

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2016



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Insurance Company of the West Indies Limited ("the company"), set out on pages 5 to 57, which comprise the statement of financial position as at December 31, 2016, 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 significant accounting policies and other explanatory information. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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



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INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Report on the Audit of the Financial Statements (Continued)

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.

Auditors' Responsibilities 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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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.



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INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

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.

A handwritten signature of 'KPMG' in blue ink, written in a cursive, stylized font.

Chartered Accountants
Kingston, Jamaica

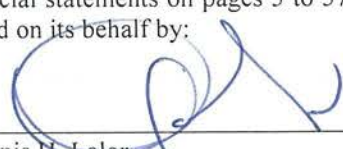
March 29, 2017

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Financial Position
December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
ASSETS			
Property, plant and equipment	5	678,729	676,370
Investment properties	6	45,200	205,000
Investment in subsidiary	7	4,013	4,013
Due from parent company	8	220,221	195,995
Due from fellow subsidiaries	8	51,663	19,889
Due from related company	8	13,625	4,006
Deferred tax asset	18	57,395	41,351
Investments	9	2,378,216	2,095,368
Resale agreements	10	772,037	901,329
Reinsurance assets	11	2,339,521	2,175,132
Taxation recoverable		-	37,016
Insurance receivables	12	248,003	224,692
Deferred commission expense	13	224,757	218,142
Other accounts receivable	14	74,661	85,197
Accrued investment income		26,495	31,010
Cash and cash equivalents	15	<u>267,062</u>	<u>255,081</u>
Total assets		<u>7,401,598</u>	<u>7,169,591</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued charges	16	353,805	425,264
Taxation payable		4,506	-
Insurance payables	17	347,291	427,749
Insurance contract provisions	11	4,625,622	4,406,424
Due to fellow subsidiaries	8	45,606	66,402
Employee benefit obligation	19	<u>133,800</u>	<u>137,285</u>
		<u>5,510,630</u>	<u>5,463,124</u>
Share capital	20	213,237	213,237
Share premium		66,763	66,763
Capital reserve		2,662	2,662
Investment revaluation reserve		6,555	6,154
Retained earnings		<u>1,601,751</u>	<u>1,417,651</u>
		<u>1,890,968</u>	<u>1,706,467</u>
Total liabilities & equity		<u>7,401,598</u>	<u>7,169,591</u>

The financial statements on pages 5 to 57 were approved by the Board of Directors on March 29, 2017, and signed on its behalf by:



Hon. Dennis H. Lalor Director



Mark Roberts Director

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
Gross premiums written	11	4,512,785	4,431,116
Change in gross provision for unearned premiums		(69,766)	(122,847)
Gross insurance premium revenue	11	4,443,019	4,308,269
Written premiums ceded to reinsurers	11	(2,499,794)	(2,579,074)
Reinsurers' share of change in provision for unearned premiums		30,097	169,364
Net insurance premium revenue		1,973,322	1,898,559
Claims expenses incurred	11	(2,246,446)	(1,882,507)
Reinsurers' share of claims	11	1,255,983	1,023,418
Net insurance claims		(990,463)	(859,089)
Commission income	17	1,084,883	999,759
Commission expenses	13	(539,215)	(512,523)
Net commission income		545,668	487,236
		1,528,527	1,526,706
Operating expenses	21(c)	(1,517,837)	(1,478,581)
Underwriting profit before other income, expenses and taxation	21	10,690	48,125
Investment income	22	141,359	166,383
Foreign exchange gain		81,312	39,465
Change in fair value of investment properties		5,850	-
Profit/(loss) on disposal of property, plant and equipment and investment property		9,444	(138)
Other income		31,297	28,890
Profit before taxation		279,952	282,725
Taxation	23	(106,455)	(92,800)
Profit for the year		173,497	189,925
Other comprehensive income			
Items that may be reclassified to profit or loss			
Appreciation in fair value of investments		401	117
Items that will never be reclassified to profit or loss			
Remeasurement gain /(loss) on employee benefit obligation	19	15,904	(13,738)
Deferred tax	18	(5,301)	4,580
		10,603	(9,158)
		11,004	(9,041)
Total comprehensive income for the year		184,501	180,884

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2016

	Share capital \$'000 (note 20)	Share premium \$'000	Capital reserve \$'000	Investment revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Balances at December 31, 2014	<u>213,237</u>	<u>66,763</u>	<u>2,662</u>	<u>6,037</u>	<u>1,236,884</u>	<u>1,525,583</u>
Total comprehensive income:						
Profit for the year	-	-	-	-	189,925	189,925
Other comprehensive income:						
Appreciation in fair value of investments	-	-	-	117	-	117
Re-measurement loss on employee benefit obligation, net of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,158)</u>	<u>(9,158)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>117</u>	<u>180,767</u>	<u>180,884</u>
Balances at December 31, 2015	<u>213,237</u>	<u>66,763</u>	<u>2,662</u>	<u>6,154</u>	<u>1,417,651</u>	<u>1,706,467</u>
Total comprehensive income:						
Profit for the year	-	-	-	-	173,497	173,497
Other comprehensive income:						
Appreciation in fair value of investments	-	-	-	401	-	401
Re-measurement gain on employee benefit obligation, net of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,603</u>	<u>10,603</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>401</u>	<u>184,100</u>	<u>184,501</u>
Balances at December 31, 2016	<u>213,237</u>	<u>66,763</u>	<u>2,662</u>	<u>6,555</u>	<u>1,601,751</u>	<u>1,890,968</u>

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Cash Flows
Year ended December 31, 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		173,497	189,925
Adjustments for:			
Depreciation on property, plant and equipment	5	44,556	40,003
(Gain)/loss on disposal of property, plant and equipment		(1,128)	138
Gain on disposal of investment property		(8,316)	-
Change in fair value of investment properties		(5,850)	-
Reinsurance assets		(164,389)	(366,643)
Insurance contract provisions		219,198	293,231
Employee benefit obligation	19	17,097	15,226
Interest income	22	(141,359)	(166,383)
Taxation		<u>106,455</u>	<u>92,800</u>
		239,761	98,297
Changes in:			
Insurance receivables		(23,311)	(27,622)
Deferred commission expenses		(6,615)	(38,039)
Other accounts receivable		10,536	(15,350)
Accounts payable and accrued charges		(71,459)	147,306
Insurance payables and deferred income		<u>(80,458)</u>	<u>183,849</u>
		68,454	348,441
Interest received		145,874	166,908
Tax paid		(73,804)	(57,871)
Benefits paid	19	(4,678)	(4,566)
Withholding tax		<u>(12,474)</u>	<u>(47,388)</u>
Net cash provided by operating activities		<u>123,372</u>	<u>405,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(65,357)	(171,251)
Additions to investment property	6	(1,850)	-
Property, plant and equipment acquired from related company		-	(13,216)
Proceeds from sale of investment property		175,816	-
Proceeds from sale of property, plant and equipment		19,570	-
Investments, net		<u>(153,155)</u>	<u>(365,296)</u>
Net cash used by investing activities		<u>(24,976)</u>	<u>(549,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Parent company		(24,226)	103,925
Related parties		<u>(62,189)</u>	<u>40,789</u>
Net cash (used)/provided by financing activities		<u>(86,415)</u>	<u>144,714</u>
INCREASE IN CASH AND CASH EQUIVALENTS		11,981	475
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>255,081</u>	<u>254,606</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>267,062</u>	<u>255,081</u>

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements December 31, 2016

1. Corporate structure and nature of business

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

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

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

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

- Jamaica
- Trinidad
- St. Maarten
- Bahamas

2. Insurance licence

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

3. Roles of the actuary and auditors

The actuary has been appointed by the Board of Directors pursuant to the Act. With respect to the preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the company's policy liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary, in his verification of the management information provided by the company and used in the actuarial valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(a) Statement of compliance:

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

(b) Basis of preparation:

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

(c) Basis of non-consolidation

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgement:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default or adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

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

The amounts recognised in the statement of financial position and profit or loss for post-retirement health and life insurance benefits to certain pensioners, are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

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

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

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

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

- IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are amended as follows:
 - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.
- Amendments to IAS 27, *Equity Method in Separate Financial Statements* allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.
- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.
- IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures* have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

- *Improvements to IFRS 2012-2014* Cycle contain amendments to certain standards and interpretations applicable to the company as follows:
 - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.
 - IAS 19, *Employee Benefits*, has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

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

(g) 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 were not effective at the reporting date and have not been early-adopted by the company. Those which are considered relevant to the company are as follows:

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the reporting date, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax asset can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.
- IFRS 9 *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

- Amendments to IFRS 4, *Insurance Contracts*, provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, *Financial Instruments* (effective January 1, 2018), and IFRS 4, *Insurance Contracts* (expected to be effective in 2020 or later) as follows:

(i) Temporary exemption from IFRS 9:

- Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*.
- To qualify, a reporting company's activities need to be predominantly connected with insurance.

Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

(ii) Overlay approach:

For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

There will be new qualitative and quantitative disclosure requirements to describe how the adjustment is calculated and the effect on the financial statements.

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

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers is also adopted.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

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

(h) Property, plant and equipment:

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

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

(ii) Depreciation:

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

The depreciation rates are as follows:

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

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(i) Investment properties:

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

(j) Investments:

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

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company on the date they commit to purchase or sell the investments.

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

(k) Securities purchased under resale agreements:

Securities purchased under resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending, classified as loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(l) Related parties:

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

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(m) Accounts receivable:

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

(n) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances.

(o) Accounts payable:

Trade and other payables, are measured at cost.

(p) Provisions:

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, 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.

(q) Foreign currencies:

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

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

(r) Impairment:

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(r) Impairment (cont'd):

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

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

In respect of other assets, an impairment loss is reversed if there has been a change in estimate used to determine the recoverable amount.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(s) Employee benefits:

(i) Post retirement health and life insurance benefits:

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

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

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

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

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

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(s) Employee benefits:

(ii) Defined contribution pension plan:

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

(iii) Other employee benefits:

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

(t) Taxation:

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Revenue recognition:

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(u) Revenue recognition (cont'd):

Revenue comprises the following:

(i) Gross written premiums

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

(ii) Reinsurance assumed:

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

(iii) Commission income

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

(iv) Investment income

Investment income arises from financial assets and is comprised of interest and dividend and realised gains/losses on financial assets. Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Rental income from investment property under operating leases is recognised in profit or loss on a straight line basis over the term of each lease.

(v) Insurance contract recognition and measurement:

(i) Insurance contracts

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

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

(i) Insurance contracts (cont'd)

Gross written premiums

Gross premiums reflect business written during the year, and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Reinsurance assumed

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

Unearned premiums

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

Outstanding claims

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

Management believes, based on the analysis completed by the 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 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.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

(ii) Reinsurance assets

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

In the normal course of business the company seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 25). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivables and insurance payables

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

(w) Operating leases:

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

(x) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, insurance receivables, other accounts receivable and amounts due from other insurance companies. Financial liabilities include accounts payable, amounts due to other insurance companies, and related party balances.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

5. Property, plant and equipment

	<u>Land, buildings and leasehold improvement</u> \$'000	<u>Furniture, fixtures and equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work in progress</u> \$'000	<u>Total</u> \$'000
At cost or valuation:					
December 31, 2014	498,820	130,238	53,360	10,167	692,585
Additions	120,986	37,377	10,715	2,173	171,251
Acquired from related party	9,323	11,291	7,240	-	27,854
Transfer	-	3,901	-	(3,901)	-
Disposals	(154)	-	(21,526)	-	(21,680)
December 31, 2015	628,975	182,807	49,789	8,439	870,010
Additions	34,464	20,144	3,652	7,097	65,357
Transfer	120	3,778	-	(3,898)	-
Disposals	(17,803)	(388)	(700)	-	(18,891)
December 31, 2016	<u>645,756</u>	<u>206,341</u>	<u>52,741</u>	<u>11,638</u>	<u>916,476</u>
Depreciation:					
December 31, 2014	57,369	65,051	38,121	-	160,541
Charge for year	16,064	16,274	7,665	-	40,003
Acquired from related party	4,682	5,547	4,409	-	14,638
Disposals	(97)	-	(21,445)	-	(21,542)
December 31, 2015	78,018	86,872	28,750	-	193,640
Charge for year	18,063	19,529	6,964	-	44,556
Disposals	(11)	(240)	(198)	-	(449)
December 31, 2016	<u>96,070</u>	<u>106,161</u>	<u>35,516</u>	<u>-</u>	<u>237,747</u>
Net book values:					
December 31, 2016	<u>549,686</u>	<u>100,180</u>	<u>17,225</u>	<u>11,638</u>	<u>678,729</u>
December 31, 2015	<u>550,957</u>	<u>95,935</u>	<u>21,039</u>	<u>8,439</u>	<u>676,370</u>
December 31, 2014	<u>441,451</u>	<u>65,187</u>	<u>15,239</u>	<u>10,167</u>	<u>532,044</u>

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

Land, buildings and leasehold improvement include freehold land at a deemed cost/cost of \$206,749,000 (2015: \$222,233,000).

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2016

6. Investment properties

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance at January 1	205,000	205,000
Disposal	(167,500)	-
Addition	1,850	-
Revaluation adjustments	<u>5,850</u>	<u>-</u>
Balance at December 31	<u>45,200</u>	<u>205,000</u>

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

Investment properties were valued on December 2016 by D.C. Tavares & Finson Realty Limited.

The rental income earned on the properties during the year amounted to \$1,758,000 (2015: \$8,094,000) and the related expenses totalled \$3,178,000 (2015: \$2,677,000).

The fair value measurement for investment property of \$45,200,000 (2015: \$205,000,000) has been categorised as a level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

7. Investment in subsidiary

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Shares, at cost	<u>4,013</u>	<u>4,013</u>

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

	<u>% of equity capital held</u>	
	<u>2016</u>	<u>2015</u>
Insurance Company of Jamaica Limited	<u>100</u>	<u>100</u>
8. <u>Related party balances/transactions</u>		
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Due from parent company:		
ICWI Group Limited	<u>220,221</u>	<u>195,995</u>
Due from fellow subsidiaries:		
Valley Fruit Jamaica Limited	<u>42,638</u>	<u>-</u>
Turks & Caicos First Insurance Company Limited	<u>7,669</u>	<u>1,571</u>
The Insurance Company of the West Indies (Bahamas) Limited	<u>1,356</u>	<u>18,318</u>
	<u>51,663</u>	<u>19,889</u>
Due from related company:		
REACT Limited	<u>13,625</u>	<u>4,006</u>
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Due to fellow subsidiaries:		
The Great Northern Insurance Company Limited	<u>33,665</u>	<u>22,911</u>
GPI Limited	<u>627</u>	<u>1,667</u>
The Insurance Company of the West Indies (Cayman) Limited	<u>11,314</u>	<u>41,824</u>
	<u>45,606</u>	<u>66,402</u>

Related party balances are interest free and are repayable within a year.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

		<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Transactions</u>			
Corporate office expenses	- parent company	52,400	52,400
Other charges	- related company	28,205	28,173
Client referral fees	- parent company	-	24,746
Lease expense	- parent company	37,175	35,129
Gross written premiums	- parent company	13	13
	- related company	2,029	22,930
	- other related company	8,196	1,393
Claims expenses	- related company	9,570	158,008
Commission expense	- related company	<u>179,040</u>	<u>172,098</u>

9. Investments

		<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Loans and receivables:</u>			
Certificates of deposit		1,430,681	898,815
Government of Jamaica Securities:			
- Debentures		636,780	895,467
Government of Trinidad and Tobago Securities:			
- Debentures		<u>229,884</u>	<u>236,259</u>
		<u>2,297,345</u>	<u>2,030,541</u>
<u>Available-for-sale investments:</u>			
Corporate bond		61,637	58,072
Mutual fund		13,397	-
Unquoted investments		599	599
Quoted investments		<u>5,238</u>	<u>6,156</u>
		<u>80,871</u>	<u>64,827</u>
		<u>2,378,216</u>	<u>2,095,368</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

9. Investments (cont'd)

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Certificates of deposit:		
Within 3 months	919,807	772,940
From 3 months to 1 year	242,956	125,875
From 1 to 5 years	<u>267,918</u>	<u>-</u>
	<u>1,430,681</u>	<u>898,815</u>
Government of Jamaica Securities:		
Within 3 months	-	258,687
From 3 months to 1 year	170,413	-
From 1 year to 5 years	436,367	606,780
Over 5 years	<u>30,000</u>	<u>30,000</u>
	<u>636,780</u>	<u>895,467</u>
Government of Trinidad and Tobago Securities:		
From 1 year to 5 years	74,103	46,060
Over 5 years	<u>155,781</u>	<u>190,199</u>
	<u>229,884</u>	<u>236,259</u>
Other – no specific maturity	<u>80,871</u>	<u>64,827</u>
	<u>2,378,216</u>	<u>2,095,368</u>

The fair value of the Government of Jamaica Securities amounts to \$636,780,000 (2015: \$895,467,000).

Government of Jamaica Securities include \$45,000,000 (2015: \$45,000,000) held to the order of the Financial Services Commission as required by the Insurance Act 2001. Government of Trinidad and Tobago Securities and certificate of deposits include amounts held in statutory fund or pledged funds as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
St. Maarten (US\$)	200	200
Bahamas (BAH\$)	1,000	1,000
Trinidad and Tobago (TT\$)	<u>12,773</u>	<u>12,773</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

9. Investments (cont'd)

The company has received the benefit of the renewal rights to an insurance portfolio in Trinidad and Tobago which was acquired by its immediate parent and the company has made deposits with an ultimate right of set off with a commercial bank not exceeding US\$2,389,000 and J\$42,490,000 (2015: US\$2,900,000) in relation to a loan facility to its immediate parent which relates primarily to the acquisition of the portfolio.

10. Resale agreements

	<u>2016</u> \$'000	<u>2015</u> \$'000
Denominated in Jamaica dollars	593,269	813,478
Denominated in United States dollars [US\$851,500 (2015: US\$500,000)]	108,632	59,832
Denominated in Trinidad and Tobago dollars [TT\$3,530,420 (2015: TT\$1,503,000)]	<u>70,136</u>	<u>28,019</u>
	<u>772,037</u>	<u>901,329</u>

At the reporting date, the fair value of the securities obtained and held by the company under resale agreements was \$772,037,000 (2015: \$901,329,000).

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

11. Reinsurance assets and insurance contract provisions

	2016			2015		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims outstanding	2,820,835	1,388,051	1,432,784	2,671,403	1,253,759	1,417,644
Unearned premiums	1,804,787	951,470	853,317	1,735,021	921,373	813,648
	<u>4,625,622</u>	<u>2,339,521</u>	<u>2,286,101</u>	<u>4,406,424</u>	<u>2,175,132</u>	<u>2,231,292</u>
Analysis of movement in insurance contracts provision						
Claims notified	1,496,570	690,395	806,175	1,438,580	624,344	814,236
Claims incurred but not yet reported	1,174,833	563,364	611,469	1,169,879	495,131	674,748
Balance at January 1	2,671,403	1,253,759	1,417,644	2,608,459	1,119,475	1,488,984
Acquired from a related company	-	-	-	79,915	49,863	30,052
Claims expenses incurred	2,246,446	1,255,983	990,463	1,882,507	1,023,418	859,089
Claims paid in the year	(2,097,014)	(1,121,691)	(975,323)	(1,899,478)	(938,997)	(960,481)
Change in outstanding claims provision	149,432	134,292	15,140	(16,971)	84,421	(101,392)
Balance at December 31	<u>2,820,835</u>	<u>1,388,051</u>	<u>1,432,784</u>	<u>2,671,403</u>	<u>1,253,759</u>	<u>1,417,644</u>
Claims notified	1,711,476	848,149	863,327	1,496,570	690,395	806,175
Claims incurred but not reported	1,109,359	539,902	569,457	1,174,833	563,364	611,469
Balance at December 31	<u>2,820,835</u>	<u>1,388,051</u>	<u>1,432,784</u>	<u>2,671,403</u>	<u>1,253,759</u>	<u>1,417,644</u>
Unearned premiums:						
Balance at January 1	1,735,021	921,373	813,648	1,504,734	689,014	815,720
Premiums written during the year	4,512,785	2,499,794	2,012,991	4,431,116	2,579,074	1,852,042
Premiums earned during the year	(4,443,019)	(2,469,697)	(1,973,322)	(4,308,269)	(2,409,710)	(1,898,559)
Acquired from related company	-	-	-	107,440	62,995	44,445
Balance at December 31	<u>1,804,787</u>	<u>951,470</u>	<u>853,317</u>	<u>1,735,021</u>	<u>921,373</u>	<u>813,648</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

(a) Gross unearned premiums are analysed as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Accident	2,194	4,520
Liability, engineering, bond and guarantee	14,794	15,337
Marine, aviation and transportation	543	620
Motor vehicle	1,646,500	1,570,880
Fire	<u>140,756</u>	<u>143,664</u>
	<u>1,804,787</u>	<u>1,735,021</u>

(b) Insurance contract provisions include an estimate of \$107,925,000 (2015: \$101,929,000) in respect of unallocated loss adjustment expense.

12. Insurance receivables

	<u>2016</u> \$'000	<u>2015</u> \$'000
Due from reinsurers	15,730	-
Premiums receivable	<u>232,273</u>	<u>224,692</u>
	<u>248,003</u>	<u>224,692</u>

Premiums receivable is stated net of commission and after deduction of a provision for doubtful debts of \$3,504,000 (2015: \$3,550,000).

13. Deferred commission expense

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance January 1	218,142	180,103
Acquired from a related company	-	18,979
Commission paid during the year	545,830	531,583
Amounts recognised in profit or loss during the year	<u>(539,215)</u>	<u>(512,523)</u>
Balance December 31	<u>224,757</u>	<u>218,142</u>

14. Other accounts receivable

	<u>2016</u> \$'000	<u>2015</u> \$'000
Prepayments	31,221	30,556
Other accounts receivable	<u>43,440</u>	<u>54,641</u>
	<u>74,661</u>	<u>85,197</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

15. Cash and cash equivalents

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
United States dollars	1,522	627
Cayman Islands dollars	5	6
Bahamas dollars	308	1,219
Trinidad & Tobago dollars	695	(71)
Netherlands Antilles guilders	<u>13</u>	<u>37</u>

Cash and cash equivalents include \$5,500,000 that is pledged to a commercial bank.

16. Accounts payable and accrued charges

	<u>2016</u> \$'000	<u>2015</u> \$'000
Accrued charges	106,925	135,542
Other payables	<u>246,880</u>	<u>289,722</u>
	<u>353,805</u>	<u>425,264</u>

17. Insurance payables

	<u>2016</u> \$'000	<u>2015</u> \$'000
Due to reinsurers	-	85,805
Deferred commission income	<u>347,291</u>	<u>341,944</u>
	<u>347,291</u>	<u>427,749</u>

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance January 1	341,944	243,900
Acquired from a related company	-	21,440
Commission received during the year	1,090,230	1,076,363
Amounts recognised in profit or loss during the year	<u>(1,084,883)</u>	<u>(999,759)</u>
Balance December 31	<u>347,291</u>	<u>341,944</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

18. Deferred taxation

Deferred tax asset is attributable to the following:

	<u>2014</u> \$'000	Recognised in income \$'000 [note 23(a)]	Recognised in other comprehensive income \$'000	<u>2015</u> \$'000	Recognised in income \$'000 [note 23(a)]	Recognised in other comprehensive income \$'000	<u>2016</u> \$'000
Property, plant and equipment	2,921	7,635	-	10,556	4,162	-	14,718
Investment properties	(5,382)	(599)	-	(5,981)	8,882	-	2,901
Accounts receivable	(10,512)	175	-	(10,337)	1,505	-	(8,832)
Accounts payable and accruals	223	(22)	-	201	-	-	201
Employee benefit obligation	37,629	3,553	4,580	45,762	4,139	(5,301)	44,600
Unrealised gain on exchange	(541)	1,691	-	1,150	2,657	-	3,807
	<u>24,338</u>	<u>12,433</u>	<u>4,580</u>	<u>41,351</u>	<u>21,345</u>	<u>(5,301)</u>	<u>57,395</u>

19. Employee benefit obligation

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

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance as at January 1	<u>137,285</u>	<u>112,887</u>
Included in profit or loss:		
Current service costs	5,369	4,507
Interest costs	<u>11,728</u>	<u>10,719</u>
	<u>17,097</u>	<u>15,226</u>
Included in other comprehensive income:		
Actuarial (gains)/losses:		
Experience (gains)/losses	(10,073)	444
Re-measurement (gains)/losses	<u>(5,831)</u>	<u>13,294</u>
	<u>(15,904)</u>	<u>13,738</u>
Benefits paid	<u>(4,678)</u>	<u>(4,566)</u>
Balance at December 31	<u>133,800</u>	<u>137,285</u>

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

	<u>2016</u> 2016 %	<u>2015</u> 2015 %
Discount rate	9.0	8.5
Medical claims growth	<u>7.5</u>	<u>7.0</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

19. Employee benefit obligation (cont'd)

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

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

At December 31, 2016, the weighted average duration of defined benefit obligation was 19 years (2015: 20 years).

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the health care and life insurance cost trend rates by one percentage point. In preparing the analyses for each assumption, all others were held constant.

	<u>One percentage point increase</u>		<u>One percentage point decrease</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Effect on the employee benefit obligation	<u>18,432</u>	<u>16,005</u>	<u>(12,360)</u>	<u>(12,385)</u>

- (iii) The company is expected to contribute \$5,018,000, towards the health and life benefit plan in the subsequent reporting period (2015: \$4,610,000).

20. Share capital

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised:		
213,237,334 shares of no par value		
Issued and fully paid:		
213,237,334 stock units of no par value	<u>213,237</u>	<u>213,237</u>

21. Disclosure of income and expenses

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

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Depreciation	44,556	40,003
Directors' remuneration - fees	5,814	5,512
- management	114,425	106,231
Auditors' remuneration	<u>10,924</u>	<u>9,922</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

21. Disclosure of income and expenses (cont'd)

(b) Transactions with key management personnel:

Compensation of key management personnel is as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Short term employment benefits:		
Salary	75,545	71,267
Pension contributions [see note 4(s)]	<u>5,041</u>	<u>4,726</u>
	<u>80,586</u>	<u>75,993</u>

(c) Operating expenses:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Audit and accounting fees	22,558	20,750
Bad debt	6,484	1,317
Data maintenance	16,781	6,293
Insurance	7,504	8,266
Legal and professional fees	23,663	24,532
Salaries and wages	615,227	575,756
Pension cost	25,874	23,960
Statutory contributions	73,350	69,685
Staff welfare	67,260	65,148
Staff profit share	52,845	90,420
Post-retirement health and life insurance benefits	69,767	64,902
Travelling and entertainment	20,472	25,453
Finance cost	28,023	24,627
Postage and cable	4,675	4,205
Printing and stationary	19,415	21,619
Donations	6,138	7,157
Repairs and maintenance - building	68,495	66,154
Depreciation	44,556	40,003
Office rental	59,497	55,966
Other expenses	33,078	41,790
Advertising and promotion	119,344	87,103
Inspection and investigation	7,556	6,836
Security and courier services	19,360	20,413
Software maintenance	63,186	58,472
Subscription	11,759	12,098
Computer equipment lease	29,493	38,548
Client referral fees	<u>1,477</u>	<u>25,174</u>
	<u>1,517,837</u>	<u>1,478,581</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

22. Investment income

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest income:		
Available for sale financial assets	6,317	2,937
Loans and receivables	132,375	149,785
Cash and cash equivalents	907	5,564
Rental income	1,758	8,095
Dividend income	<u>2</u>	<u>2</u>
	<u>141,359</u>	<u>166,383</u>

23. Taxation

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

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Current tax expense:		
Income tax @ 33⅓%	127,800	105,233
Deferred tax expense:		
Origination and reversal of temporary differences (note 18)	(21,345)	(12,433)
Total taxation expense	<u>106,455</u>	<u>92,800</u>

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

The effective tax rate was 38% (2015: 33%) of pre-tax profits compared to a statutory tax rate of 33⅓% for Jamaica and 25% for Trinidad and Tobago. The actual tax expense differed from the "expected" tax expense for the year as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>279,952</u>	<u>282,725</u>
Computed "expected" tax expense @ 33⅓%/25%	96,057	101,590
Difference between profit for financial statements and tax reporting purposes on		
Depreciation charge and capital allowances	(909)	(5,060)
Expense not allowed for tax purposes	(23,940)	(42,799)
Revaluation of investment property	(1,950)	-
Deferred tax asset not recognised	<u>37,197</u>	<u>39,069</u>
	<u>106,455</u>	<u>92,800</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

23. Taxation (cont'd)

- (c) A deferred tax asset \$91,287,000 (2015: \$54,090,000) has not been recognised for the Trinidad and Tobago branch as management does not believe that the asset will be realised in the foreseeable future.

24. Reinsurance ceded

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

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

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

25. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The company's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the company are as follows:

Motor insurance
Property insurance
Liability insurance

The company manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

25. Insurance risk management (cont'd)

Underwriting strategy:

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

Reinsurance strategy:

The company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 26.

Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

25. Insurance risk management (cont'd)

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

Type contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholders against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions.) The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these claims involve higher estimation uncertainty.

Motor contracts:

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

Property contracts:

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

25. Insurance risk management (cont'd)

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Risk exposure and concentrations of risk:

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

	<u>Motor</u> \$'000	<u>Property</u> \$'000	<u>Liability</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
At 31 December 2016					
Gross	2,685,195	74,141	47,468	14,031	2,820,835
Net of reinsurance	<u>1,402,260</u>	<u>3,242</u>	<u>25,475</u>	<u>1,807</u>	<u>1,432,784</u>
At 31 December 2015					
Gross	2,630,079	5,189	26,061	10,074	2,671,403
Net of reinsurance	<u>1,404,631</u>	<u>58</u>	<u>11,636</u>	<u>1,319</u>	<u>1,417,644</u>

Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development

	<u>Accident year</u>						<u>Total</u>
	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2013</u> \$'000	<u>2014</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>\$'000</u>
Estimate of cumulative claims							
at end of accident year	1,111,896	635,823	847,307	1,167,021	1,091,522	1,034,138	5,887,707
-one year later	986,118	640,906	868,779	1,127,122	1,110,943	-	4,733,868
-two years later	918,931	625,266	781,937	1,113,923	-	-	3,440,057
-three years later	846,571	589,270	766,567	-	-	-	2,202,408
-four years later	806,928	588,110	-	-	-	-	1,395,038
-five years later	773,561	-	-	-	-	-	773,561
Estimate of cumulative claims	773,561	588,110	766,567	1,113,923	1,110,943	1,034,138	5,387,242
Cumulative payments to date	<u>(663,030)</u>	<u>(526,682)</u>	<u>(641,987)</u>	<u>(884,833)</u>	<u>(770,319)</u>	<u>(467,607)</u>	<u>(3,954,458)</u>
Net outstanding claims liabilities	<u>110,531</u>	<u>61,428</u>	<u>124,580</u>	<u>229,090</u>	<u>340,624</u>	<u>566,531</u>	<u>1,432,784</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. 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 limits. The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

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

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

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

(a) Credit risk

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(a) Credit risk (cont'd)

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

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

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

Management of credit risk

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

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

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

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

(i) Exposure to credit risk:

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

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

	<u>AA</u> \$'000	<u>A</u> \$'000	<u>Not rated</u> \$'000	<u>Total</u> \$'000
December 31, 2016				
Financial assets				
Carrying amount	<u>-</u>	<u>-</u>	<u>3,131,019</u>	<u>3,131,019</u>
Reinsurance assets				
(excluding unearned premium reserve)				
Carrying amount	<u>1,036,041</u>	<u>352,010</u>	<u>-</u>	<u>1,388,051</u>
Insurance and other				
receivables (excluding prepayments)				
Neither past due nor impaired	11,741	3,989	260,632	276,362
Past due but not impaired	-	-	15,081	15,081
Individually impaired	<u>-</u>	<u>-</u>	<u>3,504</u>	<u>3,504</u>
Gross amount	11,741	3,989	279,217	294,947
Allowance for impairment	<u>-</u>	<u>-</u>	<u>(3,504)</u>	<u>(3,504)</u>
Carrying amount	<u>11,741</u>	<u>3,989</u>	<u>275,713</u>	<u>291,443</u>
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>267,062</u>	<u>267,062</u>
	<u>1,047,782</u>	<u>355,999</u>	<u>3,673,794</u>	<u>5,077,575</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

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

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

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, credit derivatives and netting arrangements that do not qualify for offset.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(ii) Concentrations of credit risk

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

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Billy Craig Insurance Brokers Limited	27,038	8,475
Covenant Insurance Brokers Limited	10,279	10,324
JMMB Insurance Brokers Limited	4,715	31,628
Allied Insurance Brokers Limited	23,423	22,560
ICWI Group Limited	220,221	195,995
Fraser Fontaine and Kong	43,874	30,491
Valley Fruit Jamaica Limited	42,639	-
REACT Limited	13,625	4,006
The Insurance Company of the West Indies (Bahamas) Limited	<u>1,356</u>	<u>18,318</u>

(iii) Assets that are past due

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

	<u>Less than 46 days \$'000</u>	<u>46 to 90 days \$'000</u>	<u>More than 90 days \$'000</u>	<u>Total \$'000</u>
December 31, 2016				
Receivable arising from insurance and reinsurance contracts				
- agents, brokers and intermediates	<u>147,635</u>	<u>85,287</u>	<u>15,081</u>	<u>248,003</u>
December 31, 2015				
Receivable arising from insurance and reinsurance contracts				
- agents, brokers and intermediates	<u>143,343</u>	<u>73,978</u>	<u>7,371</u>	<u>224,692</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(iv) Assets that are individually impaired

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

	2016		2015	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Insurance receivables	<u>3,504</u>	<u>-</u>	<u>3,550</u>	<u>-</u>

The above assets have been individually impaired after considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

(b) Liquidity risk

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

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Consequently, the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due and in the event of reasonably foreseeable abnormal circumstances. An analysis of the contractual maturities of the company's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

	Contractual undiscounted cash flows					
	Carrying Amount \$'000	Total cash outflow \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	5-10 years \$'000
December 31, 2016						
Financial liabilities						
-Accounts payable and accrued charges	353,805	353,805	353,805	-	-	-
-Due to fellow subsidiaries	<u>45,606</u>	<u>45,606</u>	<u>45,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>399,411</u>	<u>399,411</u>	<u>399,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities						
-Claims liabilities	<u>2,820,835</u>	<u>2,820,835</u>	<u>1,296,449</u>	<u>1,040,232</u>	<u>459,159</u>	<u>24,995</u>
	<u>3,220,246</u>	<u>3,220,246</u>	<u>1,695,860</u>	<u>1,040,232</u>	<u>459,159</u>	<u>24,995</u>
	Contractual undiscounted cash flows					
	Carrying Amount \$'000	Total cash outflow \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	5-10 years \$'000
December 31, 2015						
Financial liabilities						
-Accounts payable and accrued charges	425,264	425,264	425,264	-	-	-
-Insurance payables	85,805	85,805	85,805	-	-	-
-Due to fellow subsidiaries	<u>66,402</u>	<u>66,402</u>	<u>66,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>577,471</u>	<u>577,471</u>	<u>577,471</u>	<u>-</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities						
-Claims liabilities	<u>2,671,403</u>	<u>2,671,403</u>	<u>846,177</u>	<u>1,321,948</u>	<u>465,186</u>	<u>38,092</u>
	<u>3,248,874</u>	<u>3,248,874</u>	<u>1,423,648</u>	<u>1,321,948</u>	<u>465,186</u>	<u>38,092</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises in the company due to fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

The Investment Committee manages market risk in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the company at the reporting date to each major risk are addressed below.

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

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

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

(i) Interest rate risk:

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

	<u>Carrying amount</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Fixed rate instruments:		
Financial assets	<u>2,879,254</u>	<u>2,738,177</u>
Variable rate instruments:		
Financial assets	<u>251,765</u>	<u>251,765</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(c) Market risk (cont'd)

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

Fair value sensitivity analysis for fixed rate instruments

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

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

	Increase/(decrease) in equity	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
1.0% (2015: 2.0%) increase	(2,136)	(2,660)
0.5% (2015: 0.5%) decrease	<u>1,104</u>	<u>1,384</u>

Cash flow sensitivity analysis for variable rate instruments

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

	Increase/(decrease) in profit before taxation	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
1.0% (2015: 2.5%) increase	<u>23</u>	<u>25</u>
1.5% (2015: 1.0%) decrease	(23)	(38)

(ii) Foreign currency risk:

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(c) Market risk (cont'd)

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
United States dollars	7,741	4,447
Cayman Islands dollars	79	(280)
Bahamas dollars	3,686	3,848
Netherlands Antilles guilders	13	37
Trinidad and Tobago dollars	<u>15,279</u>	<u>12,808</u>

Sensitivity analysis

<u>Movement of J\$ against other currencies</u>	<u>Increase/(decrease) in profit before taxation</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
6% (2015: 8.0%) weakening	106,276	95,390
1% (2015: 1.0%) strengthening	<u>(17,713)</u>	<u>(11,924)</u>

(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 10% (2015: 20.0%) increase in the market price at the reporting date would cause an increase in other comprehensive income of \$524,000 (2015: \$1,231,000). A 10% (2015: 20.0%) decrease would have an equal but opposite effect on other comprehensive income.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial risk management (cont'd)

(d) Operational risk (cont'd):

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

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

(e) Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum asset ratios and the possible suspension or loss of its financial institution licence (see note 2). The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

General insurance companies must maintain a minimum level of assets, capital and surplus to meet the liabilities of the company. The regulator requires that the total capital available to a general insurance company is at least 250% (2015: 250%) of the capital required as calculated under the minimum capital test (MCT). At December 31, 2016 the company's capital available was 303.71% (2015: 304.07%) of the capital required under the MCT.

27. Fair value of financial instruments

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

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

Financial instrument

Method

Government of Jamaica Securities,
 Government of Trinidad and Tobago
 Securities and other corporate bonds.

Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker. Where prices are not available fair value is assumed to approximate amortised cost.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

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

Determination of fair value and fair values hierarchy

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The source of the input parameter for the Jamaica Sovereign bonds and corporate bond yield curve is Oppenheimer.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

Accounting classifications and fair values

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

		2016							
		Carrying amount				Fair value			
	Note	Loan and receivables \$'000	Available for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value:									
Investment securities	9	-	80,871	-	80,871	5,238	61,637	13,996	80,871
Financial assets not measured at fair value:									
Investments	9	2,297,345	-	-	2,297,345				
Cash and cash equivalents		267,062	-	-	267,062				
Securities purchased under resale agreements	10	772,037	-	-	772,037				
Reinsurance assets	11	1,388,051	-	-	1,388,051				
Insurance and other receivables		291,443	-	-	291,443				
		5,015,938	-	-	5,015,938				
Financial liabilities not measured at fair value:									
Insurance contract liabilities	11	-	-	2,820,835	2,820,835				
Accounts payable and accrued charges	16	-	-	353,805	353,805				
Due to fellow subsidiaries	8	-	-	45,606	45,606				
		-	-	3,220,246	3,220,246				

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

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

Accounting classifications and fair values (cont'd)

		2015							
		Carrying amount				Fair value			
	Note	Loan and receivables \$'000	Available for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value:									
Investment securities	9	-	64,827	-	64,827	6,156	58,072	599	64,827
Financial assets not measured at fair value:									
Investments	9	2,030,541	-	-	2,030,541				
Cash and cash equivalents		255,081	-	-	255,081				
Securities purchased under resale agreements	10	901,329	-	-	901,329				
Reinsurance assets	11	1,253,759	-	-	1,253,759				
Insurance and other receivables		279,333	-	-	279,333				
		4,720,043	-	-	4,720,043				
Financial liabilities not measured at fair value:									
Insurance contract liabilities	11	-	-	2,671,403	2,671,403				
Accounts payable and accrued charges	16	-	-	425,264	425,264				
Insurance payables	17	-	-	85,805	85,805				
Due to fellow subsidiaries	8	-	-	66,402	66,402				
		-	-	3,248,874	3,248,874				

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

28. Commitments

(a) Lease commitments are payable as follows:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Within one year	9,048	9,376
Two to five years	<u>12,047</u>	<u>21,095</u>
	<u>21,095</u>	<u>30,471</u>