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INDEPENDENT AUDITORS' REPORT

To the Members of
The Insurance Company of the West Indies Limited

Report on the Financial Statements

We have audited the financial statements of The Insurance Company of the West Indies Limited (the "company"), set out on pages 3 to 54, which comprise the statement of financial position as at December 31, 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Members of
The Insurance Company of the West Indies Limited

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Insurance Company of the West Indies Limited as at December 31, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

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 21, 2016

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Financial Position
December 31, 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Property, plant and equipment	5	676,370	532,044
Investment properties	6	205,000	205,000
Investment in subsidiary	7	4,013	4,013
Due from parent company	8	195,995	299,920
Due from fellow subsidiaries	8	19,889	13,325
Due from related company	8	4,006	5,203
Deferred tax asset	18	41,351	24,338
Investments	9	2,095,368	1,570,617
Resale agreements	10	901,329	1,060,667
Reinsurance assets	11	2,175,132	1,808,489
Taxation recoverable		37,016	36,989
Insurance receivables	12	224,692	197,070
Deferred commission expense	13	218,142	180,103
Other accounts receivable	14	85,197	69,848
Accrued investment income		31,010	31,535
Cash and cash equivalents	15	255,081	254,606
Total assets		7,169,591	6,293,767
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued charges	16	425,264	277,958
Insurance payables	17	427,749	243,900
Insurance contract provisions	11	4,406,424	4,113,193
Due to fellow subsidiaries	8	66,402	20,246
Employee benefit obligation	19	137,285	112,887
		5,463,124	4,768,184
Share capital	20	213,237	213,237
Share premium		66,763	66,763
Capital reserve		2,662	2,662
Investment revaluation reserve		6,154	6,037
Retained earnings		1,417,651	1,236,884
		1,706,467	1,525,583
Total liabilities & equity		7,169,591	6,293,767

The financial statements on pages 3 to 54 were approved by the Board of Directors on March 21, 2016, and signed on its behalf by:

_______________________ Director
Hon. Dennis H. Lalor

Mark Roberts
_______________________ Director
Mark Roberts

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2015

	Notes	2015 $'000	2014 $'000
Gross premiums written	11	4,431,116	3,927,215
Change in gross provision for unearned premiums		(122,847)	(46,062)
Gross insurance premium revenue	11	4,308,269	3,881,153
Written premiums ceded to reinsurers	11	(2,579,074)	(1,983,200)
Reinsurers' share of change in provision for unearned premiums		169,364	30,288
Net insurance premium revenue		1,898,559	1,928,241
Claims expenses incurred	11	(1,882,507)	(2,000,332)
Reinsurers' share of claims	11	1,023,418	899,834
Net insurance claims		(859,089)	(1,100,498)
Commission income	17	999,759	998,858
Commission expenses	13	(512,523)	(438,217)
Net commission income		487,236	560,641
		1,526,706	1,388,384
Operating expenses	21(c)	(1,478,581)	(1,342,782)
Underwriting profit before other income, expenses and taxation	21	48,125	45,602
Investment income	22	166,383	182,734
Foreign exchange gain		39,465	53,532
Change in fair value of investment properties		-	38,000
(Loss)/profit on disposal of property, plant and equipment		(138)	486
Other income		28,890	13,199
Profit before taxation		282,725	333,553
Taxation	23	(92,800)	(120,634)
Profit for the year		189,925	212,919
Other comprehensive income			
Items that may be reclassified to profit or loss			
Appreciation in fair value of investments		117	12,622
Items that will never be reclassified to profit or loss			
Remeasurement loss on employee benefit obligation		(13,738)	(7,282)
Deferred tax		4,580	2,427
		(9,041)	7,767
Total comprehensive income for the year		180,884	220,686

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2015

	Share capital $'000 (note 20)	Share premium $'000	Capital reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Total $'000
Balances at December 31, 2013	183,333	66,763	2,662	(6,585)	1,058,724	1,304,897
Total comprehensive income:						
Profit for the year	-	-	-	-	212,919	212,919
Other comprehensive income:						
Appreciation in fair value of investments	-	-	-	12,622	-	12,622
Re-measurement loss on employee benefit obligation, net of taxes	-	-	-	-	(4,855)	(4,855)
Total comprehensive income for the year	-	-	-	12,622	208,064	220,686
Transactions with owners, recorded directly in equity						
Issue of shares	29,904	-	-	-	(29,904)	-
Balances at December 31, 2014	213,237	66,763	2,662	6,037	1,236,884	1,525,583
Total comprehensive income:						
Profit for the year	-	-	-	-	189,925	189,925
Other comprehensive income:						
Appreciation in fair value of investments	-	-	-	117	-	117
Re-measurement loss on employee benefit obligation, net of taxes	-	-	-	-	(9,158)	(9,158)
Total comprehensive income for the year	-	-	-	117	180,767	180,884
Balances at December 31, 2015	213,237	66,763	2,662	6,154	1,417,651	1,706,467

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Cash Flows
Year ended December 31, 2015

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		189,925	212,919
Adjustments for:			
Depreciation on property, plant and equipment	5	40,003	29,834
Write-off of property, plant and equipment		-	5,079
Loss/(gain) on disposal of property, plant and equipment		138	(486)
Change in fair value of investment properties		-	(38,000)
Reinsurance assets		(366,643)	(181,475)
Insurance contract provisions		293,231	403,061
Employee benefit obligation		15,226	12,695
Interest income	23	(166,383)	(169,527)
Taxation		92,800	120,634
		98,297	394,734
Changes in:			
Insurance receivables		(27,622)	(11,661)
Deferred commission expenses		(38,039)	492
Other accounts receivable		(15,350)	6,303
Accounts payable and accrued charges		147,306	33,077
Insurance payables and deferred income		183,849	(88,710)
		348,441	334,235
Interest received		166,908	179,846
Tax paid		(57,871)	(12,121)
Benefits paid		(4,566)	(2,022)
Withholding tax		(47,388)	(41,923)
Net cash provided by operating activities		405,524	458,015
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(171,251)	(286,250)
Property, plant and equipment acquired from related company		(13,216)	-
Proceeds from sale of property, plant and equipment		-	3,148
Investments, net		(365,296)	(371,953)
Net cash used by investing activities		(549,763)	(655,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Parent company		103,925	(67,997)
Related parties		40,789	206,372
Net cash provided by financing activities		144,714	138,375
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		475	(58,665)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		254,606	313,271
CASH AND CASH EQUIVALENTS AT END OF YEAR		255,081	254,606

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

Notes to the Financial Statements
December 31, 2015

1. Corporate structure and nature of business

The company is incorporated in Jamaica under the Companies Act, is domiciled in Jamaica and is a wholly owned subsidiary of ICWI Group Limited (immediate parent), which is also incorporated in Jamaica. The ultimate holding company is Atlantic and Caribbean Sea Development Company Limited which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and it is controlled by Hon. Dennis Lalor O.J.

The principal activity of the company is underwriting general insurance business. The registered office of the company is located at 2 St. Lucia Avenue, Kingston 5.

On July 2, 2014, the company received approval from The Insurance Commission of the Bahamas to convert The Insurance Company of the West Indies (Bahamas) Limited ("ICWI Bahamas") to a branch of the company. The company obtained approval from the Financial Service Commission to convert the subsidiary of the ICWI Group Limited, located in the Bahamas, ("ICWI Bahamas") into a branch operation of the company on October 2, 2014. The conversion was effected on January 1, 2015.

The company has been authorised to transact business in the following Caribbean Islands:

- Jamaica
- Trinidad
- St. Maarten
- Bahamas

2. Insurance licence

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

3. Roles of the actuary and auditors

The actuary has been appointed 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, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary, in his verification of the management information provided by the company and used in the actuarial valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent 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.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2015

4. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for investment properties [note 4(i)] and available-for-sale investments [note 4(j)], which are measured at fair value and employee benefit obligation which is measured as the present value of the defined-benefit obligation as explained in note 4(s).

(c) Basis of non-consolidation

The company elects not to prepare consolidated financial statements of its subsidiary Insurance Company of Jamaica Limited on the basis that consolidated financial statements are prepared by Atlantic & Caribbean Sea Development Limited [see note 7].

(d) Functional and presentation currency

These financial statements are presented in Jamaica dollars, the company's functional currency. The values presented in the financial statements have been rounded to the nearest thousands ($'000) unless otherwise stated.

(e) Use of estimates and judgement:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates. The 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.

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses 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, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

(ii) Outstanding claims [see note 4(v)(i)].

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Use of estimates and judgement (cont'd):

(iii) Post-retirement health and life insurance benefits:

The amounts recognised in the statement of financial position and profit or loss for post-retirement health and life insurance benefits 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 estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(f) New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company assessed them and has adopted those which are relevant to its financial statements.

- *Improvements to* IFRS *2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations, the main amendments applicable to the Company are as follows:

    - IFRS 3, *Business Combinations* is amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, *Financial Instruments: Presentation*, rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 9, *Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3, has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11, *Joint Arrangements* i.e. including joint operations in the financial statements of the joint arrangements themselves.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(f) New, revised and amended standards and interpretations that became effective during the year (cont'd):

- *Improvements to* IFRS *2010-2012 and 2011-2013* cycles (cont'd)

  - IFRS 13*, Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - IAS 16, *Property, Plant and Equipment* and IAS 38*, Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation:

    (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or;

    (ii) the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

  - IAS 24*, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

  - IAS 40*, Investment Property* has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Amendments to IAS 19, *Defined Benefit Plans*: *Employee Contributions,* clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to the company's operations and has determined that the following are likely to have an effect on the financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

- Amendments to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

- Amendments to IFRS 10, *Consolidated Financial Statements,* and IAS 28, *Investments in Associates and Joint Ventures,* in respect of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures*, effective for accounting periods beginning on or after January 1, 2016, have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

    IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

  - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

- *Improvements to* IFRS *2012-2014* cycle, (cont'd)

  - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The company is assessing the impact that these amendments will have on its future financial statements.

(h) Property, plant and equipment:

(i) Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses [see accounting policy (r)].

Freehold land and buildings that had been revalued to fair value prior to January 1, 2002, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

(ii) Depreciation:

Property, plant and equipment with the exception of freehold land, on which no depreciation is provided, are depreciated using the straight-line method at annual rates estimated to write-off the property, plant and equipment over their expected useful lives.

The depreciation rates are as follows:

Buildings	2½%
Leasehold improvements	10%
Furniture, fixtures and equipment	10% & 20%
Motor vehicle	20%
Computers	20%

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

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Investment properties:

Investment properties are carried at fair value using valuations performed on an annual basis by independent appraisers or the directors. Fair value is based on current prices for properties similar in location and conditions. Changes in the fair value of investment properties are recognised in profit or loss.

(j) Investments:

Available-for-sale investments are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in investment revaluation reserve. Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables, and are measured at amortised cost less impairment losses.

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 they commit to purchase or sell the investments.

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

(k) 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 considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(l) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

The company has a related party relationship with its ultimate and intermediate holding companies, the directors of the company and those of its holding companies, its key management personnel, companies with common directors its subsidiary and pension plans established for the benefit of its employees. "Key management personnel" represents certain senior officers of the company.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Accounts receivable:

Trade and other receivables are stated at cost less impairment losses [see accounting policy (r)].

(n) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances.

Bank overdrafts, repayable on demand and forming an integral part of the company's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Otherwise, they are included as a financing activity.

(o) Accounts payable:

Trade and other payables, are stated at cost.

(p) Provisions:

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 obligations.

(q) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

(r) Impairment:

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

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Impairment (cont'd):

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans and receivables is calculated as the present value of the 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 the 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 at 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) Reversal 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.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in estimate 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, if no impairment loss had been recognised.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Employee benefits:

(i) Post retirement health and life insurance benefits:

Employee benefits comprising post-employment medical benefits included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors have relied on the work of the actuary and the actuary's report.

The company provides post retirement health and life insurance benefits to retirees. In 2006, the company revised its policy to provide post retirement health and life insurance benefits to persons employed on or before April 20, 2006.

The company's net obligation in respect of post retirement health and life insurance benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted.

The discount rate is determined based on the estimate of yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the company's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit Method.

Re-measurements of the net employee benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The company determines the net interest expense/(income) on the net employee benefit liability for the period by applying the discount rate used to measure the employee benefit obligation at the beginning of the annual period to the then-net employee benefit liability, taking into account any changes in the net employee benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other post-retirement obligations expenses are recognised in profit or loss.

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of an employee benefit plan when the settlement occurs.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Employee benefits:

(ii) Defined contribution pension plan:

The company participates in a defined contribution pension plan, the assets of which are held separately from those of the company. The plan does not expose the company to actuarial risk, and as such, pension contributions are expensed as and when incurred.

(iii) Other employee benefits:

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date.

(t) Taxation:

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. For investment properties that are measured at fair value, the presumption that the carrying amount of the investment properties will be recovered through sale has not been rebutted.

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.

(u) Revenue recognition:

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the policyholder. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(u) Revenue recognition:

Revenue comprises the following:

(i) Gross written premiums

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 4[v][i].

(ii) Reinsurance assumed:

The accounting policies for the recognition of reinsurance assumed are disclosed in note 4[v][i].

(iii) 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 (see note 4[v][i]). Profit commission in respect of reinsurance contracts is recognised on the accrual basis.

(iv) Investment income

Investment income arises from financial assets and is comprised of interest and dividend and realised 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. Rental income from investment property under operating leases is recognised in profit or loss on a straight line basis over the term of each lease.

(v) Insurance contract recognition and measurement:

(i) Insurance contracts

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

Short term insurance contracts consist of property, liability, motor and marine insurance contracts.

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

(i) Insurance contracts (cont'd)

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.

Reinsurance assumed

The company assumes reinsurance risk on insurance contracts issued by a related party. Premiums and claims assumed on reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Unearned premiums

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

Outstanding claims

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

Management believes, based on the analysis completed by their 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.

Deferred acquisition cost and deferred commission income

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

4. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

(ii) Reinsurance assets

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the "three sixty fifth" basis on the total premiums ceded.

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 note 26). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. 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 reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivables and insurance payables

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

(w) Operating leases:

Payments made under operating leases are included in profit or loss under administrative expenses. Assets leased under operating leases are not included in the statement of financial position.

(x) 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 cash and cash equivalents, insurance receivables, other accounts receivable and amounts due from other insurance companies. Financial liabilities include accounts payable, amounts due to other insurance companies, and related party balances.

5. Property, plant and equipment

	Land, buildings and leasehold improvement $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
At cost or valuation:					
December 31, 2013	248,120	85,219	48,386	39,313	421,038
Additions	231,064	39,511	11,775	3,900	286,250
Transfer	22,310	5,657	-	(27,967)	-
Write-off	-	-	-	(5,079)	(5,079)
Disposals	(2,674)	(149)	(6,801)	-	(9,624)
December 31, 2014	498,820	130,238	53,360	10,167	692,585
Additions	120,986	37,377	10,715	2,173	171,251
Acquired from related party	9,323	11,291	7,240	-	27,854
Transfer	-	3,901	-	(3,901)	-
Disposals	(154)	-	(21,526)	-	(21,680)
December 31, 2015	628,975	182,807	49,789	8,439	870,010
Depreciation:					
December 31, 2013	46,590	55,739	35,340	-	137,669
Charge for year	11,109	9,461	9,264	-	29,834
Disposals	(330)	(149)	(6,483)	-	(6,962)
December 31, 2014	57,369	65,051	38,121	-	160,541
Charge for year	16,064	16,274	7,665	-	40,003
Acquired from related party	4,682	5,547	4,409	-	14,638
Disposals	(97)	-	(21,445)	-	(21,542)
December 31, 2015	78,018	86,872	28,750	-	193,640
Net book values:					
December 31, 2015	550,957	95,935	21,039	8,439	676,370
December 31, 2014	441,451	65,187	15,239	10,167	532,044
December 31, 2013	201,530	29,480	13,046	39,313	283,369

Freehold land and buildings were revalued on October 28, 1997, at an open market valuation of $12,400,000 by Sagicor Property Management Limited, valuators and appraisers of Kingston. The revalued amounts have been deemed to be the assets' cost upon first-time adoption of IFRS. The previously reported surplus arising on revaluation is included in capital reserve.

Land, buildings and leasehold improvement include freehold land at a deemed cost/cost of $222,233,000 (2014: $147,139,000).

Furniture, fixtures and equipment were revalued at January 1, 1994, at an open market valuation of $63,056,000 by Sagicor Property Management Limited. The revalued amount was deemed to be the assets' cost upon first-time adoption of IFRS. The previously reported surplus arising on revaluation is included in capital reserve.

6. Investment properties

	2015 $'000	2014 $'000
Balance at January 1	205,000	167,000
Revaluation adjustments	-	38,000
Balance at December 31	205,000	205,000

Investment properties comprise commercial properties that are leased to third parties and land held for capital appreciation. Investment properties are valued every three years by an independent professional valuer and in the intervening years by the directors, based on professional advice received.

Investment properties were valued on varying dates between September 2013 and December 2014 by D.C. Tavares & Finson Realty Limited. `

The rental income earned on the properties during the year amounted to $8,094,000 (2014: $11,049,000) and the related expenses totalled $2,677,000 (2014: $170,000).

The fair value measurement for investment property of $205,000,000 (2014: $205,000,000) has been categorised as a level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

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Notes to the Financial Statements (Continued)
December 31, 2015

7. Investment in subsidiary

	2015 $'000	2014 $'000
Shares, at cost	4,013	4,013

The subsidiary, which is incorporated in Jamaica, and is non-trading, is as follows:

	% of equity capital held	
	2015	2014
Insurance Company of Jamaica Limited	100	100

8. Related party balances/transactions

	2015 $'000	2014 $'000
Due from parent company:		
ICWI Group Limited	195,995	299,920
Due from fellow subsidiaries:		
The Great Northern Insurance Company Limited	-	9,899
Turks & Caicos First Insurance Company Limited	1,571	451
The Insurance Company of the West Indies (Bahamas) Limited	18,318	2,975
	19,889	13,325
Due from related company:		
REACT Limited	4,006	5,203

	2015 $'000	2014 $'000
Due to fellow subsidiaries:		
The Great Northern Insurance Company Limited	22,911	-
GPI Limited	1,667	485
The Insurance Company of the West Indies (Cayman) Limited	41,824	6,266
ICWI Investments Limited	-	13,495
	66,402	20,246

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2015

8. Related party balances/transactions (cont'd)

		2015 $'000	2014 $'000
Transactions			
Corporate office expenses	- parent company	52,400	76,230
Other charges	- related company	28,173	21,132
Client referral fees	- parent company	24,746	23,428
Lease expense	- parent company	35,129	29,493
Gross written premiums	- parent company	13	210
	- related company	22,930	217,034
	- other related company	1,393	759
Claims expenses	- parent company	-	76
	- related company	158,008	278,448
Commission expense	- related company	172,098	164,850
Management fees	- related company	-	15,227

9. Investments

	2015 $'000	2014 $'000
Loans and receivables:		
Certificates of deposit	898,815	549,293
Government of Jamaica Securities:		
- Debentures	895,467	895,467
Government of Trinidad and Tobago Securities:		
- Debentures	236,259	63,042
	2,030,541	1,507,802
Available-for-sale investments:		
Corporate bond	58,072	56,178
Unquoted investments	599	599
Quoted investments	6,156	6,038
	64,827	62,815
	2,095,368	1,570,617

9. Investments (cont'd)

Investments mature, in relation to the reporting date, as follows:

	2015 $'000	2014 $'000
Certificates of deposit:		
Within 3 months	772,940	98,549
From 3 months to 1 year	125,875	450,744
	898,815	549,293
Government of Jamaica Securities:		
Within 3 months	258,687	-
From 1 year to 5 years	606,780	865,467
Over 5 years	30,000	30,000
	895,467	895,467
Government of Trinidad and Tobago Securities:		
From 1 year to 5 years	46,060	21,821
Over 5 years	190,199	41,221
	236,259	63,042
Other	64,827	62,815
	2,095,368	1,570,617

The fair value of the Government of Jamaica Securities amounts to $895,467,000 (2014: $895,467,000).

Government of Jamaica Securities include $45,000,000 (2014: $45,000,000) held to the order of the Financial Services Commission as required by the Insurance Act 2001.

The company has received the benefit of the renewal rights to an insurance portfolio in Trinidad and Tobago which was acquired by its immediate parent and the company has made deposits with an ultimate right of set off with a commercial bank not exceeding US$2,900,000 (2014: US$2,900,000) in relation to a loan facility to its immediate parent which relates primarily to the acquisition of the portfolio.

10. Resale agreements

	2015 $'000	2014 $'000
Denominated in Jamaica dollars	813,478	748,222
Denominated in United States dollars [US$500,000 (2014: US$2,423,000)]	59,832	276,155
Denominated in Trinidad and Tobago dollars [TT$1,503,000 (2014: TT$2,000,000)]	28,019	36,290
	901,329	1,060,667

At the reporting date, the fair value of the securities obtained and held by the company under resale agreements was $901,329,000 (2014: $1,060,667,000).

11. Reinsurance assets and insurance contract provisions

	2015			2014		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims outstanding	2,671,403	1,253,759	1,417,644	2,608,459	1,119,475	1,488,984
Unearned premiums	1,735,021	921,373	813,648	1,504,734	689,014	815,720
	4,406,424	2,175,132	2,231,292	4,113,193	1,808,489	2,304,704
Analysis of movement in insurance contracts provision						
Claims notified	1,438,580	624,344	814,236	1,227,742	552,698	675,044
Claims incurred but not yet reported	1,169,879	495,131	674,748	1,023,718	415,590	608,128
Balance at January 1	2,608,459	1,119,475	1,488,984	2,251,460	968,288	1,283,172
Acquired from a related company	79,915	49,863	30,052	-	-	-
Claims expenses incurred	1,882,507	1,023,418	859,089	2,000,332	899,834	1,100,498
Claims paid in the year	(1,899,478)	(938,997)	(960,481)	(1,643,333)	(748,647)	(894,686)
Change in outstanding claims provision	(16,971)	84,421	(101,392)	356,999	151,187	205,812
Balance at December 31	2,671,403	1,253,759	1,417,644	2,608,459	1,119,475	1,488,984
Claims notified	1,496,570	690,395	806,175	1,438,580	624,344	814,236
Claims incurred but not reported	1,174,833	563,364	611,469	1,169,879	495,131	674,748
Balance at December 31	2,671,403	1,253,759	1,417,644	2,608,459	1,119,475	1,488,984
Unearned premiums:						
Balance at January 1	1,504,734	689,014	815,720	1,458,672	658,726	799,946
Premiums written during the year	4,431,116	2,579,074	1,852,042	3,927,215	1,983,200	1,944,015
Premiums earned during the year	(4,308,269)	(2,409,710)	(1,898,559)	(3,881,153)	(1,952,912)	(1,928,241)
Acquired from related company	107,440	62,995	44,445	-	-	-
Balance at December 31	1,735,021	921,373	813,648	1,504,734	689,014	815,720

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

(a) Gross unearned premiums are analysed as follows:

	2015 $'000	2014 $'000
Accident	4,520	4,720
Liability, engineering, bond and guarantee	15,337	10,978
Marine, aviation and transportation	620	489
Motor vehicle	1,570,880	1,356,209
Fire	143,664	132,338
	1,735,021	1,504,734

(b) Insurance contract provisions include an estimate of $101,929,000 (2014: $99,255,000) in respect of unallocated loss adjustment expense.

12. Insurance receivables

	2015 $'000	2014 $'000
Due from reinsurers	-	11,328
Premiums receivable	224,692	185,742
	224,692	197,070

Premiums receivable is stated net of commission and after deduction of a provision for doubtful debts of $3,550,000 (2014: $6,503,000).

13. Deferred commission expense

	2015 $'000	2014 $'000
Balance January 1	180,103	180,595
Acquired from a related company	18,979	-
Commission paid during the year	531,583	437,725
Amounts recognised in profit or loss during the year	(512,523)	(438,217)
Balance December 31	218,142	180,103

14. Other accounts receivable

	2015 $'000	2014 $'000
Prepayments	30,556	16,159
Other accounts receivable	54,641	53,689
	85,197	69,848

15. Cash and cash equivalents

Cash and cash equivalents include amounts denominated in foreign currencies as follows:

	2015 $'000	2014 $'000
United States dollars	627	1,258
Cayman Islands dollars	6	6
Bahamas dollars	1,219	6
Trinidad & Tobago dollars	(71)	2,879
Netherlands Antilles guilders	37	129

16. Accounts payable and accrued charges

	2015 $'000	2014 $'000
Accrued charges	135,542	114,261
Other payables	289,722	163,697
	425,264	277,958

17. Insurance payables

	2015 $'000	2014 $'000
Due to reinsurers	85,805	-
Deferred commission income	341,944	243,900
	427,749	243,900

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

	2015 $'000	2014 $'000
Balance January 1	243,900	228,319
Acquired from a related company	21,440	-
Commission received during the year	1,076,363	1,014,439
Amounts recognised in profit or loss during the year	(999,759)	(998,858)
Balance December 31	341,944	243,900

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2015

18. Deferred taxation

Deferred tax asset is attributable to the following:

	2013	Recognised in income	Recognised in other comprehensive income	2014	Recognised in income	Recognised in other comprehensive income	2015
	$'000	$'000 [note 23(a)]	$'000	$'000	$'000 [note 23(a)]	$'000	$'000
Property, plant and equipment	(2,880)	5,801	-	2,921	7,635	-	10,556
Investment properties	(4,768)	(614)	-	(5,382)	(599)	-	(5,981)
Accounts receivable	(13,957)	3,445	-	(10,512)	175	-	(10,337)
Accounts payable and accruals	277	(54)	-	223	(22)	-	201
Employee benefit obligation	31,644	3,558	2,427	37,629	3,553	4,580	45,762
Unrealised gain on exchange	(1,012)	471	-	(541)	1,691	-	1,150
	9,304	12,607	2,427	24,338	12,433	4,580	41,351

19. Employee benefit obligation

The employee benefit obligation represents the present value of the company's constructive obligation to provide health and life insurance benefits.

(i) Employee benefit obligation recognised in the statement of financial position:

	2015	2014
	$'000	$'000
Balance as at January 1	112,887	94,932
Included in profit or loss:		
Current service costs	4,507	3,445
Interest costs	10,719	9,250
	15,226	12,695
Included in other comprehensive income:		
Actuarial losses:		
Experience losses	444	7,282
Re-measurement losses	13,294	-
	13,738	7,282
Benefits paid	(4,566)	(2,022)
Balance at December 31	137,285	112,887

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

	2015	2014
	%	%
Discount rate	8.5	9.5
Medical claims growth	7.0	7.5

19. Employee benefit obligation (cont'd)

(ii) Principal actuarial assumptions at the reporting date (expressed as weighted averages) (cont'd):

Assumptions regarding future mortality are based on 1994 Group annuitants mortality table.

At December 31, 2015, the weighted average duration of defined benefit obligation was 20 years (2014: 12 years).

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes 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 health care and life insurance cost trend rates by one percentage point. In preparing the analyses for each assumption, all others were held constant.

	One percentage point increase		One percentage point decrease	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Effect on the employee benefit obligation	16,005	11,620	(12,385)	(11,996)

As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy will increase the health and life insurance benefit obligations by approximately $60,000, while a decrease of one year in life expectancy will result in an equal but opposite effect.

(iii) The company is expected to contribute $4,610,000, towards the health and life benefit plan in the subsequent reporting period (2014: $2,174,000).

20. Share capital

	2015	2014
	$'000	$'000
Authorised:		
213,237,334 (2014: 213,237,334) shares of no par value		
Issued and fully paid:		
213,237,334 (2014: 213,237,334) stock units of no par value		
In issue at 1 January	213,237	183,333
Issued from retained profits	-	29,904
	213,237	213,237

At an Extraordinary General Meeting held on December 8, 2014, a resolution was passed to increase the company's share capital from $185,000,000 to $213,237,334 by the creation of an additional 28,237,334 shares, such new shares to rank *pari passu* with the existing ordinary shares of the company. All of the newly created shares were issued.

21. Disclosure of income and expenses

(a) Underwriting profit before other income, expenses and taxation for the year is stated after charging:

	2015 $'000	2014 $'000
Depreciation	40,003	29,834
Directors' remuneration - fees	5,512	5,288
- management	106,231	96,657
Auditors' remuneration	9,922	9,109

(b) Transactions with key management personnel:

Compensation of key management personnel is as follows:

	2015 $'000	2014 $'000
Short term employment benefits:		
Salary	71,267	65,872
Pension contributions [see note 4(s)]	4,726	3,627
	75,993	69,499

(c) Operating expenses:

	2015 $'000	2014 $'000
Administration expenses	128,599	142,166
Salaries and wages	575,756	501,727
Pension cost	23,960	22,139
Statutory contributions	69,685	62,574
Staff welfare	65,148	62,397
Staff profit share	90,420	79,640
Post-retirement health and life insurance benefits	64,902	56,709
Travelling and entertainment	25,453	25,260
Finance cost	24,627	24,117
Postage and cable	4,205	4,243
Donations	7,157	6,906
Repairs and maintenance - building	66,154	63,662
Depreciation	40,003	29,834
Office rental	55,966	44,729
Advertising and promotion	87,103	81,744
Inspection and investigation	6,836	5,814
Security and courier services	20,413	15,121
Software maintenance	58,472	49,424
Computer equipment lease	38,548	38,548
Miscellaneous	25,174	26,028
	1,478,581	1,342,782

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22. Investment income

	2015 $'000	2014 $'000
Interest income:		
Available for sale financial assets	2,937	8,614
Loans and receivables	149,785	160,470
Cash and cash equivalents	5,564	483
Rental income	8,095	13,166
Dividend income	2	1
	166,383	182,734

23. Taxation

(a) Taxation is based on the profit for the year adjusted for tax purposes and is made up as follows:

	2015 $'000	2014 $'000
Current tax expense:		
Income tax @ 33⅓%	105,233	133,241
Deferred tax expense:		
Origination and reversal of temporary differences (note 18)	(12,433)	(12,607)
Total taxation expense	92,800	120,634

(b) Reconciliation of expected tax expense and actual tax expense

The effective tax rate was 33% (2014: 36%) of pre-tax profits compared to a statutory tax rate of 33⅓% for Jamaica and 25% for Trinidad and Tobago. The actual tax expense differed from the "expected" tax expense for the year as follows:

	2015 $'000	2014 $'000
Profit before taxation	282,725	333,553
Computed "expected" tax expense @ 33⅓%/25%	101,590	94,202
Difference between profit for financial statements and tax reporting purposes on		
Depreciation charge and capital allowances	(5,060)	(7,387)
(Income)/expense not allowed for tax purposes	(42,799)	27,756
Loss on disposal of property, plant and equipment	-	(162)
Revaluation of investment property	-	(12,689)
Deferred tax asset not recognised	39,069	18,914
	92,800	120,634

23. Taxation (cont'd)

(c) A deferred tax asset $54,090,000 (2014: $Nil) has not been recognised for the Trinidad and Tobago branch as management does not believe that the asset will be realised in the foreseeable future.

24. Reinsurance ceded

The company limits its exposure to a maximum amount on any one loss as detailed below:

	Jamaica	Bahamas	St. Maarten	Trinidad
Public Liability	J$1,000,000	US$100,000	US$200,000	US$200,000
Marine Hull	US$50,000	US$ 50,000	US$ 50,000	US$ 50,000
Marine Cargo	US$33,333	US$33,333	US$33,333	US$33,333
Engineering	US$30,000	US$30,000	US$30,000	US$30,000
Property	US$8,750	US$16,250	US$22,500	US$22,500
Motor	US$100,000	US$50,000	US 100,000	US 50,000
Bonds and Fidelity Guarantee	US$125,000	US$125,000	US$125,000	US$125,000
Cash	US$12,500	US$12,500	US$12,500	US$12,500
Burglary	US$25,000	US$25,000	US$25,000	US$25,000
All risk	U$50,000	U$50,000	U$50,000	U$50,000

In addition, the company has catastrophe reinsurance on which its liability on each event is limited to US$225,000.

25. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The company's management of insurance 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 policy written by the company are as follows:

Motor insurance
Property insurance
Liability insurance

The company manages its 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 scenario analyses.

25. Insurance risk management (cont'd)

Underwriting strategy:

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

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

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 includes credit risk, and the company monitors the financial condition of reinsurers 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. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 26.

Terms and conditions of general insurance contracts:

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 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 injury. The exposure on motor insurance contracts is normally limited to the market value of the vehicle and policy limits in respect of third party damage and bodily injury.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle theft. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these claims involve higher estimation uncertainty.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2015

25. Insurance risk management (cont'd)

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

Type contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholders against the 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.
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. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these claims involve higher estimation uncertainty.

Motor contracts:

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

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process and reinsurance. The company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

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Notes to the Financial Statements (Continued)
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25. Insurance risk management (cont'd)

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, 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. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Risk exposure and concentrations of risk:

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

	Motor $'000	Property $'000	Liability $'000	Other $'000	Total $'000
At 31 December 2015					
Gross	2,630,079	5,189	26,061	10,074	2,671,403
Net of reinsurance	1,225,449	5,131	14,424	8,755	1,253,759
At 31 December 2014					
Gross	2,564,089	12,310	25,089	6,971	2,608,459
Net of reinsurance	1,473,461	523	13,998	1,002	1,488,984

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 develop 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						
	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	Total $'000
Estimate of cumulative claims at end of accident year	897,525	519,229	635,823	847,307	1,167,021	1,091,522	5,158,427
-one year later	952,325	584,863	640,906	868,779	1,127,122	-	4,173,995
-two years later	947,709	555,165	625,266	781,937	-	-	2,910,077
-three years later	910,221	537,827	589,270	-	-	-	2,037,318
-four years later	855,198	510,161	-	-	-	-	1,365,359
-five years later	843,221	-	-	-	-	-	843,221
Estimate of cumulative claims	843,221	510,161	589,270	781,937	1,127,122	1,091,522	4,943,233
Cumulative payments to date	(714,198)	(460,247)	(504,384)	(612,020)	(796,362)	(438,378)	(3,525,589)
Net outstanding claims liabilities	129,023	49,914	84,886	169,917	330,760	653,144	1,417,644

26. Financial risk management

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

Credit risk
Liquidity risk
Market risk

Risk management framework

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 the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's financial risk management framework. The company's risk management policies are established to identify and analyse 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 ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the net of taxes, 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 asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the company's underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The company arranges proportional reinsurance at the risk level and purchases excess of loss covers for motor, property and liability business. The company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

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

26. Financial risk management (cont'd)

(a) Credit risk (cont'd)

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

- debt securities, and cash and cash equivalents
- amounts due from policyholders
- amounts due from intermediaries
- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of payments already made to policyholders

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

Management of credit risk

The company manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to information available in the market place relating to the financial standing of the counterparty. The company has a policy of investing only in high quality corporate bonds and government issued debts.

Its exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

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

The company also operates a policy to manage its reinsurance counterparty exposures. The company assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

(i) Exposure to credit risk:

Credit ratings are not publicly available for any assets with credit risk except for reinsurance assets. The following table analyses the credit rating by investment grade of reinsurance assets bearing credit risk.

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Notes to the Financial Statements (Continued)
December 31, 2015

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(i) Exposure to credit risk (cont'd):

	AA $'000	A $'000	Not rated $'000	Total $'000
December 31, 2015				
Financial assets				
Carrying amount	-	-	2,989,942	2,989,942
Reinsurance assets (excluding unearned premium reserve)				
Carrying amount	903,308	350,451	-	1,253,759
Insurance and other receivables (excluding prepayments)				
Neither past due nor impaired	-	-	271,962	271,962
Past due but not impaired	-	-	7,371	7,371
Individually impaired	-	-	3,550	3,550
Gross amount	-	-	282,883	282,883
Allowance for impairment	-	-	(3,550)	(3,550)
Carrying amount	-	-	279,333	279,333
Cash and cash equivalents	-	-	255,081	255,081
	903,308	350,451	3,524,356	4,778,115

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Notes to the Financial Statements (Continued)
December 31, 2015

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(i) Exposure to credit risk (cont'd):

	AA $'000	A $'000	Not rated $'000	Total $'000
December 31, 2014				
Financial assets				
Carrying amount	-	-	2,624,647	2,624,647
Reinsurance assets (excluding unearned premium reserve)				
Carrying amount	788,898	330,577	-	1,119,475
Insurance and other receivables (excluding prepayments)				
Neither past due nor impaired	-	-	232,486	232,486
Past due but not impaired	-	-	18,273	18,273
Individually impaired	-	-	6,503	6,503
Gross amount	-	-	257,262	257,262
Allowance for impairment	-	-	(6,503)	(6,503)
Carrying amount	-	-	250,759	250,759
Cash and cash equivalents	-	-	254,606	254,606
	788,898	330,577	3,130,012	4,249,484

The carrying amounts of financial assets and cash and cash equivalents do not include any assets that are either past due or impaired.

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

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

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(ii) Concentrations of credit risk

The specific concentration of risk from counterparties where receivables for any one counterparty is $10,000,000 or more at the year end is as follows:

	2015 $'000	2014 $'000
Covenant Insurance Brokers Limited	10,324	12,971
JMMB Insurance Brokers Limited	31,628	5,487
Allied Insurance Brokers Limited	22,560	19,686
ICWI Group Limited	195,995	299,920
Fraser Fontaine and Kong	30,491	36,074
The Insurance Company of the West Indies (Bahamas) Limited	18,318	2,975

(iii) Assets that are past due

The company has insurance receivables that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). Management believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the company. An aged analysis of the carrying amounts of these insurance receivables is presented below.

	Less than 46 days $'000	46 to 90 days $'000	More than 90 days $'000	Total $'000
December 31, 2015				
Receivable arising from insurance and reinsurance contracts - agents, brokers and intermediates	143,343	73,978	7,371	224,692
December 31, 2014				
Receivable arising from insurance and reinsurance contracts - agents, brokers and intermediates	125,892	52,905	18,273	197,070

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(iv) Assets that are individually impaired

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

	2015		2014	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
Insurance receivables	3,550	-	6,503	-

The above assets have been individually 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.

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims. The nature of the company's exposure to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have 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. 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.

Notes to the Financial Statements (Continued)
December 31, 2015

26. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

		Contractual undiscounted cash flows				
	Carrying Amount $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5-10 years $'000
December 31, 2015						
Financial liabilities						
-Accounts payable and accrued charges	425,264	425,264	425,264	-	-	-
-Due to fellow subsidiaries	66,402	66,402	66,402	-	-	-
Total financial liabilities	491,666	491,666	491,666	-	-	-
Insurance contract liabilities						
-Claims liabilities	2,671,403	2,671,403	846,177	1,321,948	465,186	38,092
	3,163,069	3,163,069	1,337,843	1,321,948	465,186	38,092

		Contractual undiscounted cash flows				
	Carrying Amount $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5-10 years $'000
December 31, 2014						
Financial liabilities						
-Accounts payable and accrued charges	277,958	277,958	277,958	-	-	-
-Due to fellow subsidiaries	20,246	20,246	20,246	-	-	-
Total financial liabilities	298,204	298,204	298,204	-	-	-
Insurance contract liabilities						
-Claims liabilities	2,608,459	2,608,459	1,079,452	979,445	513,112	36,450
	2,906,663	2,906,663	1,377,656	979,445	513,112	36,450

26. Financial risk management (cont'd)

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its 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 risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior period.

Management of market risk

The Investment Committee manages market risk in accordance with its asset/liability management framework. 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 major risk and the exposure of the company at the reporting date to each major risk are addressed below.

The company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest-bearing financial assets are primarily represented by relatively short 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.

(i) Interest rate risk:

At the reporting date the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2015	2014
	$'000	$'000
Fixed rate instruments:		
Financial assets	2,738,178	2,372,882
Variable rate instruments:		
Financial assets	251,765	251,765

26. Financial risk management (cont'd)

(c) Market risk (cont'd)

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

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change in interest rates would have increased or decreased equity by the amounts shown below:

	Increase/(decrease) in equity	
	2015	2014
	$'000	$'000
1.0% (2014: 2.0%) increase	(2,660)	(5,182)
0.5% (2014: 0.5%) decrease	1,384	1,396

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase/(decrease) in profit before taxation	
	2015	2014
	$'000	$'000
1.0% (2014: 2.5%) increase	25	60
1.5% (2014: 1.0%) decrease	(38)	(24)

(ii) Foreign currency risk:

The company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar, however there are other transactions denominated in Netherlands Antilles guilder, Bahamas dollar, Great Britain pound sterling, Cayman Islands dollar and Trinidad and Tobago dollar.

Notes to the Financial Statements (Continued)
December 31, 2015

26. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Foreign currency risk (cont'd):

	2015 $'000	2014 $'000
United States dollars	4,447	5,657
Cayman Islands dollars	(280)	(40)
Bahamas dollars	3,848	32
Netherlands Antilles guilders	37	129
Trinidad and Tobago dollars	12,808	8,888

Sensitivity analysis

Movement of J$ against other currencies	Increase/(decrease) in profit before taxation	
	2015 $'000	2014 $'000
8.0% (2014: 10.0%) weakening	95,390	81,117
1.0% (2014: 1.0%) strengthening	(11,924)	(8,112)

(iii) 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 debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 20.0% (2014: 10.0%) increase in the market price at the reporting date would cause an increase in other comprehensive income of $1,217,000 (2014: $603,000). A 20.0% (2014: 10.0%) decrease would have an equal but opposite effect on other comprehensive income.

(d) 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 financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

26. Financial risk management (cont'd)

(d) Operational risk (cont'd):

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the company's senior management team.

(e) Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum asset ratios and the possible suspension or loss of its financial institution licence (see note 2). 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
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

General insurance companies must maintain a minimum level of assets, capital and surplus to meet the liabilities of the company. The regulator requires that the total capital available to a general insurance company is at least 250% (2014: 250%) of the capital required as calculated under the minimum capital test (MCT). At December 31, 2015 the company's capital available was 304% (2014: 282%) of the capital required under the MCT.

27. Fair value of financial instruments

Fair value amounts represent estimates of the arm's-length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

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

Financial instrument	Method
Government of Jamaica Securities, Government of Trinidad and Tobago Securities and other corporate bonds.	Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker. Where prices are not available fair value is assumed to approximate amortised cost.

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27. Fair value of financial instruments (cont'd)

Financial instrument	Method
Government of Jamaica US$ Global bonds and other corporate bonds.	Prices of bonds at reporting date as quoted by broker/dealer, where available.
Cash equivalents, resale agreements, insurance and other receivables, insurance and other payables, reinsurance assets and insurance contract provisions.	Assumed to approximate their carrying values, due to their short-term nature.
Quoted equities	Bid prices published by the Jamaica Stock Exchange.

Determination of fair value and fair values hierarchy

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

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The source of the input parameter for the Jamaica Sovereign bonds and corporate bond yield curve is Oppenheimer.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The Company considers relevant and observable market prices in its valuations where possible.

27. Fair value of financial instruments (cont'd)

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2015							
		Carrying amount				Fair value			
	Note	Loan and receivables $'000	Available for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:									
Investment securities	9	-	64,827	-	64,827	6,156	58,072	599	64,827
Financial assets not measured at fair value:									
Investments	9	2,030,541	-	-	2,030,541				
Cash and cash equivalents		255,081	-	-	255,081				
Securities purchased under resale agreements	10	901,329	-	-	901,329				
Reinsurance assets	11	1,253,759	-	-	1,253,759				
Insurance and other receivables		279,333	-	-	279,333				
		4,720,043	-	-	4,720,043				
Financial liabilities not measured at fair value:									
Insurance contract liabilities	11	-	-	2,671,403	2,671,403				
Accounts payable and accrued charges	16	-	-	425,264	425,264				
Due to fellow subsidiaries	8	-	-	66,402	66,402				
		-	-	3,163,069	3,163,069				

27. Fair value of financial instruments (cont'd)

Accounting classifications and fair values (cont'd)

		2014								
		Carrying amount				Fair value				
	Note	Loan and receivables $'000	Available for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:									
Investment securities	9	-	62,815	-	62,815	6,038	56,178	599	62,815
Financial assets not measured at fair value:									
Investments	9	1,507,802	-	-	1,507,802				
Cash and cash equivalents		254,606	-	-	254,606				
Securities purchased under resale agreements	10	1,060,667	-	-	1,060,667				
Reinsurance assets	11	1,119,475	-	-	1,119,475				
Insurance and other receivables		250,759	-	-	250,759				
		4,193,309	-	-	4,193,309				
Financial liabilities not measured at fair value:									
Insurance contract liabilities	11	-	-	2,608,459	2,608,459				
Accounts payable and accrued charges	16	-	-	277,958	277,958				
Due to fellow subsidiaries	8	-	-	20,246	20,246				
		-	-	2,906,663	2,906,663				

28. Commitments

(a) Lease commitments are payable as follows:

	2015 $'000	2014 $'000
Within one year	9,376	11,000
Two to five years	21,095	30,470
	30,471	41,470