.

The logo for PricewaterhouseCoopers, written in a cursive, handwritten style.

Chartered Accountants

8 April 2021

Kingston, Jamaica

GK General Insurance Company Limited

Statement of Financial Position

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$'000	2019 \$'000
Assets		
Cash and deposits	2,619,765	3,048,041
Financial assets at amortised cost	4,586,670	2,994,700
Financial assets at fair value through other comprehensive income	355,481	337,097
Financial assets at fair value through profit or loss	345,761	527,008
Receivables from agents, brokers and policyholders	1,054,615	1,134,703
Recoverable from reinsurers and co-insurers	1,810,281	1,859,887
Deferred policy acquisition costs	282,753	253,736
Other receivables	103,292	7,199
Due from group companies	179,817	184,042
Property, plant and equipment	987,094	994,344
Intangible assets	72,352	147,033
	<u>12,397,881</u>	<u>11,487,790</u>

GK General Insurance Company Limited

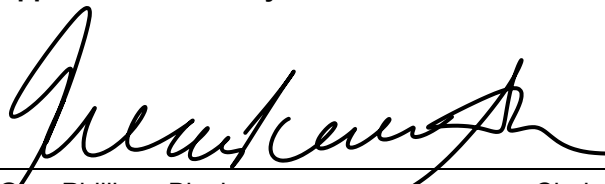
Statement of Financial Position (Continued)

31 December 2020

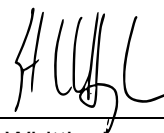
(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$'000	2019 \$'000
Liabilities and Shareholders' Equity		
Liabilities		
Due to reinsurers	720,300	848,312
Insurance reserves	6,501,291	6,370,558
Other payables	445,565	431,022
Taxation payable	75,174	4,559
Due to group companies	109,137	135,017
Lease liabilities	133,012	143,941
Deferred tax liabilities	75,076	88,076
Short-term loans	566,836	-
Post-employment benefit obligations	317,781	324,551
	<u>8,944,172</u>	<u>8,346,036</u>
Shareholders' Equity		
Share capital	1,291,739	1,291,739
Capital and fair value reserves	400,111	346,669
Share options reserve	10,777	10,777
Retained earnings	1,751,082	1,492,569
	<u>3,453,709</u>	<u>3,141,754</u>
	<u>12,397,881</u>	<u>11,487,790</u>

Approved for issue by the Board of Directors on 8 April 2021 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 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$'000	2019 \$'000
Gross Premiums Written	6,610,999	6,016,525
Reinsurance ceded	(3,256,038)	(2,840,480)
Net premiums written	3,354,961	3,176,045
Change in unearned premiums, net	(41,540)	(169,590)
Net Premiums Earned	3,313,421	3,006,455
Commission income	660,984	537,576
Commission expense	(593,733)	(498,763)
Claims expense	(1,654,406)	(1,803,526)
Underwriting expenses	(61,790)	(39,011)
Administration expenses	(1,207,972)	(1,099,432)
Net (impairment)/reversal of impairment charges on financial assets	(590)	8,866
Underwriting Profit	455,914	112,165
Interest income	239,189	233,494
Other income	79,800	394,864
Finance income/(costs)	15,924	(9,751)
Other operating expenses	(226,906)	(201,504)
Profit before Taxation	563,921	529,268
Taxation	(179,680)	(178,643)
Profit for the Year	384,241	350,625
Other Comprehensive Income:		
Items that may be subsequently reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income, net of taxes	2,509	17,905
Items that will not be reclassified to profit and loss		
Gains on revaluation of land and buildings, net of taxes	50,933	-
Re-measurements of post-employment benefit obligations	24,177	24,468
Other comprehensive income, net of taxes	77,619	42,373
Total Comprehensive Income	461,860	392,998

GK General Insurance Company Limited

Statement of Changes in Shareholder's Equity

Year ended 31 December 2020

(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 2019	1,291,739	328,764	10,777	1,193,000	2,824,280
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)
Balance at 31 December 2019	1,291,739	346,669	10,777	1,492,569	3,141,754
Profit for the year	-	-	-	384,241	384,241
Other comprehensive income:					
Fair value losses on instruments at fair value through other comprehensive income, net of taxes	-	2,509	-	-	2,509
Fair value gains on revaluation of land and buildings	-	50,933	-	-	50,933
Re-measurements of post-employment benefit obligations, net of taxes	-	-	-	24,177	24,177
Other comprehensive income	-	53,442	-	24,177	77,619
Total comprehensive income	-	53,442	-	24,177	461,860
Transactions with owners:					
Dividends on preference shares	-	-	-	(49,905)	(49,905)
Dividends on ordinary shares	-	-	-	(100,000)	(100,000)
Balance at 31 December 2020	1,291,739	400,111	10,777	1,751,082	3,453,709

GK General Insurance Company Limited

Statement of Cash Flows

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities		
Premiums received	6,691,086	5,821,595
Reinsurance paid	(3,384,050)	(2,566,499)
Commissions received	702,351	559,925
Commissions paid	(622,750)	(532,464)
Claims paid	(1,550,971)	(1,572,566)
Rent received	109,249	102,892
Underwriting, administration and other operating expenditure paid	(1,430,994)	(846,269)
Other receipts, net	(75,944)	203,000
Cash generated from operating activities	437,977	1,169,614
Interest on short-term loans	(4,428)	-
Taxation paid	(154,158)	(164,962)
Net cash provided by operating activities	279,391	1,004,652
Cash Flows from Investing Activities		
Interest received	265,144	233,119
Proceeds from sale of investment securities	2,836,033	2,729,221
Investments securities purchased	(4,243,459)	(2,302,422)
Additions to property, plant and equipment	(27,942)	(91,031)
Additions to intangible assets	(693)	(21,166)
Proceeds on disposal of property, plant and equipment	4,177	10,075
Net cash (used in)/provided by investing activities	(1,166,740)	557,796
Cash Flows from Financing Activities		
Preference dividends paid	(95,429)	(45,782)
Ordinary dividends paid	(100,000)	(30,000)
Principal elements of lease payments	(33,926)	(32,271)
Proceeds from short-term loans	2,013,331	-
Payments of principal on short-term loans	(1,417,090)	-
Net cash provided by/(used in) financing activities	366,886	(108,053)
Net (decrease)/ increase in cash and cash equivalents	(520,463)	1,454,395
Cash and cash equivalents at beginning of year	2,997,482	1,506,422
Effect of exchange rate changes on cash and cash equivalents	69,937	36,665
Cash and Cash Equivalents at End of Year	2,546,956	2,997,482

GK General Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

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 2020 were authorised for issue by the Board of Directors on 31 March 2021. 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.

The full financial statements have been audited by PricewaterhouseCoopers who, in their report dated 31 March 2021, 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 2020:

- Amendments to IAS 1 and IAS 8, Definition of Material
- Revised Conceptual Framework for Financial Reporting
- Amendments to IFRS 3, 'definition of a business'
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

The amendments and interpretations 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 2020

(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, 2001, 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 company took advantage of this relaxation through an investment in a Business Process Outsourcing project, and as such, the FSC granted forbearance on the MCT ratio requirement allowing the company to maintain a minimum MCT ratio of 235%. The approved minimum MCT level for the company will be grandfathered for 5 years, after which the company will be required to conform to the applicable minimum standard.

The MCT ratio for the company for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Actual MCT ratio	286%	237%
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.