IRONROCK INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of
<u>IRONROCK INSURANCE COMPANY LIMITED</u>

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 7 to 56, which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (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 Included in the company's outstanding claims liability is an actuarially determined estimate for claims incurred but not reported as at December 31, 2020. This is an area of audit focus as the determination of this estimate required significant judgement primarily in respect of key assumptions made and actuarial methodologies applied in the preparation of the estimate (See notes 4(p)(i),10.	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 claims outstanding liabilities in accordance with accepted actuarial practice and regulatory requirements. • Involving 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.

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 5 and 6, 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 31, 2021

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, actions taken to eliminate threats or safeguards applied.

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.

IRONROCK INSURANCE COMPANY LIMITED

Statement of Financial Position
December 31, 2020

	Notes	2020	2019
		$'000	$'000
ASSETS			
Property, plant and equipment	5	11,795	18,927
Intangible asset	6	3,833	4,475
Deferred taxation	7	15,124	-
Investments	8	565,306	672,918
Deferred acquisition costs	9	40,437	36,502
Reinsurance assets	10	362,532	223,983
Insurance and other receivables	11	217,507	161,834
Taxation recoverable		26,643	20,433
Short-term investments	12	30,000	30,000
Securities purchased under resale agreements	13	94,764	-
Cash and cash equivalents		31,581	104,139
		1,399,522	1,273,211
LIABILITIES AND SHAREHOLDERS' EQUITY			
Insurance and other payables	14	211,050	183,557
Insurance contract provisions	10	574,078	499,129
Lease liability	15	-	5,215
Deferred commission income	16	47,293	35,930
		832,421	723,831
Share capital	17	465,540	465,540
Capital reserves	18	139,340	139,340
Investment revaluation reserve		4,549	34,782
Accumulated deficit		(42,328)	(90,282)
		567,101	549,380
		1,399,522	1,273,211

The financial statements, on pages 7 to 56 were approved for issue by the Board of Directors on March 31, 2021 and signed on their behalf by:

Thwaites

_______________ Director

R. Evan Thwaites

Hardie

_______________ Director

Wayne Hardie

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

IRONROCK INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2020

	Notes	2020	2019
		$'000	$'000
Gross premiums written	10(b),19	836,971	701,418
Change in gross provision for unearned premiums		(29,910)	(71,207)
Gross insurance premium revenue	10(b)	807,061	630,211
Written premiums ceded to reinsurers	10(b)	(647,273)	(455,577)
Reinsurers' share of change in provision for unearned premiums		33,264	47,241
Net insurance premium revenue	10(b)	193,052	221,875
Claims expenses incurred	10(a)	(262,048)	(148,801)
Reinsurers' share of claims and benefits incurred	10(a)	172,492	15,367
Net insurance claims		(89,556)	(133,434)
Commission expense	9	(93,588)	(75,249)
Commission income	16	148,696	86,251
Net commission income		55,108	11,002
Profit before operating expenses		158,604	99,443
Operating expenses	20(b)	(186,067)	(163,616)
Underwriting loss before other income		(27,463)	(64,173)
Investment income, net	21	40,206	38,709
Other income		161	32
Foreign exchange gain		11,820	2,877
Gain on sale of investments		8,106	27,569
Profit before taxation		32,830	5,014
Taxation	23	15,124	-
Profit for the year		47,954	5,014
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value (losses)/ gains on investments, being total other comprehensive income		(30,233)	29,653
Total comprehensive income for the year		17,721	34,667
Earnings per stock unit			
Based on stock units in issue	22	22 cents	2 cents

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

IRONROCK INSURANCE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2020

	Share capital $'000 (note 17)	Capital reserves $'000 (note 18)	Investment revaluation reserve $'000	Accumulated profit/(deficit) $'000	Total $'000
Balances at December 31, 2018	465,540	139,340	5,129	(95,296)	514,713
Profit for the year	-	-	-	5,014	5,014
Other comprehensive income:					
Fair value gains on investments	-	-	29,653	-	29,653
Total comprehensive income	-	-	29,653	5,014	34,667
Balances at December 31, 2019	465,540	139,340	34,782	(90,282)	549,380
Profit for the year	-	-	-	47,954	47,954
Other comprehensive loss:					
Fair value losses on Investments	-	-	(30,233)	-	(30,233)
Total comprehensive (loss)/ income	-	-	(30,233)	47,954	17,721
Balances at December 31, 2020	465,540	139,340	4,549	(42,328)	567,101

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

IRONROCK INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2020

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		47,954	5,014
Adjustments for:			
Depreciation and amortisation	5,6	10,453	10,176
Deferred taxation	7	(15,124)	-
Lease interest expense	15	185	513
Gain on disposal of property, plant and equipment		(120)	10
Insurance contract provisions		(63,600)	91,691
Interest income	21	(40,206)	(33,083)
Gain on sale of investment		(8,106)	(27,569)
		(68,564)	46,752
Changes in:			
Deferred acquisition costs		(3,935)	(1,910)
Insurance and other receivables		(58,503)	(18,975)
Insurance and other payables		27,493	73,586
Deferred commission income		11,363	9,798
Taxation paid		(6,210)	(5,173)
Net cash (used)/ provided by operating activities		(98,356)	104,078
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investments, net		-	78,317
Securities (purchased)/ sold under resale agreements		(94,764)	20,297
Proceeds from disposal of investments		200,323	92,520
Investments, net		(114,838)	(273,629)
Acquisition of property, plant and equipment	5	(2,679)	(5,563)
Proceeds from disposal of property, plant and equipment		120	-
Interest received		43,036	32,358
Net cash provided/ (used) by investing activities		31,198	(55,700)
CASH FLOWS FROM FINANCING ACTIVITY			
Lease liability, net, being net cash used by financing activity	15	(5,400)	(5,400)
Net (decrease)/ increase in cash and cash equivalents		(72,558)	42,978
Cash and cash equivalents at beginning of the year		104,139	61,161
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		31,581	104,139

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. It is a 50.9% subsidiary of Granite Group Limited, a company incorporated and domiciled in St. Lucia. The company is listed on the Junior Market of the Jamaica Stock Exchange.

   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 made by regulatory authorities. The actuary's report outlines the scope of his work and opinion. An actuarial evaluation is prepared annually.

   The external auditors are appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the company in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

4. Statement of compliance, 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.

   Certain new and amended standards and interpretations came into effect during the current financial year, none of which had any impact on these financials 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, revised and amended standards and interpretations which were in issue but not effective at the reporting date and has not been early-adopted by the company. Those which are considered relevant to the company are as follows:

- Amendments to IFRS 16 Leases is effective for annual periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions.

  The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

  The practical expedient will only apply if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before 30 June 2021; and
  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose:

  - that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
  - the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

  No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

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

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments*: Disclosures, IFRS 4 *Insurance contracts* and IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform.

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 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments*: Disclosures, IFRS 4 *Insurance contracts* and IFRS 16 *Leases* (continued),

  The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications.

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

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

  The company has exercised the option to defer the effective date of the adoption of IFRS 9 to January 1, 2023, and is assessing the impact that this amendment may have on its 2023 financial statements.

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 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.
  - 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

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:

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

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

  - Recognises and measures groups of insurance contracts at:
    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;
  - 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.

  The company is assessing the impact that the standard will have on its financial statements.

- Amendments to IFRS 17 *Insurance Contracts,* effective for annual reporting periods beginning on or after January 1, 2023 and provides for the following amendments to the standard:

  - Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.
  - For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

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 17 *Insurance Contracts* (cont'd)

  - In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.
  - Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.
  - In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.
  - For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.
  - There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

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

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

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

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

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

  The company is assessing the impact that the amendments may have on its 2023 financial statements.

- IFRS 9 *Financial Instruments* - As an insurance company, the company has exercised the option to defer the effective date of the new standard to January 1, 2023, in line with IFRS 17 Insurance Contracts [See note 4(p)(iv)]. The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting.

- Amendments to IFRS 9 *Financial Instruments,* effective retrospectively for annual reporting periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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 IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

  This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards and are effective for annual periods beginning on or after January 1, 2022. Those that affect the group's operation are IFRS 9 Financial Instruments and IFRS 16 Leases.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

(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

(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.

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

(c) Going concern (cont'd):

At December 31, 2020, the company had an accumulated deficit of $42,328,000 (2019: $90,282,000) which is broadly in line with the projections. 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 289% (2019: 296%) 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.

(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 10 and 24 contain information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts. Note 25 contains information about the risks and uncertainties associated with financial instruments.

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

(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.

(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.

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

(j) Related parties (cont'd):

(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).

(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.

(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.

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

(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%
Right-of-use	50%

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

(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 ten (10) 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.

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

(o) Impairment (cont'd):

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.

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.

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

(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.

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.

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

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

(ii) Reinsurance assets

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

In the normal course of business, the company seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 24). 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.

(iv) Temporary exemption to defer the implementation of IFRS 9 *Financial Instruments*

The company has applied the temporary exemption to defer the implementation of IFRS 9, *Financial Instruments*, as its activities met the requirements to demonstrate that their predominant activity is issuing insurance contracts within the scope of IFRS 17 *Insurance Contracts*.

The prescribed date of the assessment under the temporary exemption provisions is December 31, 2015, however, the company commenced operations in March 2016. The company evaluated its liabilities at December 31, 2016, and concluded that the liabilities were predominantly connected with insurance. 71% of the company's liabilities at December 31, 2016 are liabilities that arose from contracts within the scope of IFRS 17 and 23% of the company's liabilities at December 31, 2016 are liabilities that arise because the company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the company has not previously applied any version of IFRS 9. Therefore, the company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2020, there has been no change in the company's activities.

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

(q) Revenue:

Revenue is measured based on the consideration specified in a contract with a policyholder. The company recognises revenue when it transfers control over a service to a policyholder.

Revenue comprises the following:

(i) Gross written premiums

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 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.

(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.

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

(r) Taxation (cont'd):

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.

(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) 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.

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

(v) Leases:

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

(v) Leases (cont'd):

As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets in property plant and equipment, and lease liabilities in the statement of financial position.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(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.

IRONROCK INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

5. Property, plant and equipment

	Building $'000	Computer $'000	Leasehold improvement $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:					
December 31, 2018	-	14,727	827	10,430	25,984
Balances at January 1, 2019	-	14,727	827	10,430	25,984
Recognition of right-of-use asset on initial application of IFRS 16 [note 15(a)]	10,102	-	-	-	10,102
Adjusted balances at January 1, 2019	10,102	14,727	827	10,430	36,086
Additions	-	762		4,801	5,563
Write-off	-	-	-	(15)	(15)
December 31, 2019	10,102	15,489	827	15,216	41,634
Additions	-	2,614	-	65	2,679
Disposals	-	(849)	-	-	(849)
December 31, 2020	10,102	17,254	827	15,281	43,464
Accumulated depreciation:					
December 31, 2018	-	9,197	492	3,490	13,179
Charge for the year	5,051	2,762	196	1,524	9,533
Write off	-	-	-	(5)	(5)
December 31, 2019	5,051	11,959	688	5,009	22,707
Charge for the year	5,051	3,042	139	1,579	9,811
Disposals	-	(849)	-	-	(849)
December 31, 2020	10,102	14,152	827	6,588	31,699
Net book values:					
December 31, 2020	-	3,102	-	8,693	11,795
December 31, 2019	5,051	3,530	139	10,207	18,927

6. Intangible asset

	Software $'000
December 31, 2019 and 2020	6,425
Amortisation:	
December 31, 2018	1,307
Charge for the year	643
December 31, 2019	1,950
Charge for the year	642
December 31, 2020	2,592
Net book value:	
December 31, 2020	3,833
December 31, 2019	4,475

7. Deferred taxation

Deferred income taxes are calculated using a principal tax rate of 16.67% (33 1/3% restricted to 50% based on remission years 5 to 10).

Deferred tax asset is attributable to the following:

	December 31, 2019 $'000	Recognised in income $'000 (note 23)	December 31, 2020 $'000
Property plant and equipment	-	(109)	(109)
Insurance and other receivables	-	(1,409)	(1,409)
Tax losses	-	16,642	16,642)
	$ -	15,124	15,124

8. Investments

	2020 $'000	2019 $'000
Available-for-sale:		
Quoted equities	67,035	89,990
Units in unit trusts	31,911	31,887
Corporate Bonds	47,423	41,485
Global Bonds – TT	38,755	34,704
Government of Jamaica – Global bonds	-	152,174
Loans and receivables:		
Corporate Bonds	244,990	190,232
Government of Jamaica securities – J$ Bonds	100,000	100,000
Government of Jamaica securities – US$ Certificate of Deposit	35,192	32,446
	565,306	672,918

Investments include Government of Jamaica securities and corporate bonds denominated in foreign currency aggregating US$1,885,275 (2019: US$2,473,712).

A Jamaica dollar Government of Jamaica bond of $45,000,000 (2019: $45,000,000) is held to the order of the Financial Services Commission as required by the Insurance Act 2001.

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

	2020 $'000	2019 $'000
No specific maturity	98,946	121,877
1 year to 5 years	252,940	63,118
Over 5 years	213,420	487,923
	565,306	672,918

IRONROCK INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

8. Investments (cont'd)

The following table presents the fair value and the amount of change in the fair value of the company's financial assets as at and for the year ended December 31, 2020 and December 31, 2019, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

	December 31, 2020				
Financial asset	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
Investments:		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Quoted equities	67,035	-	-	67,035	-
Unit in unit trusts	31,911	-	-	31,911	-
Corporate bonds	292,413	292,413	-	-	-
Global bonds - TT	38,755	38,755	-	-	-
Government of Jamaica – Local bonds	135,192	162,504	27,312	-	-
	565,306	493,672	27,312	98,946	-
					-
Short-term investments	30,000	30,000	-	-	-

	December 31, 2019				
Financial asset	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
Investments:		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Quoted equities	89,990	-	-	89,990	-
Unit in unit trusts	31,887	-	-	31,887	-
Corporate bonds	231,717	231,717	-	-	-
Global bonds - TT	34,704	34,704	-	-	-
Government of Jamaica – Local bonds	132,446	161,696	29,250	-	-
– Global bonds	152,174	152,174	-	-	-
	672,918	580,291	29,250	121,877	-
Short-term investments	30,000	30,000	-	-	-

8. Investments (cont'd)

Credit risk

The following table presents the fair value and the amount of the change in fair value of the company's financial assets as at and for the year ended December 31, 2020 and December 31, 2019, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

	December 31, 2020		
Credit rating	Carrying value Amount $'000	Fair value $'000	% of Fair value
Bonds and debentures and short-term investments			
Ba1	38,755	38,755	8%
B2	135,192	135,192	27%
B3	322,413	322,413	65%
	496,360	496,360	100%

	December 31, 2019		
Credit rating	Carrying value Amount $'000	Fair value $'000	% of Fair value
Bonds and debentures and short-term investments			
Ba1	34,704	34,704	6%
B2	284,620	284,620	49%
B3	261,717	261,717	45%
	581,041	581,041	100%

IRONROCK INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

9. Deferred acquisition costs

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

	2020 $'000	2019 $'000
Balance January 1	36,502	34,592
Commission paid during the year	97,523	77,159
Amounts recognised in income or expense during the year	(93,588)	(75,249)
Balance December 31	40,437	36,502

10. Reinsurance assets and insurance contract provisions

Analysis of movements in reinsurance assets and insurance contract provisions:

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims outstanding	208,884	102,162	106,722	163,845	30,499	133,346
Unearned premiums	365,194	260,370	104,824	335,284	193,484	141,800
	574,078	362,532	211,546	499,129	223,983	275,146

(a) Claims outstanding:

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims notified	110,375	15,028	95,347	60,912	19,231	41,681
Claims incurred but not reported	53,470	15,471	37,999	35,211	13,345	21,866
Balance at January 1	163,845	30,499	133,346	96,123	32,576	63,547
Claim incurred	262,048	172,492	89,556	148,801	15,367	133,434
Claims paid in year	(217,009)	(137,224)	(79,785)	(81,079)	(17,444)	(63,635)
Portfolio transfer	-	36,395	(36,395)	-	-	-
Change in outstanding claims provision	45,039	71,663	(26,264)	67,722	(2,077)	69,799
Balance at December 31	208,884	102,162	106,722	163,845	30,499	133,346
Analysis:						
Claims notified	126,186	63,234	62,952	110,375	15,028	95,347
Claims incurred but not reported	82,698	38,928	43,770	53,470	15,471	37,999
Balance at December 31	208,884	102,162	106,722	163,845	30,499	133,346

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

(b) Unearned premiums:

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at January 1	335,284	193,484	141,800	264,077	144,169	119,908
Portfolio transfer	-	33,622	(33,622)	-	2,074	(2,074)
Premiums written during the year	836,971	647,273	189,698	701,418	455,577	245,841
Premiums earned during the year	(807,061)	(614,009)	(193,052)	(630,211)	(408,336)	(221,875)
Balance at December 31	365,194	260,370	104,824	335,284	193,484	141,800

(c) Gross unearned premiums are analysed as follows:

	2020 $'000	2019 $'000
Motor	98,724	94,228
Property	205,165	180,455
Accident	12,890	10,928
Liability	27,883	25,624
Engineering	15,071	22,400
Marine	5,461	1,649
	365,194	335,284

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.

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

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:

- 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.

11. Insurance and other receivables

	2020 $'000	2019 $'000
Accrued investment income	8,454	11,284
Premiums receivable	197,347	145,590
Other receivables	11,706	4,960
	217,507	161,834

Information relating to credit risk management and the maturity profile of insurance receivables is outlined in more detail in note 25(a)(i) and (iii).

12. Short term investments

	2020 $'000	2019 $'000
Loans and receivable		
Corporate Bonds	30,000	30,000
	30,000	30,000

13. Securities purchased under resale agreements

The fair value of securities held as collateral for securities purchased under resale agreements as at December 31, 2020 was $ 94,764,000 (2019: Nil).

14. Insurance and other payables

	2020 $'000	2019 $'000
Payables arising from insurance and reinsurance contracts due to other insurance companies	179,471	160,515
Other payables and accrued charges	31,579	23,042
	211,050	183,557

15. Leases

The company leases the property for its corporate office. The lease included an one year option to renew after the lease period had ended in December 2019. Lease payments are renegotiated after the end of the contract period to reflect market rentals.

Information about lease for which the company is a lessee is presented below.

(a) Right-of-use asset:

Right-of-use asset related to leased property is presented as property, plant and equipment (note 5).

	Building	
	2020 $'000	2019 $'000
Balance at beginning of the year	5,051	-
Initial application of IFRS 16	-	10,102
Depreciation charge for the year	(5,051)	(5,051)
Balance at end of year	-	5,051

(b) Lease liability:

Maturity analysis – contractual undiscounted cash flows:

	2020 $'000	2019 $'000
Less than one year	-	5,400
Total undiscounted lease liability	-	5,400

Lease liability included in the statement of financial position:

	2020 $'000	2019 $'000
Current	-	5,215

15. Leases (cont'd)

(c) Amounts recognised in profit or loss:

	2020 $'000	2019 $'000
Interest on lease liability	185	513

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

	2020 $'000	2019 $'000
Total cash outflow for lease	5,400	5,400

16. Deferred commission income

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

	2020 $'000	2019 $'000
Balance January 1	35,930	26,132
Commission received during the year	157,898	96,049
Portfolio transfer	2,161	-
Amounts recognised in income during the year	(148,696)	(86,251)
Balance December 31	47,293	35,930

17. Share capital

	2020 $'000	2019 $'000
Authorised:		
25,000,000,000 ordinary shares of no par value		
Stated capital:		
Issued and fully paid as stock units:		
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

18. Capital reserves

This represents contributed capital of $139,340,000 (2019: $139,340,000), from parent company.

IRONROCK INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

19. Gross premiums written

	2020 $'000	2019 $'000
Motor	218,203	189,732
Property	440,970	357,019
Accident	26,247	22,568
Liability	62,585	53,125
Engineering	38,110	42,730
Marine	50,856	36,244
	836,971	701,418

20. Disclosure of expenses

Profit before taxation is stated after charging:

(a) Related party transactions :

	2020 $'000	2019 $'000
Compensation of key management personnel is as follows:		
Short term employment benefits	42,133	39,633
Pension contributions [see note 4(s)]	2,200	2,000
	44,333	41,633
Directors - Premiums	36,483	32,855

(b) Operating expenses:

	2020 $'000	2019 $'000
Computer expense and license fees	16,213	19,227
Depreciation – right-of-use asset	5,051	5,051
Depreciation – property, plant and equipment	4,760	4,482
Amortisation	642	643
Directors' emoluments		
Fees	3,775	3,456
Remuneration	28,905	27,548
Salaries and related costs	67,105	46,951
Auditors' remuneration	5,853	4,938
Advertising and promotion	14,757	12,660
Legal and professional fees	4,478	2,102
Motor vehicle expenses	9,981	11,192
Telephone	1,308	840
Stationery and office supplies	2,142	3,153
Bank interest and other charges	1,435	1,368
Lease interest expense	185	513
Other administrative expenses	19,475	19,492
	186,067	163,616

21. Investment income

	2020 $'000	2019 $'000
Interest income:		
Available-for-sale	3,433	21,303
Loans and receivables	33,243	11,780
	36,676	33,083
Dividend income	3,530	5,626
	40,206	38,709

22. Earning per share

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

	2020 $'000	2019 $'000
Profit for the year	47,954	5,014
Number of ordinary stock unit in issue (‘000)	214,000	214,000
Earning per share	22 cents	2 cents

23. Taxation

(a) The charge for taxation is based on profit for the year adjusted for tax purposes and comprises the following:

	2020 $’000	2019 $’000
(i) Current taxation:		
Income tax at 33⅓%	-	-
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 7)	(15,124)	-
	(15,124)	-

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

	2020 $’000	2019 $’000
Reconciliation of effective tax rate:		
Profit before taxation	32,830	5,014
Computed "expected" tax expense at 33⅓%	10,943	1,671
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	2,269	1,634
Items not allowed for tax purposes	(2,246)	(6,709)
Tax losses	(26,750)	3,169
Unrealised capital foreign exchange gain/(loss)	665	235
Actual tax expense	(15,124)	-

23. Taxation (cont'd)

(b) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses aggregating approximately $99,852,000 (2019: $127,883,000) 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.

(c) 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.

24. 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.

24. 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 25(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.

24. 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.

24. 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.

	2020						
	Liability $'000	Property $'000	Motor $'000	Engineering $'000	Accident $'000	Marine $'000	Total $'000
Gross	38,561	25,767	109,540	27,016	5,208	2,792	208,884
Net of reinsurance	27,767	2,069	68,895	3,044	4,045	903	106,722

	2019						
	Liability $'000	Property $'000	Motor $'000	Engineering $'000	Accident $'000	Marine $'000	Total $'000
Gross	39,686	8,482	95,920	10,587	6,658	2,512	163,845
Net of reinsurance	33,183	987	94,268	1,184	3,195	529	133,346

(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.

24. Insurance risk management (cont'd)

(d) Claims development (cont'd):

Analysis of net claims development

	Accident year				
	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
Estimate of cumulative claims					
at end of accident year	45,786	64,256	116,886	71,753	
-one year later	28,446	62,742	66,120	-	
-two years later	14,271	34,278	-	-	
-three years later	14,460	-	-	-	
Estimate of cumulative claims	14,460	34,278	66,120	71,753	186,611
Cumulative payments to date	(459)	(15,434)	(29,710)	(34,286)	(79,889)
Net outstanding claims liabilities	14,001	18,844	36,410	37,467	106,722

25. Financial risk management

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

Credit risk
Liquidity risk
Market risk

Risk management framework:

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's financial risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to 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.

25. Financial risk management (cont'd)

Risk management framework (cont'd):

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.

(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.

25. Financial risk management (cont'd)

(a) Credit risk (cont'd)

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

Exposure to credit risk

	2020							
	AA	A	BBB	Ba1	B3	Caa1	Not rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Carrying amount	-	14,798	32,624	-	38,755	-	635,474	721,651
Reinsurance assets (excluding unearned premiums)								
Neither past due nor impaired	75,174	20,551	-	-	-	-	6,435	102,162
Insurance and other receivables:								
Neither past due nor impaired	-	-	-	-	-	-	148,919	148,919
Past due but not impaired	-	-	-	-	-	-	68,589	68,589
Carrying amount [note 25(a)(iii)]	-	-	-	-	-	-	217,508	217,508

	2019							
	AA	A	B	Ba1	B3	Caa1	Not rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Carrying amount	-	-	48,071	28,118	252,174	-	478,694	807,057
Reinsurance assets (excluding unearned premiums)								
Neither past due nor impaired	-	29,374	1,125	-	-	-	-	30,499
Insurance and other receivables:								
Neither past due nor impaired	-	-	-	-	-	-	121,730	121,730
Past due but not impaired	-	-	-	-	-	-	40,104	40,104
Carrying amount [note 25(a)(iii)]	-	-	-	-	-	-	161,834	161,834

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).

25. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(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:

	2020 $'000	2019 $'000
Assurance Brokers Jamaica Limited	9,499	6,484
Allied Insurance Brokers Limited	17,957	13,852
CGM Gallagher Insurance Brokers Jamaica Limited	12,611	8,152
JMMB Insurance Brokers Limited	3,946	4,803
Billy Craig Insurance Brokers Limited	48,274	7,729
Fraser Fontaine & Kong Insurance Brokers Limited	2,896	3,525
Thwaites Finson Sharpe Insurance Brokers Limited	58,018	56,375
	153,202	100,920

(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.

	2020				
	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	85,287	14,372	26,631	58,145	184,435
Insurance premium	10,294	330	1,531	757	12,912
Other receivables	-	2,020	8,454	9,687	20,161
Carrying amount [Note 25(a)(i)]	95,581	16,722	36,616	68,589	217,508

25. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Aged analysis (cont'd)

	2019				
	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	82,318	9,770	16,972	23,860	132,920
Insurance premium	8,272	2,057	2,341	-	12,670
Other receivables	-	-	-	16,244	16,244
Carrying amount [Note 25(a)(i)]	90,590	11,827	19,313	40,104	161,834

(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 92% (2019: 75%). The FSC standard liquid assets to total liabilities ratio is 95%.

25. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Management of 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.

	2020					
	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	211,050	211,050	208,118	2,932	-	-
Total financial Liabilities	211,050	211,050	208,118	2,932	-	-
Insurance contract liabilities:						
Claims liabilities	208,884	208,884	208,884	-	-	-
	419,934	419,934	417,002	2,932	-	-

	2019					
	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:						
Lease liability	5,051	5,400	5,400	-	-	-
Insurance and other payable	183,557	183,557	179,592	3,965	-	-
Total financial liabilities	188,608	188,957	184,992	3,965	-	-
Insurance contract liabilities:						
Claims liabilities	163,845	163,845	159,498	4,347	-	-
	347,402	347,402	339,090	8,312	-	-

(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.

25. Financial risk management (cont'd)

(c) Market risk (cont'd)

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.

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	
	2020	2019
	$'000	$'000
Fixed rate instruments:		
Financial assets	504.946	579,024

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 2019.

25. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity	Effect on Equity Increase	Effect on Equity Decrease	Effect on Equity Increase $'000	Effect on Equity Decrease $'000
December 31, 2020				
Fixed rate instruments – J$	1%	1%	3,190	(3,190)
– US$	1%	1%	1,665	(1,665)
December 31, 2019				
Fixed rate instruments – J$	1%	1%	2,670	(2,670)
– US$	1%	1%	2,445	(2,445)

(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:

	2020 US$'000	2019 US$'000
Foreign currency assets:		
Investments	1,885	2,085
Premium receivable	545	514
Cash and cash equivalents	98	575
Interest receivable	18	41
	2,546	3,215
Foreign currency liabilities:		
Insurance and other payables	203	739
Net foreign currency assets	2,343	2,476

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

At December 31, 2020:	$140.77
At December 31, 2019:	$129.78

25. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Currency risk (cont'd)

Sensitivity analysis

A 2% (2019: 4%) strengthening of the Jamaica dollar against the United States dollar at December 31, would have increase the profit before tax for the year by $6,596,000(2019: $12,854,000).

A 6% (2019: 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 $19,789,000 (2019: $19,281,000).

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 7% (2019: 10%) increase in the bid price at the reporting date would cause an increase in equity of $4,692,000 (2019: $8,990,000).

A 12.5% (2019: 10%) decrease in the bid price at the reporting date would cause an decrease in equity of $8,379,000 (2019: $8,990,000).

26. 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 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.

27. 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, 2020, the company's capital ratio was 289% (2019: 296%)

28. 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:

28. 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.

IRONROCK INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

28. 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
			2020		
Available for sale financial assets:					
Units in unit trusts	31,911	-	31,911	-	31,911
Other bonds	86,178	-	86,178	-	86,178
Quoted equities	67,035	67,035	-	-	67,035
	185,124	67,035	118,089	-	185,124
			2019		
Available for sale financial assets:					
Units in unit trusts	31,887	-	31,887	-	31,887
Other bonds	228,363	-	228,363	-	228,363
Quoted equities	89,990	89,990	-	-	89,990
	350,240	89,900	260,250	-	350,240

29. Impact of Covid 19

The World Health Organisation declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica declaring Jamaica a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices and these conditions may have an adverse effect on the company's financial performance. However, an estimate of the amount was not made as at the authorisation date of the financial statements due to unavailability of sufficient information.

29. Impact of Covid 19 (continued)

Management continues to monitor the effect of developments arising from the pandemic on the risks faced by the company. While management is aware that the long duration of the pandemic and the attendant containment measures could have a material adverse effect on the company, its employees, customers and suppliers, management believes the company is in a sufficiently strong position to cope with the possible significant economic downturn and that the initiatives implemented to mitigate its impact will be successful.