IronRock INSURANCE

2017 ANNUAL REPORT

Vision Statement

To have IronRock become the most sought-after insurer, pioneering the industry in professionalism, simplicity, efficiency and fairness.

Mission Statement

To operate a sound and financially strong insurance company, providing the best insurance solutions for our policyholders through highly trained and motivated employees, ultimately achieving superior returns for our shareholders, while upholding our core values of:

1. professionalism;
2. honesty;
3. integrity; and
4. efficiency.

Value Proposition
Simple. Fair. Safe.

IronRock makes the insuring process as seamless as possible by reducing paperwork.

IronRock uses technology to make the underwriting and claims settlement process fast and simple.
IronRock believes in the principle of utmost good faith – we therefore trust our clients as they trust us.

IronRock is financially strong with solid, experienced management giving our policyholders superior confidence in the protection we provide.

"Trust is built with consistency."
Lincoln Chafee

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of IronRock Insurance Company Limited (the "Company") will be held at the Knutsford Court Hotel, 11 Ruthven Road, Kingston 10, on Thursday, 31 May 2018, starting at 3:00 p.m. to consider, and if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

Resolution No. 1 – Receipt of Audited Accounts

"THAT the Audited Financial Statements, Directors' Report and Auditors' Report for the financial year ended 31 December 2017 be and are hereby received and adopted by the Company."

Resolution No. 2 – Retirement and Re-election of Directors

"THAT each of the following directors, who has retired by rotation in accordance with the Articles of Incorporation of the Company and being eligible, now offers himself for re-election, be and is hereby re-elected:"

a. "That William A. McConnell be and is hereby re-elected a Director of the Company."
b. "That Anthony Bell be and is hereby re-elected a Director of the Company."
c. "That Wayne Hardie be and is hereby re-elected a Director of the Company."

Resolution No. 3 – Directors' Remuneration

"THAT the Board be and is hereby authorised to fix the remuneration of the Directors for the financial year ending 31 December 2018."

Resolution No. 4 – Re-Appointment of Auditors

"THAT KPMG Chartered accountants who have voluntarily resigned and being eligible for re-appointment be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting."

Resolution No. 5 – Remuneration of Auditors

"THAT the Board be and is hereby authorized to fix the remuneration of the auditors for the financial year ending 31 December 2018."

SPECIAL RESOLUTIONS

Resolution No. 6 – Electronic Distribution of Annual Report

"THAT the Company's annual report shall only be distributed to shareholders in an electronic format."

DATED THIS
19th day of April 2018

BY ORDER OF THE BOARD

Anthony Bell
Company Secretary
IronRock Insurance Company Limited
1b Braemar Avenue
Kingston 10, Jamaica

Notes to the Annual General Meeting

Eligibility to Vote

The Directors of the Company have determined that your eligibility to attend and vote at the AGM requires you to be a registered shareholder as at the close of business on April 30, 2018 (the "Record Date").

A list of registered shareholders who are eligible to attend and vote at the meeting will be available at the Company's registered office at 1b Braemar Avenue, Kingston 10, Jamaica during normal business hours leading up to, and at, the AGM. Shareholders may also phone (876) 656-8000 to confirm they are registered.

Proof of Identity

Shareholders (or their proxies) will be required to provide proof of their identity for the purposes of attending and voting at the AGM.
Please bring identification for these purposes, including, but not limited to, a driver's license, passport or a similar official document.

Appointing a Proxy for the AGM – Individual Shareholders

As a registered shareholder at the Record Date, you are entitled to appoint a proxy to represent you if you are not able to attend the AGM in person. A proxy does not need to be a shareholder of the Company.

If you would like to appoint a proxy, please complete the form included with this Annual Report and submit it to the Company not less than 48 hours before the AGM. In order to be considered valid, the proxy form must have affixed to it a J$100 postage stamp. If the proxy is acting as attorney under a power of attorney, a certified copy of the power of attorney document should also be attached.

For joint shareholders, the proxy notice must be signed and submitted by the shareholder whose name appears first in the register of members of the Company.

If you have appointed a proxy, but circumstances change and you then decide to attend the AGM, instead of your proxy, you may do so without giving further notice to the Company.

Appointing an Authorised Corporate Representative for the AGM – Corporate Shareholders

A corporation that is a member of the Company may authorise a person to act as its representative at the AGM. The representative does not need to be a shareholder of the Company. The authorisation should be provided to the Company in the form of a certified copy of the resolution of the Board, power of attorney, or otherwise, not less than 48 hours before the AGM. The authorised corporate representative is then entitled attend and vote at the AGM in the usual way.

Notes on the Proposed Resolutions for the AGM

1. Audited Financial Statements and Annual Report

This agenda item provides for the presentation of the Company's Audited Financial Statements and Annual Report for the financial year ended 31 December 2017.

It is also intended to provide shareholders with the opportunity to raise questions on the Financial Statements and Reports, and on the performance of the Company in general.

2. Retirement and Re-election of Directors

In accordance with the Articles of Incorporation of the Company, at least 1/3 of the Board of Directors, or the number nearest 1/3, must retire from office prior to each AGM. This is done in accordance with good governance practice.

Retiring directors are eligible to put themselves up for re-election at the AGM. The detailed biographies for each Director are included the Annual Report and are also found on the Company's website (ironrockjamaica.com).

3. Directors' Remuneration

The Board seeks the customary authorisation to set the remuneration of the Directors inclusive of the executive and non-executive directors. It proposes to leave Directors' remuneration unchanged from 2017: see note 18 to the Financial Statements for details.

4. Re-Appointment of Auditors

In accordance with good governance practice, the auditors of the Company resign prior to the AGM, and, being eligible, have put themselves up for re-appointment. This resolution proposes to retain KPMG as the Company's auditor, as the Board considers that their service to the Company has been exemplary over the last two (2) financial years.

5. Remuneration of Auditors

This resolution provides the Board with the authority to negotiate the external auditors' service contract and to set their pay for services to the Company in the upcoming financial year.

6. Electronic Distribution of Audited Financial Statements and Annual Report

The Board wishes to improve efficiency and reduce some of the costs involved in the production of the Company's Audited Financial Statements and Annual Report.

The Companies Act requires the Notice of AGM to be sent to shareholders in hard copy (paper) format. The Board proposes to continue to send the Notice of AGM to the registered address of each shareholder of the Company, along with the Audited Financial Statements and the Annual Report on an electronic storage medium.

Chairman´s Message to Shareholders

On behalf of the Directors of IronRock Insurance Company Limited (IronRock), I am pleased to present the results for the twelve (12) months ended December 31, 2017 – a year of impressive progress for IronRock.

The strong foundation that we established in 2016, our first year of operation, by underwriting a solid and profitable portfolio of risks has served us well. Management has been able to build on this foundation and generate very strong growth in revenue, with Gross Written Premium Income growing by 233% to $424 million and our Net Earned Premium Income rising from $8 million to $78 million, an increase of over 900%!

This performance is even more remarkable given the fact that rates for Property insurance, which is our largest segment, fell by as much as 20% during the first nine (9) months of 2017, before recovering slightly in the fourth quarter.

As I stated last year, operational efficiency is at the core of IronRock´s business model and we continue to focus on extracting the efficiencies made possible by effectively utilising Information Technology and Systems. In particular, our software applications that automate many of the processes associated with the underwriting of Personal insurance, and which were developed in house, are contributing significantly to our operational efficiency. I am pleased to report, that despite our significant growth, our staff compliment only increased by two (2) to a total of twelve (12) staff members. Also of note, is the fact that we have already reduced our Gross Expense Ratio to 32% after only two (2) years of operation.

Our strong growth was achieved without sacrificing our underwriting and risk selection standards as evidenced by our Gross Loss Ratio (gross claims incurred / gross written premium) of 17%, which compares favourably to the 2016 market average of approximately 39%.

Investment management is an important area of our operation and our objective has been to establish and develop an investment portfolio that maximises returns, within an acceptable risk tolerance, and generates steady and predictable earnings. We are well on our way to meeting this objective as evidenced by our income yield on average Investments of 6% and our total return, including Gain on Sale of Investments, of 11%.

Despite the difficult conditions in the reinsurance market, we were able to negotiate renewal of our reinsurance program with limited price increases and we have secured appropriate capacity to meet our growth objectives for 2018. Our program continues to enjoy support from some of the largest and most financially secure reinsurers in the world. When the financial strength of our reinsurers is coupled with our strong capitalisation (MCT ratio of 665.9% at the end of 2017 – versus the FSC requirement of 250%). I can confidently state that we continue to provide unrivalled financial security to our policyholders.

Rates for Property Insurance are increasing in line with the increased cost of Catastrophe Reinsurance and this trend augers well for IronRock, however, interest rates continue to fall, and we forecast this trend to continue during the course of this year. So, whilst the outlook for 2018 is mixed, we are confident that IronRock´s performance will continue to improve.

The sense of energy, professionalism and commitment that our management and employees have displayed this year has been a key factor in our success and I thank them most sincerely for their efforts. I also wish to thank our clients, brokers and agents for their support during the year.

Hon. William A. McConnell
Chairman
IronRock Insurance Company Limited

Our **strong growth** was achieved without sacrificing our underwriting and risk selection standards...

Directors' Report

The Directors are pleased to submit herewith their Report together with the Audited Financial Statements of the Company for the year ended December 31, 2017.

The Directors hereby confirm that to the best of their knowledge the accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act.

Financial Highlights

(in thousands of Jamaican dollars)	2017	2016
Operating Results		
Gross written premium	424,462	127,346
Net written premium	128,403	46,530
Change in Unearned Premium Reserve, UPR (net)	(50,395)	(38,736)
Claims incurred (net)	(46,829)	(4,042)
Commission (net)	2,174	5,131
Operating expenses	(134,735)	(91,074)
Underwriting loss	(101,382)	(82,191)
Other income	53,520	31,872
Net loss	(47,862)	(50,319)
Shareholder equity & insurance reserves		
Shareholders' equity	512,339	560,179
Insurance contract provisions (Reserves)	303,392	84,095

Dividends

No dividends were announced or paid to shareholders of the Company in the financial year 2017.

Directors

In accordance with the Articles of Incorporation of the Company, at least 1/3 of the Board of Directors must retire from office prior to each Annual General Meeting. Directors William A. McConnell, Wayne Hardie and Anthony Bell are retiring this year and, being eligible, offer themselves for re-election by the shareholders.

Auditors

The Auditors, KPMG, must also retire from office prior to each Annual General Meeting and being eligible express their willingness to continue in office in accordance with Section 154 of the Companies Act. A resolution authorising their re-appointment and another resolution authorising the Directors to fix their remuneration for the coming financial year will also be presented at the Annual General Meeting.

DATED THIS
19th day of April 2018
BY ORDER OF THE BOARD

Anthony Bell
Company Secretary
IronRock Insurance Company Limited

Board Member Profiles

THE HON. WILLIAM A. MCCONNELL, O.J.
Chairman

Hon. William McConnell, OJ, a Chartered Accountant and a member of the Institute of Chartered Accountants of Jamaica, is the Chairman of the Company. He brings to the Board his business experience and financial acumen for which he is recognised in Jamaica. Mr. McConnell was conferred with the Order of Distinction with the rank of Commander for his services to Jamaica in the development of commerce and export and with the Order of Jamaica for distinguished leadership in business and the export industry as well an honorary Doctorate of Laws (LL.D.) by the University of the West Indies.

In 2011, Mr. McConnell retired as Managing Director of both Lascelles de Mercado & Co. Limited and Wray & Nephew Group Limited after 38 years of continuous service to that group. He was also formerly Chairman of Globe Insurance Company of Jamaica Limited until his retirement in 2011. He has served the Private Sector Organization of Jamaica as either Vice President or Honorary Secretary for more than 20 continuous years. His public service includes serving as a Director and later as Chairman of both the Petroleum Corporation of Jamaica and Petrojam Limited and as a Director of the Sugar Industry Authority.

R. E. D. THWAITES
Managing Director

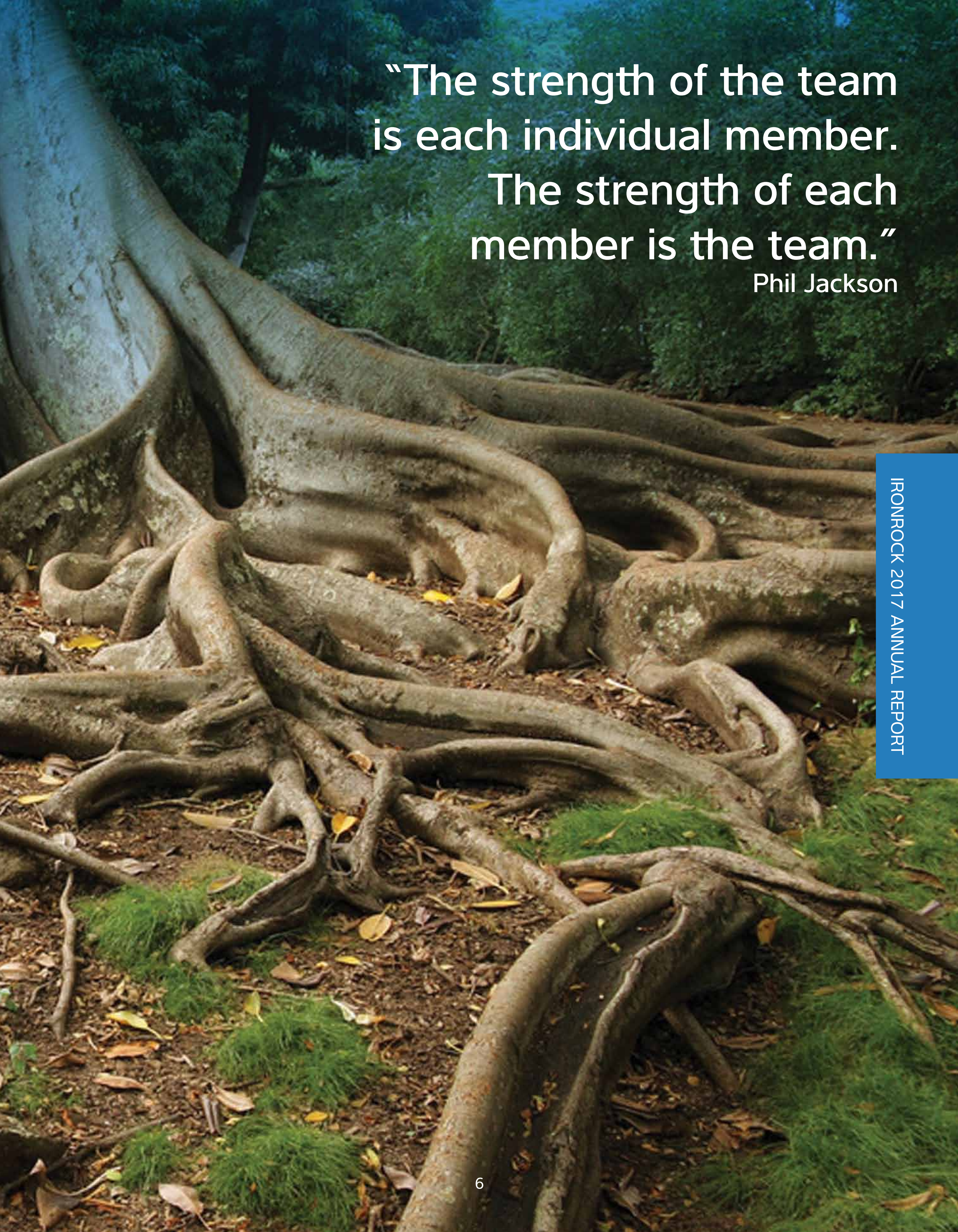
Evan Thwaites is a Chartered Insurer and an Associate of the Chartered Insurance Institute. As Managing Director of the Company he has primary oversight for the establishment of its operations and the execution of its strategic business plan, as well as regulatory compliance.

Mr. Thwaites was educated at Wolmer´s Boys´ School and completed management training courses in the U.S.A., the United Kingdom and Germany for the purposes of his professional development in the insurance and reinsurance industry. He spent over 30 years with Globe Insurance Company of Jamaica Ltd. (and its predecessor entity, Globe Insurance Company of the West Indies Ltd.), prior to its acquisition by Guardian Group, where he was Managing Director. He subsequently was a consultant and director, of Grace Kennedy Financial Services Ltd. and Jamaica International Insurance Company Ltd., respectively, prior to forming IronRock.

WAYNE N. T. HARDIE
Finance Director

Wayne Hardie is a member of the Association of Chartered Certified Accountants (ACCA) and a past member of the Association of Accounting Technicians (AAT). As the Finance Director of the Company he has responsibility for accounting and investment operations.

Mr. Hardie is a graduate of Calabar High School and received overseas training for the purposes of his professional development in the insurance industry in Canada. He spent nearly 30 years with Globe Insurance Company of Jamaica Ltd. (and its predecessor entity, Globe Insurance Company of the West Indies Ltd.), prior to its acquisition by Guardian Group, where he was Financial Controller. He subsequently joined Guardian General Insurance Company of Jamaica Limited where he was Associate Vice President, I.T., Risk and Compliance.



"The strength of the team is each individual member. The strength of each member is the team."

Phil Jackson

JAN POLACK

ANTHONY BELL

MATTHEW A. HOGARTH

Jan Polack is an independent non-executive director of the Company. She is currently the Chief Financial Officer of Caribbean Producers (Jamaica) Limited, where her primary focus is to oversee the financial and administrative operations and continued expansion, in which she plays an integral role. Ms. Jan Polack joined the CPJ as its Chief Financial Officer in the year 2006 and joined IronRock in January 2017 as Non-Executive Director.

Prior to these appointments Ms. Polack served as Financial Controller for over 16 years at various hotel chains across Jamaica, and is former Director of the Montego Bay Chamber of Commerce and Industry. Ms. Polack is a Certified Public Accountant (CPA) and holds a bachelor of Accounting from St. Leo's College, Florida.

Anthony Bell is an independent non-executive director of the Company and brings to the Board his experience in management gained at a senior level in many prominent local companies.

Mr. Bell is a graduate of Jamaica College and South West London College, and he has worked as an accountant and financial controller throughout his career. He served as Managing Director of J. Wray and Nephew Ltd. and Chief Financial Officer of Lascelles de Mercado group of companies for over 30 years, retiring in 2011. Mr. Bell is a current Director of Investment Nominees Limited, the Spirits Pool Association, First Caribbean International Bank (Jamaica) Limited and First Caribbean International Securities Limited as well as the Caribbean Molasses Corporation. He is also currently a trustee of the pension and superannuation schemes of Lascelles Henriques et al and Lascelles de Mercado (defined contribution fund).

Matthew A. Hogarth is an independent non-executive director of the Company. An attorney at law, Mr. Hogarth is a founder and partner of the firm WH&CO. He specializes in corporate and commercial law, and employment and conveyancing.

Mr. Hogarth is a member of the Jamaican Bar Association, the American Bar Association, the New York State Bar Association, the British Virgin Islands Bar Association, INSOL International (International Association of Restructuring, Insolvency and Bankruptcy Professionals) and the American Bankruptcy Institute.

Mr. Hogarth is a member of the Board of Directors of Carreras Limited where he serves on the company's Audit Committee and is a Sponsor Trustee of its superannuation (pension) fund. He also serves as a member of the Board of Directors of Century 21/ Heave-Ho Properties Limited, and is the legal counsel for the Listed Companies Committee of the Private Sector Organisation of Jamaica.

Executive Team

Maurice Bolt B.Sc. (Hons)
GM – Technology and Operations

Maurice is a graduate of Ardenne High School and the University of Technology where he completed a BSc (Hons) in Computing and Management. He has completed training courses with Boston University and Kellogg School of Management's Executive Development Programme and is currently pursuing his Master of Business Administration at the Mona School of Business. Maurice has over 20 years' experience in various aspects of systems design, development and implementation, skewed towards the re-engineering of business processes.

Prior to joining IronRock, he was the General Manager with responsibility for Technology and Systems at BCIC, where he spearheaded a successful project to design and develop Jamaica's first full service online insurance portal.

Prior to BCIC, as the Systems Manager of Globe Insurance, Maurice was the project lead on the development of the region's first insurance specific GIS systems, for which Globe Insurance received an international award in 2010. This led to another successful project, the development of iMap Jamaica through a partnership between Globe Insurance and the National Land Agency. He also currently serves on the Board of the Lacelles Employees & Partners Co-operative Credit Union.

CHRISTOPHER BERRY

Christopher Berry has been the Executive Chairman of Mayberry Investments Limited since 1993. He sits on several boards, Apex Health Care Associates Limited, Apex Pharmacy Limited, Lasco Financial Services Limited, and Caribbean Producers (Jamaica) Limited. He has over thirty years´ experience in the securities industry and has also served on the Board of the Jamaica Stock Exchange from 1993 to 2016.

GARY H. PEART

Gary H. Peart, has been the Chief Executive Officer of Mayberry Investments Limited since May 2005. He has over twenty years of corporate financial experience in the Jamaican financial industry, having worked in senior positions at leading financial institutions throughout his career. Mr. Peart also serves as the Deputy Chairman on the Board of the Jamaica Stock Exchange and is a Director on several other Boards; Lasco Financial Services Limited, Lasco Distributors Limited and the Jamaica Anti-Doping Commission.

W. DAVID MCCONNELL

W. David McConnell is Co-Managing Director and Co-Founder of Select Brands, a leading Wines & Spirits Company in Jamaica. Additionally, he has held the position of Managing Director of Sales and Marketing for J Wray and Nephew Limited and General Manager for their Export Division. As of November 2017 he was also elected Chairman of Supreme Ventures Limited.

Mr. McConnell has an MBA in Marketing Finance from the University of Miami and a Bachelors in Marketing and International Business from Florida International University.

Christian Watt ACII
GM – Marketing & Production

Christian Watt is a graduate of the University of the West Indies, holding a BSc in Mathematics. After graduating, Christian spent 6 years at Thwaites Finson Sharp (TFS) Insurance Brokers as a management trainee. There, he moved from Claims Handler, to Customer Service, to the Commercial Lines Division, and was ultimately promoted to Senior Corporate Broker – responsible for overseeing the international placement of insurance for large commercial clients. While at TFS, Christian became an Associate of the Chartered Insurance Institute in London and attained his Chartered Insurer status.

Christian subsequently moved to ICWI in the position of Broker Services Executive, where he focused on underwriting and business development. He spent 6 years at ICWI, spending the last 2 of those years in Trinidad & Tobago as Underwriting & Business Development Manager, where he helped introduce ICWI to the Trinidad market.

In January 2017, Christian returned to Jamaica and joined the IronRock team as the General Manager of Marketing & Production. Christian is currently responsible for marketing, advertising, sales and distribution channels.

Corporate Governance

The Board of Directors

The Board of Directors (the Board) is responsible for ensuring IronRock's long-term prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its stakeholders

Board meetings are held quarterly, with a fifth meeting usually held in March to approve Audited Financial Statements and other reports that must be filed with the Jamaica Stock Exchange (JSE) and the Financial Services Commission (FSC).

The role of the Board includes the responsibility to:

1. establish IronRock's vision, mission and strategic goals;
2. guide the Company's operations as well as its risk control and accountability framework;
3. appoint the Managing Director and review his or her performance;
4. determine strategic options, select those to be pursued, and decide the means to implement and support them;
5. adopt Company policies and ensure that they are effectively implemented;
6. delegate authority to management, and evaluate management performance;
7. ensure adequate resources are available for strategic initiatives and that they are managed effectively;
8. approve future plans and review past performance; and
9. establish the values to be promoted throughout the Company and work to enhance IronRock's public image.

Executive Directors

These are Directors who are employed by the Company and are normally responsible for aspects of the Company's day to day operations.

The term 'non-executive' is therefore understood to describe a Director who is not employed by the Company, nor responsible for its day to day operation.

'Independence'

The term 'independence' is defined by the Private Sector Organisation of Jamaica (PSOJ) as the absence of undue influence and bias which can be affected by the intensity of the relationship between the Director and the Company.

Independent Non-Executive Directors

These are Directors who are free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interest of the entity and its shareholders generally.

As of 31 December 2017, the following Directors on the Board of IronRock were deemed to be Independent Non-Executive Directors:

1. Matthew Hogarth;
2. Anthony Bell; and
3. Jan Polack.

Board Committees

The Board has established several Board Committees, to conduct more in-depth assessments of the different areas of interest to the Board. These Committees then report their findings at each Board meeting to assist the Board in its role.

Board Committees that met in 2017 are as follows:

1. Audit Committee
2. Corporate Governance Committee
3. Investment Committee

Each of these Committees are comprised of a majority of Independent Non-Executive Directors. This is to minimise the potential for conflicts of interest to arise and maximise stakeholder protection.

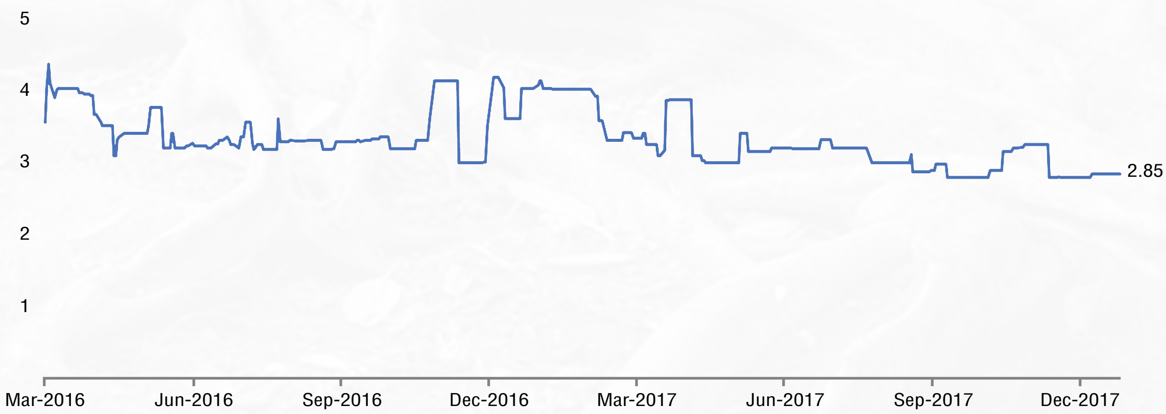
Name of Director	Meeting of the Board of Directors	Committee Meetings		
		Audit	Corporate Governance	Investment
William A. McConnell	4 of 5	n/a	n/a	n/a
Evan Thwaites	5 of 5	5 of 5	4 of 4	4 of 4
Wayne Hardie	5 of 5	n/a	n/a	n/a
Anthony Bell	5 of 5	5 of 5	4 of 4	4 of 4
Matthew Hogarth	4 of 5	5 of 5	4 of 4	4 of 4
Christopher Berry	2 of 5	n/a	n/a	n/a
Jan Polack	4 of 5	4 of 5	3 of 4	3 of 4
David McConnell	3 of 5	n/a	n/a	n/a
Gary Peart	4 of 5	n/a	n/a	n/a

Financial Highlights

As at or for the year ended 31 December (in thousands of Jamaican dollars – except for per share data, ratios and employees)	2017	2016
Income statement data		
Gross written premium	424,462	127,346
Underwriting loss	(101,382)	(82,191)
Net loss	(47,862)	(50,319)
Earnings (loss) per share [(a)]	$ (0.22)	$ (0.23)
Balance sheet data		
Total assets	937,765	679,025
Insurance contract provisions (Reserves)	303,392	84,095
Shareholders´ equity	512,339	560,179
Shareholders´ equity per share [(a)]	$ 2.39	$ 2.62
Selected ratios		
Minimum Capital Test (MCT) Ratio	665.9%	884%
Gross Expense ratio [(b)]	32%	72%
Gross Loss ratio [(c)]	17%	5%
Net Combined ratio [(d)]	230%	1155%
Market data		
Closing share price [(e)]	$ 2.85	$ 3.99
Shares outstanding [(f)]	214,000	214,000
Market capitalisation	609,900	853,860
Employees	12	10

(a) Calculated using the weighted average number of shares outstanding in each respective period.
(b) Calculated as the ratio of the total of operating expenses to gross written premium.
(c) Calculated as the ratio of gross claims incurred to gross written premium.
(d) Calculated as the ratio of the sum of operating expenses, net commissions and net claims incurred to net earned premium.
(e) Jamaica Stock Exchange closing price for ROC as at 29/12/2017.
(f) Expressed in thousands of share units.

IronRock (ROC) – Share Price
(Closing Price – quoted by JSE)



Management's Discussion & Analysis

While the Iron is Hot

As the first Jamaican insurer established in the last 25 years, IronRock has prioirtised growth and internal efficiency. Management has spent the first two years of operation laying a solid foundation on which the Company can create future value for all of its stakeholders.

In 2017, IronRock enjoyed another year of unrivalled growth and improved efficiency. Gross Written Premium grew by 233%, to $424 million, compared with a relatively modest 48% increase in Operating Expenses, to $135 million.

Honouring its commitment to policyholders, IronRock paid a total of $52 million in claims in 2017, and built insurance reserves to $303 million, from $84 million in 2016.

As anticipated, IronRock has had to sacrifice short-term earnings for revenue growth and for the creation of adequate insurance reserves. Looking ahead to 2018, management expects another year of strong growth, followed in the coming years by the fruition of the value IronRock was established to create.

Performance Highlights

Market conditions in 2017 were less than favourable. Property rates fell by as much as 20% in the first nine months of the year, and there was intense competition across most classes of insurance.

Despite these headwinds, IronRock grew its Gross Written Premium by 233% to $424 million, comfortably surpassing the IPO Prospectus' target of $415 million for 2017.

Even more promising, is that premium growth began to accelerate significantly towards the end of the year. In the fourth quarter alone, Gross Written Premium grew by 65%, adding $167 million – almost as much as the first two quarters of the year combined.

With Property rates anticipated to increase throughout the market in 2018, management expects to sustain the current topline growth momentum well into this year – although ultimately, we anticipate lower year-on-year growth at the end of 2018.

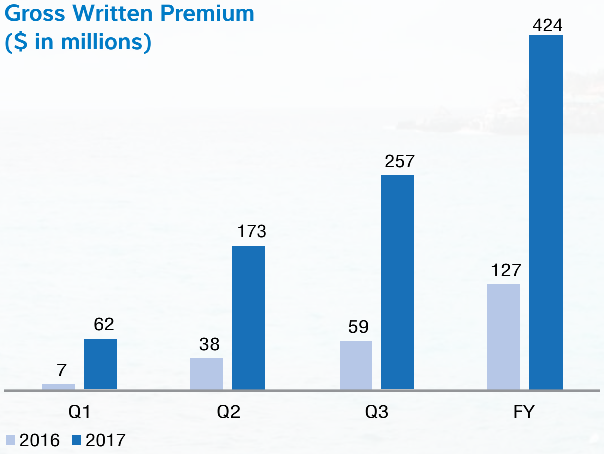
Growth in Net Earned Premium – the retained and earned portion of Gross Written Premium – was even more substantial. In 2017, Net Earned Premium grew by an extraordinary 901% to $78 million, from $8 million at the end of 2016.
The striking difference between the growth in Gross Written Premium and Net Earned Premium is explained by growth in the Company's insurance reserves, and, in particular, the Unearned Premium Reserve (UPR).

The UPR is the portion of an insurer's gross premiums that is unearned at the end of a fiscal year. Therefore, when gross premium increases, the UPR increases as well.

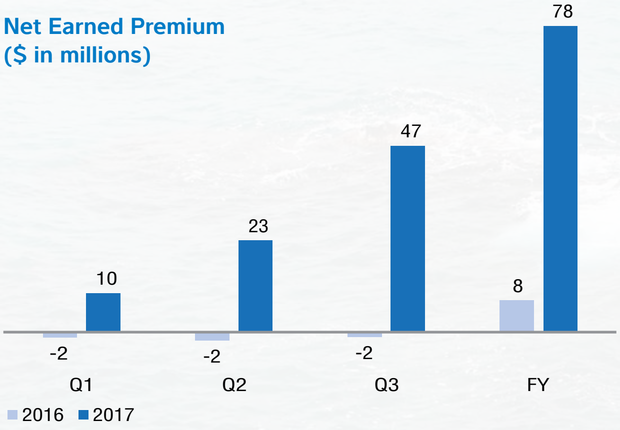
An increase in the UPR is transferred to the Income Statement as a negative figure – directly reducing profit. Therefore, when an insurer like IronRock experiences extraordinary levels of growth, the year-on-year change in the UPR reduces its profitability.

As IronRock moves away from the rapid growth phase of our strategy, the size of the increase in the UPR will decline, and the effect of the UPR in the Income Statement will diminish – thus benefiting future earnings.

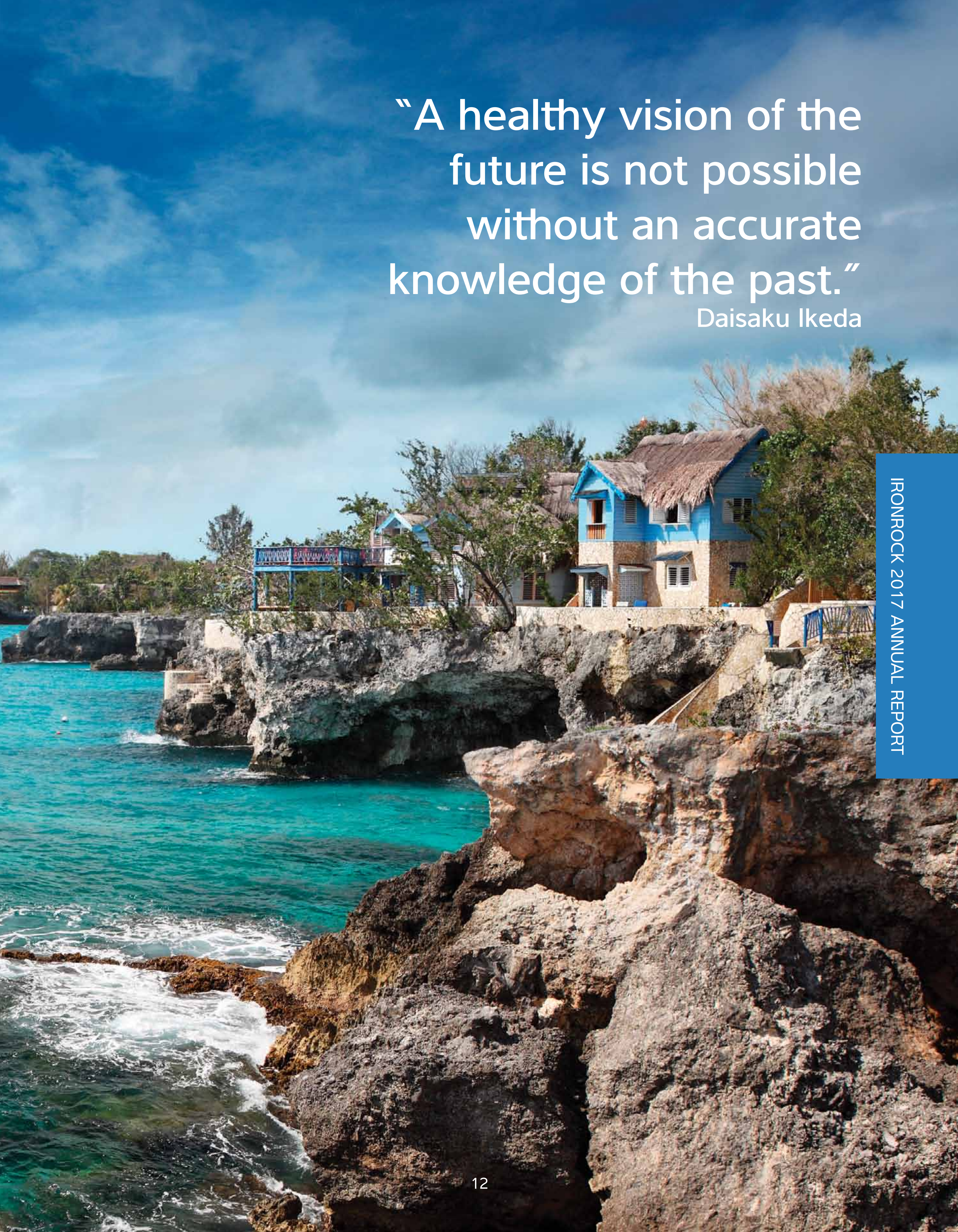
Gross Written Premium ($ in millions)



Net Earned Premium ($ in millions)



Figures shown are YTD (Year to Date).
Q1-Q3 results are unaudited. FY (Fiscal Year) results are audited.



"A healthy vision of the future is not possible without an accurate knowledge of the past."
Daisaku Ikeda

Operational efficiency is a core priority at IronRock, and management is constantly identifying new ways to leverage technology to build more efficient processes that reduce costs.

In 2017 we began installing key software links between our primary internal systems – automating unnecessary manual accounts work and expediting our claims payment process.

These efficiencies, along with impressive revenue growth, have helped drive IronRock´s Gross Operating Expense Ratio down to 32%, from 72% in 2016.

Management will continue to invest time and resources into automating processes and internally developing applications and models that will enable us to offer superior insurance products and services to Jamaicans.

At the heart of IronRock´s strategy is the idea that if we can underwrite a pool of superior risks, we can reduce our portfolio´s overall losses, drive down insurance costs for our clients, and handle policyholders´ claims more efficiently.

In 2017 we made great progress towards realising this vision. Gross Claims Incurred – which includes reserves for claims that are unsettled or unreported – was only 17% of Gross Written Premium.

It is also encouraging to see that the Gross Loss Ratio remained consistent throughout the year – even trending slightly lower towards the end of the year.

Together, the Loss Ratio and Expense Ratio provide a measure of the quality of an insurer´s risk selection and pricing (underwriting) as well as its operational efficiency (management).

It should be noted that management has selected ´gross´ ratios for the purpose of analysing the Loss Ratio and Expense Ratio in isolation. At the gross level, these ratios reflect the health of the overall portfolio – not accounting for reinsurance arrangements.

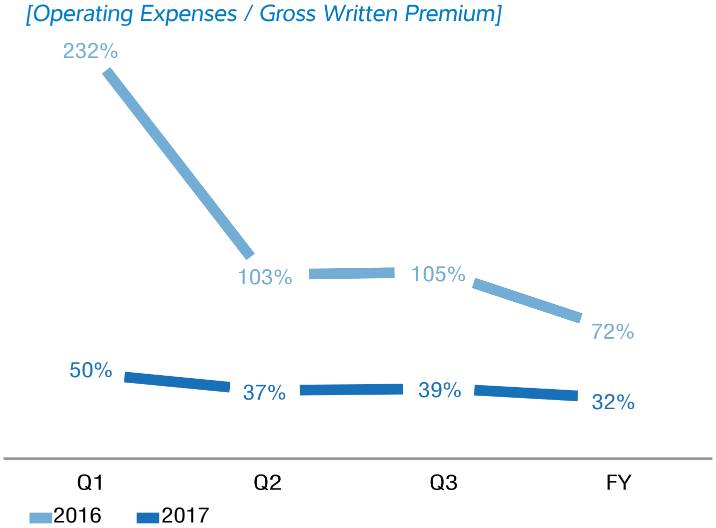
However, when portraying the overall performance of the Company, management has selected a ´net´ measure. ´Net´ ratios account for reinsurance arrangements and contributions to insurance reserves, and therefore more truly reflect the performance of the Company

At the end of 2017, IronRock measured its lowest Net Combined Ratio since it began operations – 230%.

Management will continue to test how low we can drive these ratios, ultimately shaping IronRock into the most dependable and profitable insurer in the market.

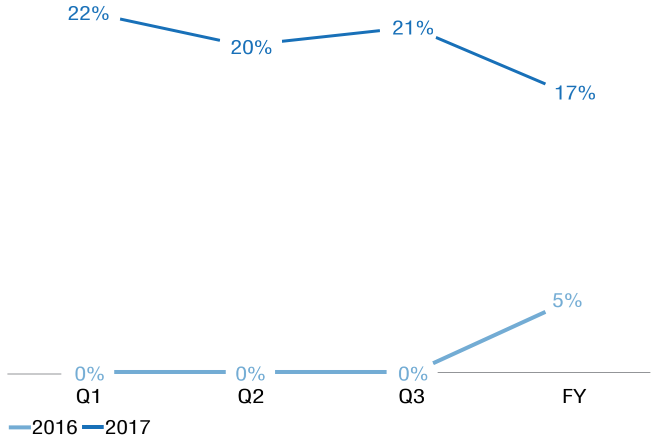
Gross Expense Ratio

[Operating Expenses / Gross Written Premium]



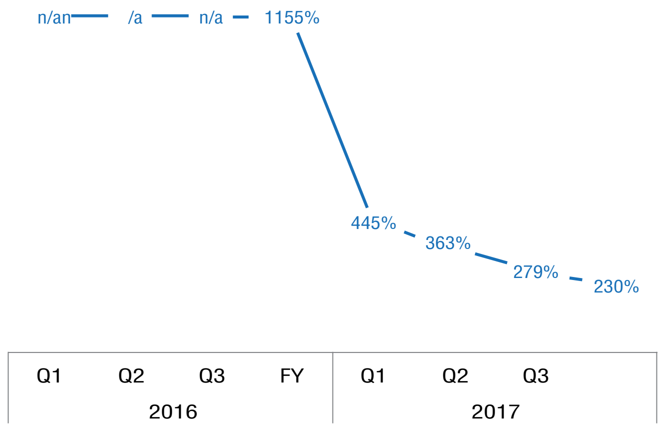
Gross Loss Ratio

[Gross Claims incurred / Gross Written Premium]



Net Combined Ratio

[(Operating Expenses + Net Commission + Net Claims) / Net Earned Premium]



All ratios are calculated using YTD (Year to Date) figures. Q1-Q3 results are unaudited. FY (Fiscal Year) results are audited.

Strategic Direction

To build a healthy insurance portfolio, an insurer needs to be prudent in its risk selection and seek diversity in those risks.

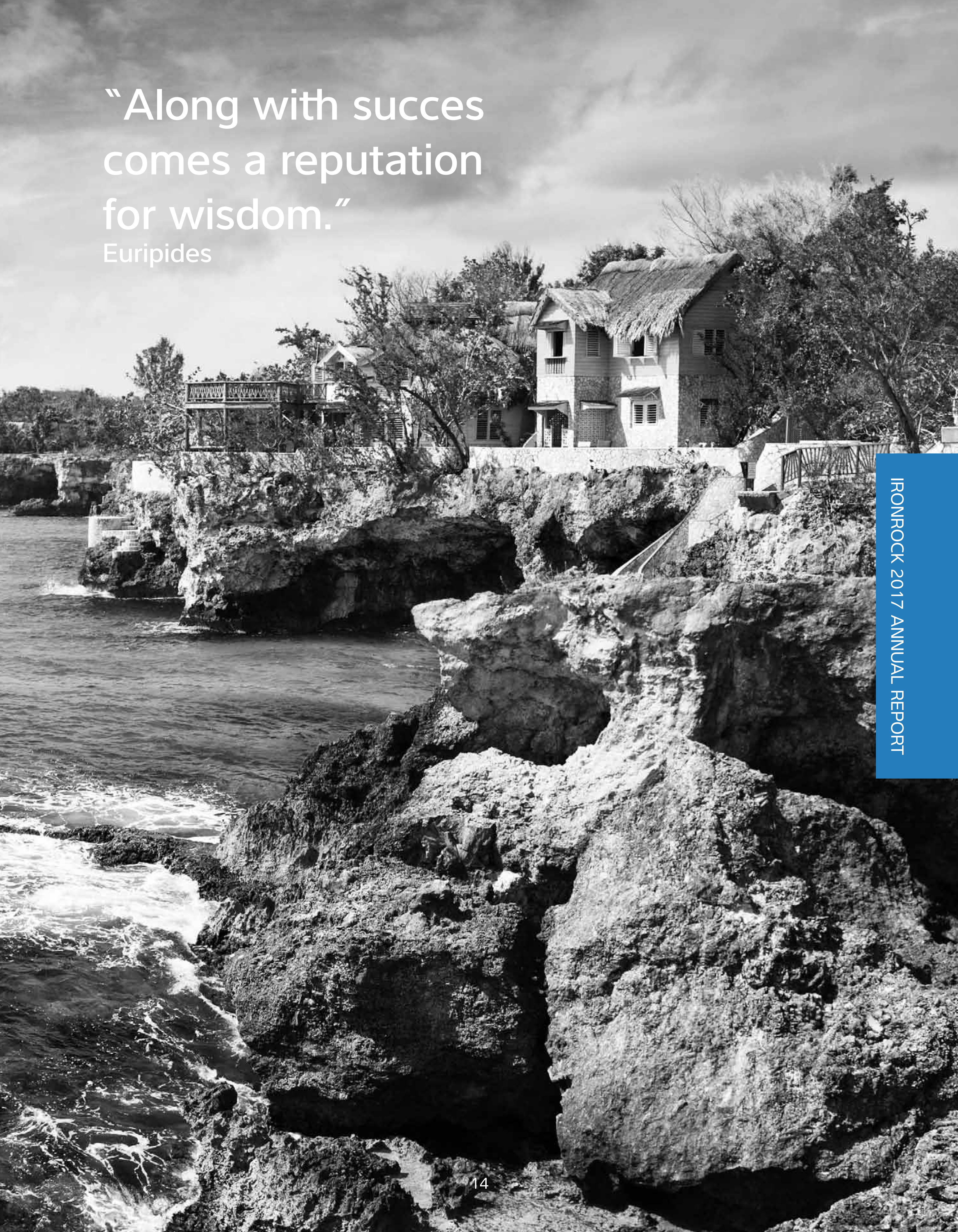
By accumulating different classes of risk (i.e. Property, Marine, Motor, etc.) and selecting risks across different industries and geographical locations, an insurer can evenly spread its risk exposure to reduce the financial impact of any one event, or loss.

Over the course of 2017, IronRock wrote fifty different policy types, across all six classes of general insurance, in all fourteen parishes. After only two years of operations IronRock has successfully built a broad and level platform for future growth.

In 2017, Insurance brokerages contributed 87% of the Company´s Gross Written Premium, and in 2018 the Company will devote more attention to developing and fostering healthy and mutually beneficial relationships with our brokers throughout Jamaica.

Direct clients and agents contributed the remaining 13% of premium – helping to diversify our distribution model.

Independent Sales Representatives were introduced at the start of 2017 to broaden the Company´s product distribution channels and assist management in creating a more geographically diversified personal lines portfolio. Several sales representatives were introduced across the island – covering Kingston, Montego Bay,



"Along with succes comes a reputation for wisdom."
Euripides

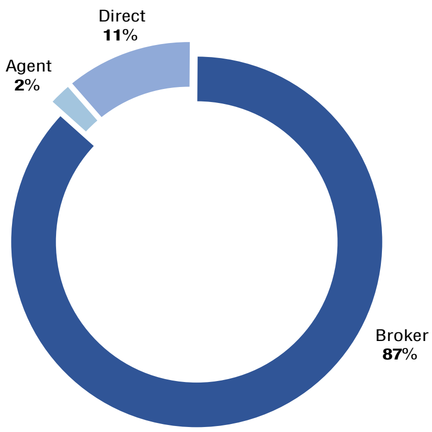
Ocho Rios and Mandeville – and by the end of 2017, sales representatives contributed roughly $9m to IronRock's revenue.

Direct clients provide the opportunity for the Company to interact personally with our policyholders and this allows management to directly gauge consumer sentiment and product reception. In 2017 management committed additional resources to increase personal engagement with these clients and provide a more attentive service.

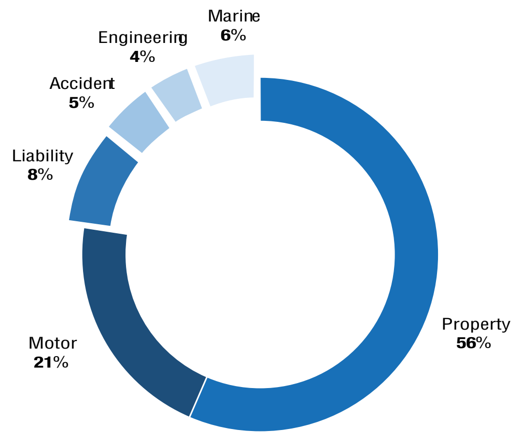
Relative to the rest of the general insurance market, at the end of 2017 IronRock's insurance portfolio was underweight in Motor Gross Written Premium – with the percentage difference proportionally shared across all other lines of insurance written by the Company.
This difference reflects both the Company's careful approach to Motor underwriting, and strategic management decision making.

The insurance industry's collective Motor Loss Ratio (Gross Claims Incurred divided by Gross Written Premium) taken from the seventh edition of the IAJ Yearbook (published October 2017), was 57%, compared with IronRock's Motor Loss Ratio for 2017 of 36%. Management will work diligently to keep this ratio down while the Company looks to expand further into the Motor insurance market. Motor insurance is also the most administratively burdensome class of insurance to underwrite, and initially, management made the decision to prioritise operational cost control over short-term Motor premium growth.
IronRock is currently developing more efficient internal systems and processes that will allow for more profitable and sustainable growth in the Company's Motor portfolio. Management's medium- to long-term expectation is that IronRock will be able to underwrite a substantially larger Motor portfolio with little additional administrative staff costs.

Gross Written Premium – by Source
(as at 31/12/2017)



Gross Written Premium – by Class
(as at 31/12/2017)



For 2018, management will focus on sustaining a diverse risk portfolio as the Company's revenue continues to grow, and we will look to preemptively address any potential risk concentrations through our short-term underwriting strategy and by working closely with our reinsurers.

Capital Management

Building an insurance company from the ground up requires an initial sacrifice of capital for the creation of foundational insurance reserves (listed in the Statement of Financial Position as "Insurance contract provisions").

These reserves, help to protect the Company's capital from the risk of significant and unexpected losses arising from the newly acquired policies (i.e. insured risks).

At the end of its first two years in operation, IronRock has penned an encouraging narrative – building $325 million worth of insurance reserves, in exchange for a sacrifice of $84 million in shareholder equity.

Once an insurer has effectively established adequate reserves to protect itself from claims related to its newly acquired policies, it can begin to recognise financial profits from this revenue growth and start adding value to shareholder equity.

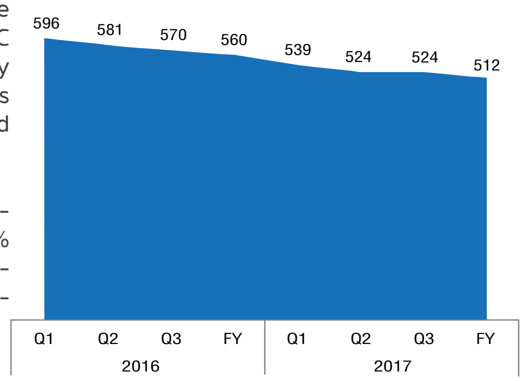
IronRock has not yet reached this inflection point – as management has budgeted for another year of significant revenue growth in 2018. But IronRock is fast approaching this point, and management will work to direct the evolution of the Company's strategy to maximise long-term stakeholder value.

An essential catalyst for this value creation will be how IronRock employs its reserves.
Although insurance reserves are not formally linked to investment assets in an insurer's accounts, the accounting standards that create insurance reserves, together with the FSC imposed Minimum Capital Test, effectively compel insurers to invest an amount that is at least equivalent to their reserves into liquid assets.

At the end of 2017, IronRock had $469 million invested and earned a total return of 11% on the average of its period opening and ending Investments – 6% attributable to Investment Income, and 5% to Capital Gains.

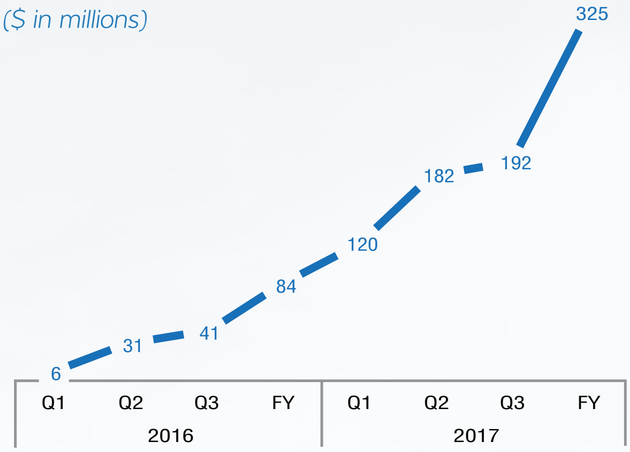
At the time of writing, management anticipates the Company will earn lower rates of Investment return as interest rates continue to fall across the Jamaican market. However, we expect nominal Investment Income to grow as declining rates of portfolio return are offset by the growth in the investment portfolio itself.

Shareholders' Equity
($ in millions)



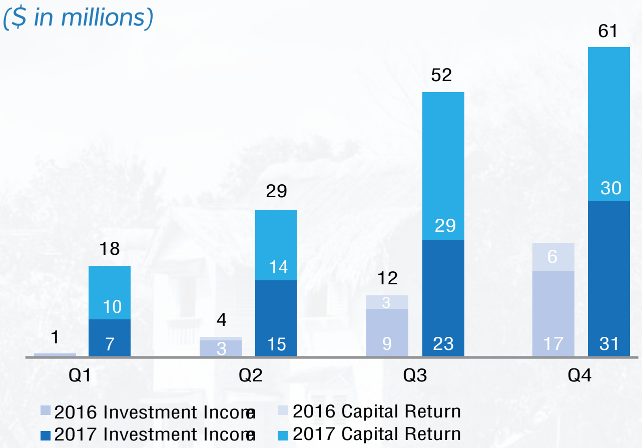
IronRock has penned an encouraging narrative – building **$325 million** worth of insurance reserves..

Reserves *(Insurance Contract Provisions)*
($ in millions)



Figures are as at each financial period end.
Q1-Q3 results are unaudited. FY (Fiscal Year) results are audited.

Total Investment Return
($ in millions)



Q1-Q3 results are unaudited. FY (Fiscal Year) results are audited. Figures include both recognised and unrecognised capital gains and are rounded to the nearest million – therefore some totals do not add up.

Solid Foundation for Growth

In review, 2017 was a successful second year for IronRock.

Revenue growth outperformed the targets laid out in the Company's IPO Prospectus, while the Company's performance ratios, that gauge the health of this growth, have continued to improve.

Shareholder equity began to achieve stability towards the end of the year, insurance reserves grew almost four-fold during the year and investments returned a total of $61 million, representing an 11% rate of return.

A strong foundation has been laid for the Company's future, and in 2018 management will continue to target high levels of premium growth, without sacrificing core underwriting principles and standards.

The management team has achieved much over the past two years and we are very proud of this. With the expected increase in Property rates, and our momentum from the end of 2017, we are confident that we will enjoy another impressive year in 2018.

Risk Management

How IronRock Manages Risk

Here at IronRock we understand the term "Risk Management" to mean the continual process of identifying, analysing, prioritising, and, accepting, mitigating or avoiding the uncertainty in the decisions we make.
Insurance is founded on the concept of risk, and IronRock's ability to manage its risk exposure will ultimately define its success as an insurance company.

Risk is prevalent throughout all of our lives. Even if we are sure something is inevitable, we cannot know the exact time it will take place, nor the exact circumstances surrounding the event. It is therefore impossible for us to eliminate all the risks we face, and new risks will always emerge.

This is why at IronRock we define risk management as a continual process.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of the Company experiencing a direct or indirect loss arising from inadequate internal processes, personnel, or systems, or from external events – other than financial or compliance risks.

To control these risks, management implements processes and systems that reduce the Company's overall exposure, while continuing to foster a dynamic and innovative workplace for our employees.

Senior managers in each department are responsible for developing and applying operational controls within their remit. It is then the responsibility of the Audit Committee to ensure each department's compliance with the relevant internal control procedures – typically through the use of internal auditors.

The two operational risks most relevant to IronRock are discussed below.

Insurance Risk Management

Insurance is a risk management tool used by individuals and organisations to transfer their risk exposure to an insurer for a premium. The insurers themselves are therefore naturally exposed to risk.
Insurers manage their risk exposure by pooling a diverse set of risks. However, risk can still arise when an insurer determines:

- how to rate a proposed risk (Underwriting Risk);

- if its reinsurance treaties are adequate (Reinsurance Risk); and

- if its current insurance reserves are sufficient to cover future claims (Claims Risk).

Management's insurance risk management approach is therefore focused on continually working to reduce IronRock's exposure to these risks.

In particular, IronRock is committed to:

1. hiring and maintaining an experienced and competent senior management team – and a competent, efficient and diligent workforce in general;

2. underwriting a diversified portfolio of risks – consistent with IronRock's long-term underwriting strategy;

3. working closely with our reinsurers to provide the highest standard of security to our policyholders;

4. building and maintaining sufficient insurance reserves to cover future claims; and

5. staying current on disclosures and advancements in the global insurance industry.

Information Technology (IT) Risk Management

IT risk is the risk of financial loss, disruption or damage to the reputation of the Company owing to a failure of its information technology systems.

This could arise from physical damage to IT hardware, as well as intangible software damage due to system failures or malicious theft or corruption of internal data.

Globally, IT risks have gathered increased attention from legislators. The Government of Jamaica has already passed the Cybercrimes Act (2010) and is currently debating the Data Protection Act, which will enforce stronger statutory requirements on companies to control IT risk.

To ensure we offer our stakeholders the highest level of protection, IronRock has implemented an exhaustive IT policy which covers, among other areas of control, the following:

(1) Acceptable Use
(2) Backup and Security
(3) Data Management
(4) Security Monitoring
(5) Incident Management
(6) Network Configuration
(7) Network Access Security
(8) Mobile Devices
(9) Passwords
(10) Physical Security
(11) Server Hardening
(12) Virus Protection

COMPLIANCE RISK MANAGEMENT

Compliance risk is the threat posed to a company's operational, financial or reputational standing resulting from the violations of laws, or statutory regulations.

Being an insurance company, as well as a public company, IronRock is regulated by both the Financial Services Commission (FSC) and the Jamaica Stock Exchange (JSE).

In operating under such a heavy regulatory burden, management promotes the view that these additional regulations serve as a prudent extension to our own internal controls.

IronRock actively encourages and facilitates open dialogue with our regulators, with the intention of building healthy and lasting relationships for the benefit of all our stakeholders.

FSC Regulations

The FSC states that its purpose, relating to the supervision of general insurance companies, is to protect the interests of policyholders.

Direct supervision of the insurance industry is performed by the Insurance Division of the Commission, to ensure that:

1. solvency standards for all entities ensure policyholder protection;
2. the relationships between insurers and their holding company, subsidiaries and/or associated companies are in accordance with legislation;
3. regulators have access to information; and
4. industry players practice sound corporate governance, as they owe a duty of care to their clients and claimants.

An area of key concern for the FSC and insurers alike, is the Minimum Capital Test (MCT) – intended to assess the riskiness of an insurer's assets and policy liabilities by applying various factors and margins, ultimately comparing capital available to capital required.

As at 31 December 2017 IronRock's MCT Ratio was 665.9%, compared to the FSC required ratio of 250%.

JSE Regulations

The JSE reserves the right to, in its absolute discretion, delist or suspend trading of any listed company for failure to comply with all applicable rules and guidelines – which for IronRock are set out in the publicly available JSE Junior Market Rules.

Accordingly, and to protect the interests of our shareholders, IronRock strictly adheres to the JSE Junior Market Rules regarding disclosures, reporting, insider trading, related party transactions and corporate governance.

Note - the delisting of a company does not negate the value of its issued shares. However, when a company is delisted, it can make the buying and selling its shares significantly more difficult.

FINANCIAL RISK MANAGEMENT

Financial risk is the risk of the Company incurring a financial loss that could impair its ability to earn an adequate return or finance its debt.

Changes in the global political, social and economic spheres, all significantly impact financial risk. While this section outlines the major types of financial risk IronRock is exposed to, it is important to understand that financial risk is globally systematic and intersects with all other types of risk.

Financial risk management at IronRock is a comprehensive process that involves:

1. the Board of Directors, who establish and review the Company's financial risk management framework;
2. the Audit Committee, who asses the adequacy and appropriateness of the risk management framework and monitor internal compliance;
3. the Managing Director and Finance Director, who together develop and implement financial risk management policies, and regularly report to the Board;
4. the Investment Committee, who establish and review controls relating to the investment of the Company's assets; and
5. the FSC, who impose limits on how insurers can invest their capital.

Credit Risk Management

Credit risk is the risk of the Company incurring a financial loss, if a counterparty fails to make contractually required payments.

IronRock's key areas of exposure to credit risk include:

1. debt securities;
2. premiums due from policyholders and intermediaries; and
3. payments owed from reinsurers.

Management controls the Company's credit risk in respect of debt securities by placing limits on its exposure to any single counterparty – based on the credit rating of that counterparty. IronRock also has a policy of investing in only high quality corporate bonds and government issued debt contracts.

IronRock's credit risk exposure to individual policy holders and intermediaries is monitored as part of the Company's credit control process. Analysis is regularly conducted to identify significant exposures to individual policyholders or intermediaries and the relevant action is taken to mitigate the risk posed to the Company.

In addition, all intermediaries must meet minimum financial requirements established and enforced by senior management. Our historical credit experience with intermediaries is also documented and monitored on a regular basis.

The credit worthiness of all current and prospective reinsurers is assessed directly by senior management through the review of A.M. Best and Standard & Poor's credit ratings, as well as any other publicly available information.

As a policy, IronRock only arranges contracts with re-insurers rated "A" or higher, by both A.M. Best and Standard & Poor's.

Further enquiry and vetting is performed by our reinsurance broker, Guy Carpenter, whose international presence and extensive relationships with reinsurers across the globe allow them to provide insights otherwise unavailable to the public.

We also seek to maintain diversity in our reinsurance arrangements, preferring to place contracts with reinsurers based in different markets around the world, while limiting our per risk and per event exposure to any one reinsurer.

Liquidity Risk Management

Liquidity risk is the risk that the Company will not be able to meet its short-term financial obligations, due to difficulties in converting its assets into cash.

Insurers are exposed to daily calls on their available cash resources, mainly arising from policyholder claims. Liquidity risk may arise from many potential areas, such as a duration mismatch between assets and liabilities and an unexpectedly high level of claims in a given period.

IronRock's approach to managing liquidity is to manage the maturity profile of the Company's fixed income portfolio and to ensure, as far as possible, that it maintains sufficient investments in marketable securities. This enables the Company to meet its liabilities when due, under both normal and stressful conditions – without incurring unacceptable losses or risking damage to its reputation.

Financial Market Risk Management

Financial market risk is the risk that the Company will suffer losses due to the overall performance of local or international financial markets.

IronRock is exposed to market risk on all of its financial assets. The objective of IronRock's financial market risk management strategy is therefore to manage and control exposures within acceptable parameters, while optimising the Company's investment return on risk.
IronRock's exposure to financial market risk can be understood through three major areas:

1. Equity Investment Risk;
2. Interest Rate Risk; and
3. Foreign Exchange Risk.

1. Equity Investment Risks

Equity investment risk is the financial risk involved in holding equity in a particular investment.

IronRock manages this risk by ensuring the mix of debt and equity securities in its portfolio are constantly managed and adjusted according to market expectations. The primary goal of the Company's investment strategy is to earn the maximum return at the lowest acceptable level of risk.

2. Interest Rate Risk

Interest rate risk arises primarily from IronRock's choice of debt security investments. IronRock manages its interest rate risk exposure by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

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

3. Foreign Exchange Risk

Foreign exchange risk describes the potential for the market value of financial instruments, or the value of the cash flows from such instruments, to vary due to exchange rate fluctuations.

IronRock incurs foreign currency risk on insurance and reinsurance contracts and investments that are denominated in any currency other than the Jamaican dollar. Currently, the principal foreign currency risk of the Company, are contracts and investments denominated in United States dollars.

Management controls this risk by, where possible, matching the value of its assets and liabilities denominated in a given currency, so that any movement in the exchange rate is offset, effectively hedging the Company's position.

Disclosure of Shareholdings

Shareholdings of Top Ten Shareholders

Shareholders	Shares Held (Connected Parties)	Total # of Shares Held	% of Issued Shares
1. Granite Group Limited		109,000,000	50.93%
2. Mayberry West Indies Limited		46,829,672	21.88%
3. Catherine Adella Peart		7,000,000	3.27%
4. Sharon Harvey-Wilson	1,563,360	3,768,339	1.76%
Jeremy Wilson	*(2,204,979)*		
5. Michael Fraser / Paulette Fraser		3,333,000	1.56%
6. Michelle A. Myers Mayne		3,000,000	1.40%
7. PWL Bamboo Holdings Limited		2,938,287	1.37%
8. William D. McConnell		2,420,000	1.13%
Tania McConnell / Leah McConnell	*(808,000)*		
Tania McConnell / David McConnell	*(806,000)*		
Tania McConnell / William D. McConnell	*(806,000)*		
9. Stafford Burrowes / Marilyn Burrowes		2,000,000	0.93%
10. Apex Pharmacy		1,989,266	0.93%
Total		**182,278,564**	**85.18%**
Remaining		**31,721,436**	**14.82%**
Total Issued Shares		**214,000,000**	**100.00%**

Shareholdings of Directors and Senior Officers (and connected parties)

	Shares Held (Connected Parties)	Total # of Shares Held	% of Issued Shares
Directors			
Richard Evan Thwaites	1,500,000	110,500,000	51.64%
(Granite Group Limited – connected company)	109,000,000		
William A. McConnell	Nil	109,000,000	50.93%
(Granite Group Limited – connected company)	*109,000,000*		
Wayne N. Hardie	1,025,777	1,025,777	0.48%
Anthony Bell	Nil	300,000	0.14%
(Jean Bell – connected person)	*300,000*		
Mathew Hogarth	Nil	Nil	0.00%
William D. McConnell	Nil	2,420,000	1.13%
(Tania McConnell / Leah McConnell – connected person)	*(808,000)*		
(Tania McConnell / David McConnell – connected person)	*(806,000)*		
(Tania McConnell / William D. McConnell – connected person)	*(806,000)*		
Christopher Berry	Nil	51,757,225	24.19%
(Mayberry West Indies Limited – connected company)	*46,829,672*		
(Apex Pharmacy – connected company)	*1,989,266*		
(PWL Bamboo Holdings – connected company)	*2,938,287*		
Gary Peart	Nil	53,829,672	25.15%
(Mayberry West Indies Limited – connected company)	*46,829,672*		
(Catherine Peart – connected person)	*7,000,000*		
Jan Polack	Nil	Nil	0.00%
Senior Officers			
Yvonne Daley	250,000	250,000	0.12%
Maurice Bolt	200,000	200,000	0.09%
Christian Watt	1,000	1,000	0.00%

Company Directory

BOARD OF DIRECTORS

- **The Hon. William A. McConnell, O.J.**
  Chairman
- **R. E. D. Thwaites**
  Managing Director
- **Wayne N. T. Hardie**
  Finance Director
- **Anthony J. A. Bell, J.P.**
  Independent Non-Executive Director
- **Matthew A. Hogarth**
  Independent Non-Executive Director
- **Christopher Berry**
  Non-Executive Director
- **Jan Polack**
  Independent Non-Executive Director
- **W. David McConnell**
  Non-Executive Director
- **Gary Peart**
  Non-Executive Director

AUDIT COMMITTEE

Anthony J. A. Bell.
Jan Polack
Matthew Hogarth
R. E. D. Thwaites

CORPORATE GOVERNANCE COMMITTEE

Anthony J. A. Bell
Jan Polack
Matthew Hogarth
R. E. D. Thwaites

INVESTMENT COMMITTEE

Anthony J. A. Bell
Jan Polack
Matthew Hogarth
R. E. D. Thwaites

COMPENSATION COMMITTEE

William A. McConnell
Anthony J. A. Bell
Matthew Hogarth

EXECUTIVE TEAM

- **R. E. D. Thwaites**
  Managing Director
- **Wayne N. T. Hardie**
  Finance Director
- **Christian Watt**
  GM – Marketing & Production
- **Maurice Bolt**
  GM – Technology & Operations

REINSURERS

Munich Re
Königinstr. 107
80802 Munich
Germany

QBE Re (Europe)
30 Fenchurch Street
London, EC3M 3BD
United Kingdom

R+V Versicherung
Raiffeisenplatz 1
Wiesbaden, 65189
Germany

Lloyd's Underwriter Syndicates
1 Lime Street
London, EC3M 7HA
United Kingdom

Peak Re
Room 2107-11, ICBC Tower,
3 Garden Road, Central,
Hong Kong

Sirius International Insurance Group
Suite 1202
80 Bloor Street West
Toronto M5S 2V1,
Canada

SCOR Reinsurance
701 Brickell Avenue, #1270
Miami, 33131,
USA

INDEPENDENT AUDITORS

KPMG
The Victoria Mutual Building
6 Duke Street
Kingston 1, Jamaica

INTERNAL AUDITORS

Smith and Associates
16 Hope Road
Kingston 10, Jamaica

ACTUARY

Kevin A. Lee, FCIA, FCAS, MAAA
AON Risk Solutions
225 King Street West,
Toronto, M5V 3M2
Canada

BANKERS

Scotiabank Jamaica
2 Knutsford Boulevard
Kingston 5, Jamaica

REGISTRAR

Jamaica Central Securities Depository
40 Harbour Street
Kingston 4, Jamaica

BROKERS

Allied Ins Brokers
26 Belmont Road
Kingston 5, Jamaica

Caribbean Assurance Brokers
94d Old Hope Road
Kingston 6, Jamaica

Jamaica Citadel Ins Brokers
36-40 Fort Street
Montego Bay, Jamaica

Marathon Ins Brokers
46 Trinidad Terrace
Kingston 5, Jamaica

Assurance Brokers Ja
1a Braemar Avenue
Kingston 10, Jamaica

CGM Gallagher Ins Brokers
27 Harbour Street
Kingston 5, Jamaica

JMMB Ins Brokers
26 Belmont Road
Kingston 5, Jamaica

MGI Ins Brokers
14 ½ Ripon Road
Kingston 5, Jamaica

Billy Craig Ins Brokers
Suite 34, New Kingston Business Centre
Kingston 5, Jamaica

Desmond Mair Ins Brokers
59 Hope Road
Kingston 6, Jamaica

FFK Ins Brokers
28 Pawsey Place
Kingston 5, Jamaica

TFS Ins Brokers
1 Belmont Road
Kingston 5, Jamaica

SALES REPRESENTATIVES

Sanya-Marie Noble
Lot 854, Ebony Way
Rhyme Park Village
Rose Hall
St. James, Jamaica
+1 (876) 564-9694

Sandra Mattis
34 Sheffield Road
Kingston 2, Jamaica
+1 (876) 564-1964

Michele McLean
Lot 16, Chudliegh Housing
Mandeville, Jamaica
+1 (876) 374-0918

REGISTERED OFFICE

IronRock Insurance Company Limited
1b Braemar Avenue
Kingston 10, Jamaica
+1 (876) 946-1595
info@ironrockjamaica.com

AON

Expression of Opinion

To the Management of IronRock Insurance Company Limited:

I have valued the insurance contract liabilities of IronRock Insurance Company Limited for its Statement of Financial Position as at 31 December 2017 and their changes in the Statement of Income for the year then ended in accordance with accepted actuarial practice including selection of appropriate assumptions and methods.

In my opinion, the amount of insurance contract liabilities makes appropriate provision for all policy obligations, and the financial statements fairly present the results of the valuation.

The results of my valuation together with amounts carried in the financial statements are the following:

Claims Liabilities	**Carried in Financial Statements (JMD 000s)**	**Actuary's Estimate (Undiscounted) (JMD 000s)**
Direct unpaid claims and adjustment expenses:	81,426	81,423
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	81,426	81,423
Ceded unpaid claims and adjustment expenses:	57,934	57,933
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	23,492	23,490
Premium Liabilities	**Carried in Financial Statements (JMD 000s)**	**Actuary's Estimate (Undiscounted) (JMD 000s)**
Gross insurance contract liabilities in connection with unearned premiums:		70,249
Net insurance contract liabilities in connection with unearned premiums:		61,823
Gross unearned premiums:	221,968	
Net unearned premiums:	89,131	
Premium deficiency:	0	0
Other net liabilities:	0	0
Deferred policy acquisition expenses:	23,650	
Maximum policy acquisition expenses deferrable:		48,660
Unearned Reinsurance Commissions:	21,352	

Signature: Digitally signed by Kevin A. Lee
DN: cn=Kevin A. Lee, o=Aon, ou=Aon Benfield Canada, email=kevin.lee@aonbenfield.com, c=CA
Date: 2018.03.16 09:59:17 -04'00'

Kevin A. Lee, FCIA FCAS MAAA
March 16, 2018

Aon Risk Solutions | Global Risk Consulting | Actuarial & Analytics

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ironrock Insurance Company Limited ("the company"), set out on pages 30 to 73, which comprise the statement of financial position as at December 31, 2017, 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.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How was the matter addressed in our audit**
Estimates for outstanding claims One of the key sources of estimation uncertainty is the estimates included in outstanding claims, which comprise estimates of the amount of reported losses, loss expenses, and provision for losses incurred but not reported, based on historical experience of the company. This is an area of audit focus as significant management and actuarial assumptions are used in determining outstanding claims at the end of the reporting period.	Our audit procedures included the following: • Challenging the assumptions applied by management's experts in the preparation of the annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements. • Including our own actuarial specialist to assist us in evaluating the assumptions and methodologies used by management's experts, in particular the actuarial methods used to develop the selected ultimate expected losses. • Testing the controls over the claims payments process and the case reserving process. • Assessing the adequacy of the disclosures about the degree of estimation involved in arriving at the reported balance.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibility for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 28 and 29, forms part of our auditors' report.

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.

The engagement partner on the audit resulting in this independent auditors' report is Nyssa Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

March 20, 2018

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Appendix to the Independent Auditors' report

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
IRONROCK INSURANCE COMPANY LIMITED

Appendix to the Independent Auditors' report (Cont'd)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Statement of **Financial Position**

As at **31 December 2017**

(expressed in Jamaican dollars)

	Notes	2017	2016
		$'000	$'000
Assets			
Property, plant and equipment	5	16,398	20,711
Intangible asset	6	5,760	4,345
Investments	7	280,610	365,542
Deferred acquisition costs	8	23,650	9,739
Reinsurance assets	9	190,771	41,715
Insurance and other receivables	10	166,307	47,118
Taxation recoverable		9,160	2,623
Short-term investments	11	171,351	70,347
Securities purchased under resale agreements	12	17,256	30,649
Cash and cash equivalents		56,502	86,236
		937,765	**679,025**
Liabilities and Shareholders' Equity			
Insurance and other payables	13	100,682	25,419
Insurance contract provisions	9	303,392	84,095
Deferred commission income	14	21,352	9,332
		425,426	**118,846**
Share capital	15	465,540	465,540
Capital reserves	16	139,340	139,340
Investment revaluation reserve		5,527	5,505
Accumulated deficit		(98,068)	(50,206)
		512,339	**560,179**
		937,765	**679,025**

The financial statements, on pages 30-74 were approved for issue by the Board of Directors on 20 March 2018 and signed on their behalf by:

____________________ Director
William McConnell

____________________ Director
Richard Thwaites

The accompanying notes form an integral part of the financial statements

Statement of **Profit or Loss and Other Comprehensive Income**

For the year ended **31 December 2017**

(expressed in Jamaican dollars)

	Notes	2017	2016
		$'000	**$'000**
Gross premiums written	17, 9(b)	**424,462**	**127,346**
Change in gross provision for unearned premiums		(142,651)	(79,317)
Gross insurance premium revenue	9(b)	**281,811**	**48,029**
Written premiums ceded to reinsurers	9(b)	(296,059)	(80,816)
Reinsurers' share of change in provision for unearned premiums		92,256	40,581
Net insurance premium revenue	9(b)	**78,008**	**7,794**
Claims expenses incurred	9(a)	(123,144)	(5,841)
Reinsurers' share of claims and benefits incurred	9(a)	76,315	1,799
Net insurance claims		(46,829)	(4,042)
Commission expense	8	(31,456)	(5,708)
Commission income	14	33,630	10,839
Net commission income		2,174	5,131
Profit before operating expenses		**33,353**	**8,883**
Operating expenses	18(b)	(134,735)	(91,074)
Underwriting loss before other income		**(101,382)**	**(82,191)**
Investment income, net	19	30,740	17,005
Foreign exchange (loss)/ gain		(1,305)	14,867
Gain on sale of investments		24,085	-
Loss for the year		**(47,862)**	**(50,319)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value gains on investments, being total other comprehensive income		22	5,505
Total comprehensive loss for the year		**(47,840)**	**(44,814)**
Loss per stock unit			
Based on stock units in issue		**22 cents**	**23 cents**

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

Statement of **Changes in Shareholders' Equity**

For the year ended **31 December 2017**

(expressed in Jamaican dollars)

	Share Capital	Capital reserves	Investment revaluation reserve	Accumulated profit/(deficit)	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
	(note 15)	(note 16)			
Balances at December 31, 2015	**98,825**	**-**	**-**	**113**	**98,938**
Loss for the year	-	-	-	(50,319)	(50,319)
Other comprehensive income:					
Fair value gains on Investments	-	-	5,505	-	5,505
Total comprehensive income/(loss)	-	-	5,505	(50,319)	(44,814)
Transactions with owners of the company:					
Contributed capital	-	139,340	-	-	139,340
Issue of shares, net	366,715	-	-		366,715
	366,715	139,340	-		506,055
Net change for the year	366,715	139,340	5,505	(50,319)	461,241
Balances at December 31, 2016	**465,540**	**139,340**	**5,505**	**(50,206)**	**560,179**
Loss for the year	-	-	-	(47,862)	(47,862)
Other comprehensive income:					
Fair value gains on Investments	-	-	22	-	22
Total comprehensive income/(loss)	-	-	22	(47,862)	(47,840)
Net change for the year	-	-	22	(47,862)	(47,840)
Balances at December 31, 2017	**465,540**	**139,340**	**5,527**	**(98,068)**	**512,339**

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

Statement of **Cash Flows**

For the year ended **31 December 2017**

(expressed in Jamaican dollars)

	Notes	2017	2016
		$'000	**$'000**
Cash Flows from Operating Activities			
Loss for the year		(47,862)	(50,319)
Adjustments for:			
Depreciation and amortisation	5,6	5,130	4,218
Write-off of property, plant and equipment		47	-
Insurance contract provisions		70,242	42,380
Interest income	19	(28,555)	(15,888)
Gain on sale of investment		(24,085)	-
		(25,083)	(19,609)
Changes in:			
Deferred acquisition costs		(13,911)	(9,739)
Insurance and other receivables		(119,557)	(35,137)
Insurance and other payables		75,263	24,919
Deferred commission income		12,020	9,332
		(71,268)	(30,234)
Taxation paid		(6,538)	(2,540)
Net cash used by operating activities		**(77,806)**	**(32,774)**
Cash Flows from Investing Activities			
Short term investments, net		(101,004)	19,869
Securities sold/(purchased) under resale agreements		13,393	(30,649)
Proceeds from disposal of investments		93,184	-
Investments, net		15,855	(360,037)
Acquisition of property, plant and equipment	5	(443)	(24,685)
Acquisition of intangible assets	6	(1,836)	(4,589)
Interest received		28,923	8,334
Net cash provided/(used) by investing activities		**48,072**	**(391,757)**
Cash Flows from Investing Activities			
Contributed capital	16	-	139,340
Issue of shares		-	366,715
Net cash provided by financing activities		**-**	**506,055**
Net (decrease)/ increase in cash and cash equivalents		(29,734)	81,524
Cash and cash equivalents at beginning of the year		86,236	4,712
Cash and Cash Equivalents at End of the Year		**56,502**	**86,236**
Comprised of:			
Cash and bank balances		56,502	12,814
Short-term investments		-	73,422
		56,502	**86,236**

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

1. Corporate structure and nature of business

Ironrock Insurance Company Limited (the company) was incorporated June 9, 2015 and is domiciled in Jamaica, with its registered office at 1b Braemar Avenue, Kingston 10. At December 31, 2015, it was a wholly owned subsidiary of Granite Group Limited, a company incorporated and domiciled in St. Lucia. On March 15, 2016, the Company's ordinary shares were listed on the Jamaica Stock Exchange Junior Market through an Initial Public Offering (IPO). This resulted in Granite Group Limited's ownership being reduced to 50.9%.

The principal activity of the company is the underwriting of general insurance business. The company commenced trading March 2016.

2. Insurance licence

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

3. Roles of the actuary and auditors

The actuary is appointed by the Board of Directors pursuant to the Act. With respect to preparation of financial statements, the actuary carries out an actuarial valuation of management's estimate of the company's policy liabilities and reports 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 which is used in the 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 are 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 to report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

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

(a) Statement of compliance:

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

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

(a) Statement of compliance (cont'd):

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 has assessed them and has adopted those which are relevant to its financial statements. These are as follows:

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The adoption of the amendment has not resulted in any changes to the amounts recognised, presented or disclosed in the financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

  The adoption of the amendment has not resulted in any changes to the amounts recognised presented or disclosed in the financial statements.

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

(a) Statement of compliance (cont'd):

New, revised and amended standards and interpretations not yet effective:

At the date of authorisation of these financial statements, certain new standards, and amendments to and interpretations of existing standards, which were in issue were not effective at the reporting date and had not been early-adopted by the company. The company is assessing them and has determined that the following are relevant to its financial statements.

- The company is required to adopt IFRS 9 *Financial Instruments* from January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for accounts receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. However, the company is still in the process of its assessment and the final impact is not yet known.

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

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

  - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

  - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

(a) Statement of compliance (cont'd):

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

- The company is required to adopt IFRS 9 *Financial Instruments* (cont'd)

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

  IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The company's assessment included an analysis to identify data gaps against current processes and the company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

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

  - The company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as a January 1, 2018.

  - The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
    a) The determination of the business model within which a financial asset is held.
    b) The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
    c) The designation of certain investments in equity investments not held for trading as at FVOCI.

- 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. Entities 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.

  The Company is assessing the impact that this standard will have on its 2019 financial statements.

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

(a) Statement of compliance (cont'd):

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

- Amendments to IFRS 4, *Insurance Contracts*, provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, *Financial Instruments* (effective January 1, 2018*),* and IFRS 17*, Insurance Contracts (*effective January 1, 2021*)* as follows:

  (i) Temporary exemption from IFRS 9:

  - Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.*
  - To qualify, a reporting company's activities need to be predominantly connected with insurance.
  - Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

  (ii) Overlay approach:

  For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.
  There will be new qualitative and quantitative disclosure requirements to describe how the adjustment is calculated and the effect on the financial statements.

  The Company is assessing the impact that this amendment will have on its financial statements.

- IFRS 17, *Insurance Contracts*, effective for accounting periods beginning on or after January 1, 2021, replaces IFRS 4, *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder;

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

(a) Statement of compliance (cont'd):

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

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

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

  - separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
  - recognises and measures groups of insurance contracts at:

    a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

    b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

  - recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognizes the loss immediately;
  - presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses; and
  - includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

  Management is assessing the impact that this standard will have on its 2021 financial statements.

(b) Basis of preparation:

The financial statements are prepared under the historical cost convention, modified for the inclusion of available-for-sale investments at fair value.

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

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

(c) Going concern:

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

The company made a loss for the year of $47,862,000 (2016: $50,319,000) and had an accumulated deficit of $98,068,000 (2016: $50,206,000) which is broadly in line with the projections that were issued at the time of their IPO. Based on these projections, the company is expected to make losses in the first two years of operation followed by profits. The company's existing capital is sufficient to meet prudent and regulatory capital requirements during this period as evidenced by its Minimum Capital Test result of 666% (2016: 884%) as compared to the regulatory requirement of 250%. Consequently, management is of the view that the going concern basis continues to be appropriate in the preparation of the financial statements.

(d) Use of estimates and judgements:

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 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.

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

(d) Use of estimates and judgements (cont'd):

(ii) Outstanding claims:

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

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

Notes 9 and 22 contain information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts. Note 24 contains information about the risks and uncertainties associated with financial instruments.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and include short-term deposits and other monetary investments with maturities ranging between one and three months from the reporting date. These are not subject to significant risk of change in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities, and loans and receivables maturing within one year. They are acquired for their earnings potential and for balancing the company's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

(g) Insurance and other receivables:

Insurance and other receivables are measured at amortised cost less impairment losses.

(h) Insurance and other payables:

Insurance and other payables are measured at amortised cost.

(i) Provisions:

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. 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.

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

(j) Related parties:

A related party is a person or company that is related to the entity which 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 the 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 established 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 reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is apart provides key management services of the company.

A related party transaction involves transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The company has a related party relationship with its directors, parent company, and key management personnel. "Key management personnel" represents certain senior officers of the company.

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

(k) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are initially measured at cost and subsequently at amortised cost, using the effective interest method, less impairment losses.

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, except where there is evidence of impairment, in which event, reductions in fair value are recognised as impairment losses in profit or loss. 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.

(l) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

Leasehold improvements	20%
Furniture, Fixtures and equipment	10%
Computer	33%

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

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

(m) Intangible assets and amortisation:

This includes computer software acquired by the company. This is measured at cost less accumulated amortisation and impairment losses. The estimated useful life of computer software is 3 years.

(n) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. 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 relevant balances.

(o) Impairment:

Objective evidence that financial assets are impaired can include default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers.

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets with indefinite lives are assessed regardless of indication of impairment. 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.

When a decline in 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 the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amounts:

The recoverable amount of the company's receivables carried at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the assets.

Receivables with a short duration are not discounted. Impairment losses in respect of an available-for-sale investments are calculated by reference to its current fair value.

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

(o) Impairment (cont'd):

(i) Calculation of recoverable amounts (cont'd):

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

(ii) Reversals of impairment:

Impairment losses in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

For all other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale investment recognised previously in other comprehensive income is transferred to profit or loss. For available-for-sale equity securities, the reversal is recognised in other comprehensive income.

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

(p) Insurance contracts recognition and measurement

(i) Recognition and measurement

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

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

(p) Insurance contracts recognition and measurement (cont'd):

(i) Recognition and measurement (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.

Unearned premiums

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

Unexpired risks

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

Outstanding claims

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

(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-fifths" basis on the total premiums ceded.

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

(p) Insurance contracts recognition and measurement (cont'd):

(ii) Reinsurance assets (cont'd)

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 22). 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 the income statement.

(iii) Insurance receivable and insurance payable

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.

(q) Revenue:

Revenue is recognised in the income statement 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.

Revenue comprises the following:

(i) Gross written premiums

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 4(p)(i).

(ii) Commission income

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts [see note 4(p)(ii)]. Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

(iii) Investment income

Investment income comprises income from financial assets. Income from financial assets comprises interest and dividends 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.

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

(r) Taxation:

Taxation of the 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 in other comprehensive, 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.

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.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Employee benefits:

(i) Pension contribution

Pension plan costs are contributions by the company to approved retirement schemes. Obligations for contributions by the company to the schemes are recognised as an expense in profit or loss as they fall due.

(ii) Other employee benefits

Employees' 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.

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

(t) 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.

(u) Leases:

Payment made under operating lease are recognised in profit and loss on a straight-line basis over the term of the lease.

(v) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The company's activities are limited to the provision of general insurance to Jamaican consumers, operating in a single segment. As such no additional segment information is provided.

(w) 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, investments, insurance receivables, and other accounts receivable. Financial liabilities include accounts payable and insurance payables.

(x) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

5. Property, plant and equipment

	Computer $'000	Leasehold improvement $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:				
December 31, 2016	14,010	704	9,971	24,685
Additions	216	123	104	443
Write-off	-	-	(106)	(106)
December 31, 2017	14,226	827	9,969	25,022
Accumulated depreciation:				
December 31, 2016	2,799	133	1,042	3,974
Charge for the year	3,171	162	1,376	4,709
Write off	-	-	(59)	(59)
December 31, 2017	5,970	295	2,359	8,624
Net book values:				
December 31, 2017	8,256	532	7,610	16,398
December 31, 2016	11,211	571	8,929	20,711

6. Intangible asset

	Software $'000
December 31, 2016	4,589
Addition	1,836
December 31, 2017	6,425
Amortisation:	
December 31, 2016	244
Charge for the year	421
December 31, 2017	665
Net book value:	
December 31, 2017	5,760
December 31, 2016	4,345

7. Investments

	2017	2016
	$'000	$'000
Available-for-sale:		
Quoted equities	14,658	84,897
Units in unit trusts	11,218	-
Corporate Bonds	52,698	53,606
Global Bonds – TT	31,134	31,201
Loans and receivables:		
Corporate Bonds	40,000	-
Government of Jamaica securities – J$ Bonds	100,000	100,000
Government of Jamaica securities – US$ Certificate of Deposit	30,902	95,838
	280,610	365,542

Investments include Government of Jamaica securities and corporate bonds denominated in foreign currency aggregating US$ 928,205 (2016: US$1,772,623).

8. Deferred acquisition costs

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

	2017	2016
	$'000	$'000
Balance January 1	9,739	-
Commission paid during the year	45,367	15,447
Amounts recognised in income or expense during the year	(31,456)	(5,708)
Balance December 31	23,650	9,739

9. Reinsurance assets and insurance contract provisions

Analysis of movements in reinsurance assets and insurance contract provisions:

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims outstanding	81,424	57,934	23,490	4,778	1,134	3,644
Unearned premiums	221,968	132,837	89,131	79,317	40,581	38,736
	303,392	190,771	112,621	84,095	41,715	42,380

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

(a) Claims outstanding:

	2017			2016		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims notified	2,041	520	1,521	-	-	-
Claims incurred but not reported	2,737	614	2,123	-	-	-
Balance at January 1	4,778	1,134	3,644	-	-	-
Claim incurred	123,144	76,315	46,829	5,841	1,799	4,042
Claims paid in year	(46,498)	(19,515)	(26,983)	(1,063)	(665)	(398)
Change in outstanding claims provision	76,646	56,800	19,846	4,778	1,134	3,644
Balance at December 31	81,424	57,934	23,490	4,778	1,134	3,644
Analysis:						
Claims notified	49,537	38,375	11,162	2,041	520	1,521
Claims incurred but not reported	31,887	19,559	12,328	2,737	614	2,123
Balance at December 31	81,424	57,934	23,490	4,778	1,134	3,644

(b) Unearned premiums:

	2017			2016		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at January 1	79,317	40,581	38,736	-	-	-
Premiums written during the year	424,462	296,059	128,403	127,346	80,816	46,530
Premiums earned during the year	(281,811)	(203,803)	(78,008)	(48,029)	(40,235)	(7,794)
Balance at December 31	221,968	132,837	89,131	79,317	40,581	38,736

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

(c) Gross unearned premiums are analysed as follows:

	2017 $'000	2016 $'000
Motor	52,459	19,532
Property	126,691	35,606
Accident	12,598	5,874
Liability	21,746	11,796
Engineering	6,327	4,991
Marine	2,147	1,518
	221,968	79,317

Process used to determine the assumptions for measuring insurance contracts:

The company adopts a consistent process in the calculation of provisions for insurance contracts. The overriding aim is to establish reserves that are expected to be at least adequate and that there is consistency from year to year. Therefore the reserves are set at a level above the actuarial "best estimate" position. However, there is a risk that, due to unforeseen circumstances, the reserves may be insufficient to meet insurance claim liabilities reported in future years on post policy periods.

The claims outstanding provision at the reporting date comprises the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses less amounts already paid. This provision is not discounted for the time value of money.

The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available.

The outstanding claims provisions are estimated based on facts known at the date of estimation. Case estimates are generally set by skilled claims technicians, applying their experience and knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims is estimated using standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

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

- Economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- Changes in the mix of insurance contracts written; and
- Impact of large losses

Incurred but not reported provisions and provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The company purchases a range of excess of loss and other reinsurance contracts with sufficiently high retentions for only relatively few, large claims to be recoverable. The method uses gross incurred but not reported estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the reinsurance asset. Impairment of reinsurance asset is considered separately.

10. Insurance and other receivables

	2017 $'000	2016 $'000
Accrued investment income	7,966	7,554
Premiums receivable	107,539	28,041
Prepaid expenses	358	811
Other receivables	50,444	10,712
	166,307	47,118

Information relating to credit risk management and the maturity profile of insurance receivables is outlined in more detail in note 24(a)(i) and (iii).

11. Short term investments

	2017 $'000	2016 $'000
Loans and receivable		
Government of Jamaica Securities J$Bond	161,146	49,903
Fixed Rate Bond	10,205	20,444
	171,351	70,347

$50,692,000 (2016:$ 49,903,640) of short-term investment represents amounts held to the order of the Financial Services Commission as required by the Insurance Act 2001.

12. Securities purchased under resale agreements

The fair value of the underlying securities approximates to cost and amounts to $17,256,919 (2016: $30,649,000).

13. Insurance and other payables

	2017 $'000	2016 $'000
Payables arising from insurance and reinsurance contracts due to other insurance companies	87,920	18,667
Other payables and accrued charges	12,762	6,752
	100,682	25,419

14. Deferred commission income

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

	2017 $'000	2016 $'000
Balance January 1	9,332	-
Commission received during the year	45,650	20,171
Amounts recognised in income during the year	(33,630)	(10,839)
Balance December 31	21,352	9,332

15. Share capital

	2017 $'000	2016 $'000
Authorised:		
1,000,000,000 ordinary shares of no par value		
Stated capital:		
Issued and fully paid as stock units:		
214,000,000 (2016: 214,000,000) ordinary shares of no par value	485,824	485,824
Less: Share issue costs	(20,284)	(20,284)
	465,540	465,540

In the previous year, a resolution was passed at a General Meeting on February 12, 2016 that each of the issued ordinary shares of IronRock Insurance Company Limited be sub-divided into 25 ordinary share (25:1). On February 16, 2016, 24,000,000 shares were issued to the parent company at a value of $72,000,000 and on March 1, 2016, 105,000,000 shares were issued through an IPO at a value of $315,000,000.

16. Capital reserves

This represents contributed capital of $ 139,340,000 (2016: 139,340,000), from parent company.

17. Gross premiums written

	2017 $'000	2016 $'000
Motor	89,015	26,629
Property	239,585	62,278
Accident	20,205	9,332
Liability	35,508	16,264
Engineering	16,113	8,724
Marine	24,036	4,119
	424,462	127,346

18. Disclosure of expenses

Loss before taxation is stated after charging:

(a) Related party transactions :

	2017 $'000	2016 $'000
Compensation of key management personnel is as follows:		
Short term employment benefits		
Salary	38,801	23,762
Pension contributions [see note 4(s)]	2,025	1,344
	40,826	25,106
Directors - Premiums	18,724	18,405

(b) Operating expenses:

	2017	2016
Computer expense and license fees	22,241	22,919
Depreciation and amortisation	5,130	4,218
Directors' emoluments		
Fees	3,450	1,500
Remuneration	18,150	12,906
Salaries and related costs	42,456	25,695
Auditors' remuneration	3,664	2,500
Advertising and promotion	3,955	799
Legal and professional fees	3,180	2,583
Motor vehicle expenses	9,319	6,054
Telephone	925	656
Stationery and office supplies	2,127	82
Bank interest and other charges	524	362
Other administrative expenses	19,614	10,800
	134,735	91,074

19. Investment income

	2017 $'000	2016 $'000
Interest income:		
Available-for-sale	4,496	1,639
Loans and receivables	24,059	14,249
	28,555	15,888
Dividend income	2,185	1,117
	30,740	17,005

20. Loss per share

Loss per ordinary stock unit, is calculated by dividing the loss attributable to shareholders by the number of stock units in issue during the year.

	2017 $'000	2016 $'000
Loss for the year	(47,862)	(50,319)
Number of ordinary stock unit in issue	214,000	214,000
Loss per share	22 cents	23 cents

21. Taxation

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

	2017 $'000	2016 $'000
(b) Reconciliation of effective tax rate:		
Loss before taxation	(47,862)	(50,319)
Computed "expected" tax expense at 33⅓%	(15,954)	(16,773)
Difference between (loss)/profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	87	(1,140)
Items not allowed for tax purposes	1,244	(3,553)
Tax losses	13,651	23,000
Unrealised capital foreign exchange gain	972	(1,534)
Actual tax expense	-	-

(expressed in Jamaican dollars unless otherwise stated)

21. Taxation (cont'd)

(c) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses aggregating approximately $111,442,000 (2016: $69,000,000) are available for set off against future taxable profits. If unutilised, these can be carried forward indefinitely, however the amount that can be utilised is restricted to 50% of chargeable income (before prior year) in any one year.

(d) The company's shares were listed on the Junior Market of the Jamaica Stock exchange, effective March 15, 2016. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years:

Year 1 to 5	100%
Year 5 to 10	50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

22. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

(a) Overview:

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:

Liability insurance
Property insurance
Motor 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.

22. Insurance risk management (cont'd)

Risk management objectives and policies for mitigating insurance risk (cont'd):

(a) Overview (cont'd):

Underwriting strategy:

The company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce underwriting results 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 objective.

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 24(a).

(b) 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 of contract	**Terms and conditions**	**Key factors affecting future cash flows**
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to death, bodily injury, and damage to property.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively short tail and are settled in full within four years. In general, these contracts involve greater estimation uncertainty.

22. Insurance risk management (cont'd)

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	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. The cost of repairing, rebuilding or replacement of assets and/or 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.
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 replacement value of the vehicle and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the 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.

22. Insurance risk management (cont'd)

(c) Risk exposure and concentrations of risk:

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.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. 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.

Motor contracts:

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

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

	2017						
	Liability $'000	Property $'000	Motor $'000	Engineering $'000	Accident $'000	Marine $'000	Total $'000
Gross	5,543	5,760	10,920	6,085	4,686	48,430	81,424
Net of reinsurance	4,801	1,126	9,225	1,439	2,148	4,751	23,490

	2016						
	Liability $'000	Property $'000	Motor $'000	Engineering $'000	Accident $'000	Marine $'000	Total $'000
Gross	1,727	559	1,871	-	621	-	4,778
Net of reinsurance	1,366	39	1,871	-	368	-	3,644

(d) 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 paid and more information become 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.

22. Insurance risk management (cont'd)

(d) Claims development (cont'd):

	Analysis of net claims development Accident year		
	2016	2017	Total
	$'000	$'000	$'000
Estimate of cumulative claims at end of accident year	4,042	45,786	
-one year later	4,687	-	
Estimate of cumulative claims	4,687	45,786	50,473
Cumulative payments to date	(2,263)	(24,720)	(26,983)
Net outstanding claims liabilities	2,424	21,066	23,490

23. Contractual commitments

Lease commitments under operating leases December 31, are payable as follows:

	2017	2016
	$'000	$'000
Within one year	2,670	7,459
Between one year and three years	2,448	5,118
	5,118	12,577

Payments made during the year ended December 31, 2017 aggregating $2,670,746 (2016: $3,747,000).

24. Financial risk management

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

Credit risk
Liquidity risk
Market risk

24. Financial risk management (cont'd)

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 established limits. The Chief Executive Officer and Chief Financial Officer are responsible for developing and monitoring the company's financial risk management policies. These persons report regularly to the Board on their activities. The Audit Committee oversees how management monitors compliance with the company's management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the, risk-adjusted net of taxes 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 Management team is responsible for the asset/liability management policy of the company. This policy details the framework for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the required monitoring processes. The matching of assets and liabilities is also governed by the existing regulatory framework.

The asset/liability matching process is largely influenced by estimates of the timing of payments. These estimates are revaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty fails to meet its contractual obligations. 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; and
- amounts due from reinsurers in respect of payments already made to policyholders.

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

24. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) 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 the credit rating 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 credit ratings and payment histories of intermediaries are monitored on a regular basis.

The company also operates a policy to manage its reinsurance counterparty exposures. 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.

Exposure to credit risk

	2017					
	AA	A	BBB	B	Not rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Carrying amount	-	43,945	12,222	27,663	441,888	525,718
Reinsurance assets (excluding unearned premiums)						
Neither past due nor impaired	2,189	54,477	-	-	1,267	57,933
Insurance and other receivables:						
Neither past due nor impaired	-	-	-	-	118,415	118,415
Past due but not impaired	-	-	-	-	47,892	47,892
Carrying amount [note 24(a)(iii)]	-	-	-	-	166,307	166,307

	2016					
	AA	A	BBB	B	Not rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Carrying amount	-	43,502	12,493	28,811	467,968	552,774
Reinsurance assets (excluding unearned premiums):						
Neither past due nor impaired	250	833	-	-	51	1,134
Insurance and other receivables:						
Neither past due nor impaired	-	-	-	-	35,264	35,264
Past due but not impaired	-	-	-	-	11,854	11,854
Carrying amount [note 24(a)(iii)]	-	-	-	-	47,118	47,118

24. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Management of credit risk (cont'd)

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 have been past due or impaired, whose terms have been renegotiated.

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

(ii) Concentration of credit risk for insurance and other receivables

The specific concentration of risk from counterparties where receivables for any one counterparty or group of connected counterparties is $3 million or more at the year-end is as follows:

	2017 $'000	2016 $'000
Mayberry Investment Limited	38,562	-
Allied Insurance Brokers Limited	-	1,718
CGM Gallagher Insurance Brokers Jamaica Limited	6,917	3,320
JMMB Insurance Brokers Limited	4,306	2,669
IIB Re	-	1,175
Thwaites Finson Sharpe Insurance Brokers Limited	66,984	7,603
	116,769	16,485

(iii) Aged analysis

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

	2017				
	0 to 45 days	46 to 60 days	61-90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000
Receivable arising from insurance agents and brokers	13,469	43,458	6,221	35,286	98,434
Insurance premium	1,758	6,493	-	854	9,105
Other receivables	46,653	358	-	11,757	58,768
Carrying amount [Note 24 (a)(i)]	61,880	50,309	6,221	47,897	166,307

24. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Aged analysis (cont'd)

	2016				
	0 to 45 days	46 to 60 days	61-90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000
Receivable arising from insurance agents and brokers	9,320	7,224	1,445	1,072	19,061
Insurance premium	8,041	870	-	70	8,981
Other receivables	8,364	-	-	10,712	19,076
Carrying amount [Note 24 (a)(i)]	25,725	8,094	1,445	11,854	47,118

(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 exposures 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 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. The company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines. The company is subject to an early warning ratio imposed by the Financial Services Commission (FSC). The key measure used for assessing liquidity risk is the liquid assets (as defined) to total liabilities ratio. The liquid assets to total liabilities ratio at the end of the year is 144% (2016: 288%). The FSC standard liquid assets to total liabilities ratio is 95%.

24. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

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.

	2017					
	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
Financial liabilities:						
Insurance and other payable	100,682	100,682	100,682	-	-	-
Total financial liabilities	100,682	100,682	100,682	-	-	-
Insurance contract liabilities:						
Claims liabilities	81,424	81,424	81,424	-	-	-
	182,106	182,106	182,106	-	-	-

	2016					
	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
Financial liabilities:						
Insurance and other payable	25,419	25,419	25,419	-	-	-
Total financial liabilities	25,419	25,419	25,419	-	-	-
Insurance contract liabilities:						
Claims liabilities	4,778	4,778	4,778	-	-	-
	30,197	30,197	30,197	-	-	-

(c) Market risk

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

24. Financial risk management (cont'd)

(c) Market risk (cont'd)

Management of market risk

The Investment Committee manages market risks 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.

(i) Interest rate risk

Interest rate risk arises primarily from the company's investments. 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 long term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

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

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

	Carrying amount	
	2017	2016
	$'000	$'000
Fixed rate instruments:		
Financial assets	443,341	454,835

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 fair value changes in profit before tax.

An increase or decrease in interest rates at the reporting date would have decreased/(increased) equity as outlined below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

24. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity	Effect on Equity		Effect on Profit	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
December 31, 2017				
Fixed rate instruments – J$	1%	1%	2,667	(2,667)
– US$	1%	0.5%	865	(432)
December 31, 2016				
Fixed rate instruments – J$	1%	1%	2,744	(2,744)
– US$	1%	0.5%	1,785	(892)

(ii) Currency risk

Currency risk is the risk that the market value of or cash flows from financial instruments will vary because of exchange rate fluctuations.

The company incurs foreign currency risk primarily on insurance and reinsurance contracts and investments that are denominated in a currency other than the Jamaica dollar. Such exposure comprises the monetary assets and liabilities of the company that are not denominated in that currency. The principal foreign currency risk of the company is denominated in United States dollars (US$).

At the reporting date, the company's exposure to foreign currency risk is as follows:

	2017	2016
Foreign currency assets:	US$'000	US$'000
Investments	1,429	1,773
Premium receivable	527	67
Cash and cash equivalents	78	48
Interest receivable	29	26
	2,063	1,914
Foreign currency liabilities:		
Accounts payable	410	44
Net foreign currency assets	1,653	1,870

Exchange rates for the US dollar, in terms of Jamaica dollars were as follows:

At December 31, 2017: $125.00
At December 31, 2016: $128.44

24. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Currency risk (cont'd)

Sensitivity analysis

A 2% (2016: 1%) strengthening of the Jamaica dollar against the United States dollar at December 31, would have increase the profit before tax for the year by $4,133,000 (2016: 2,402,000).

A 4% (2016: 6%) weakening of the Jamaica dollar against the United States dollar at December 31, would have increased the profit before tax for the year by $8,265,000 (2016: $14,411,000).

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities and unit trust investments 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 15% (2016: 10%) increase or decrease in the bid price at the reporting date would cause an increase or an equal decrease respectively in equity of $2,198,700 (2016: $8,490,000).

25. 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.

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 senior management within each department. The Audit Committee monitors each department to ensure compliance with the company's internal control procedures.

26. 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 capital test and the possible suspension or loss of its insurance license (see note 2). The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statements of financial position, are:

(i) To comply with the capital requirements set by the regulators of the insurance industry.

(ii) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits to other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy is managed by the company's management. It is calculated by management, certified by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the company seeks to maintain internal capital adequacy ratios at levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, the company currently uses the Minimum Capital Test (MCT) as stipulated by the insurance regulations.

The regulator requires general insurance companies to achieve a Minimum Capital Test Ratio of 250%. At December 31, 2017, the company's capital ratio was 666% (2016: 884%)

27. Fair value of financial instruments

(a) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where a quoted market price is not available, fair value is computed using alternative techniques, making use of available input data; the company uses observable data as far as possible.

Fair values are categorized into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

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

(b) Techniques for measuring fair value of financial instruments

Type of financial instrument	Method of estimation of fair value
Government of Jamaica securities	Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker.
Government of Jamaica US$ Global 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.	Considered to approximate their carrying values, due to their short-term nature.
Units in unit trusts	Prices quoted by unit trust managers.
Quoted equities and unitised funds	Bid prices published by the Jamaica Stock Exchange and fund managers respectively.
Corporate bonds	Prices of bonds at reporting date as quoted by broker/dealer where available.

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This includes financial assets with fair values based on broker quotes and investments in funds with fair values obtained via fund managers.

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.

There were no transfers between levels during the year.

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

(c) Accounting classification and fair values

The tables below analyses financial instruments carried at fair value (which are classified as available for sale) and those not carried at fair value (which are classified as loans and receivables) but for which fair value has been disclosed.

The fair value of certain short-term financial instruments such as cash and cash equivalents securities under resale agreement, premiums and other receivables was determined to approximate their carrying value and are not disclosed in the tables below.

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000
			2017		
Available for sale financial assets:					
Units in unit trusts	11,218	-	11,218	-	11,218
Other bonds	83,832	83,832	-	-	83,832
Quoted equities	14,658	14,658	-	-	14,658
	109,708	98,490	11,218	-	109,708
			2016		
Available for sale financial assets:					
Other bonds	84,807	84,807	-	-	84,807
Quoted equities	84,897	84,897	-	-	84,897
	169,704	169,704	-	-	169,704

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