



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6
Fax +1 (876) 922-7
+1 (876) 922-4
e-Mail firmmail@kpmg

To the members of
GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Globe Insurance Company of Jamaica Limited, set out on pages 3 to 41 which comprise the balance sheet as at December 31, 2008, and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



To the Members of
GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements, which have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the financial position of the company as at December 31, 2008, and of its financial performance, changes in equity and cash flows for the year then ended, and comply with 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 and the financial statements are in agreement with the accounting records.

KPMG

March 13, 2009

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

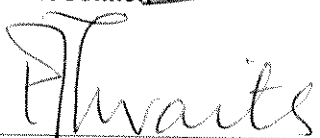
Balance Sheet
December 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000s	<u>2007</u> \$'000s
ASSETS			
Property, plant and equipment	5	28,903	14,918
Deferred acquisition costs	6	101,197	81,055
Reinsurance assets	7	949,421	1,058,374
Insurance receivables	8	194,949	318,936
Securities purchased under resale agreements	9	162,450	482,335
Investments	10	2,275,991	1,762,066
Taxation recoverable		34,959	-
Other accounts receivable		2,590	1,698
Accrued investment income		123,667	67,364
Cash and cash equivalents	11	<u>921,022</u>	<u>592,335</u>
		<u>4,795,149</u>	<u>4,379,081</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Insurance contract provisions	7	2,884,315	2,688,000
Accounts payable and accrued charges	12	30,282	63,408
Insurance payables	13	119,640	128,311
Taxation payable		-	7,014
Deferred commission income	14	107,768	83,392
Due to fellow subsidiaries	15	851	19,915
Employee benefit obligations	16	13,200	10,700
Deferred tax liability	17	<u>38,552</u>	<u>13,720</u>
		<u>3,194,608</u>	<u>3,014,460</u>
Share capital	18	640,000	640,000
Capital reserves	19	167	167
Investment revaluation reserve		(34,823)	39,112
Retained earnings		<u>995,197</u>	<u>685,342</u>
		<u>1,600,541</u>	<u>1,364,621</u>
		<u>4,795,149</u>	<u>4,379,081</u>

The financial statements on pages 3 to 41 were approved for issue by the Board of Directors on March 13, 2009 and signed on its behalf by:



W.A. McConnell, Director



R.E.D. Thwaites, Director

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Income Statement
Year ended December 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Gross premiums written	20	2,391,235	2,197,562
Change in gross provision for unearned premiums		(159,985)	(78,450)
Gross insurance premium revenue		2,231,250	2,119,112
Written premiums ceded to reinsurers		(1,352,313)	(1,440,126)
Reinsurers' share of change in provision for unearned premiums		<u>35,794</u>	<u>51,025</u>
Net insurance premium revenue		<u>914,731</u>	<u>730,011</u>
Claims expenses incurred		(558,083)	(926,076)
Reinsurers' share of claims incurred		<u>947</u>	<u>470,874</u>
Net insurance claims		(557,136)	(455,202)
Commission expense	6	(181,406)	(156,427)
Commission income	14	<u>193,372</u>	<u>240,523</u>
Net commission income		<u>11,966</u>	<u>84,096</u>
		369,561	358,905
Operating expenses		(395,726)	(323,554)
Underwriting (loss)/ profit before other income and taxation		(26,165)	35,351
Investment income, net	21	358,367	288,811
Other operating income		18,240	31,294
Foreign exchange gains		<u>102,280</u>	<u>36,691</u>
		<u>478,887</u>	<u>356,796</u>
Profit before taxation	22	452,722	392,147
Taxation	23	(110,917)	(108,059)
Net profit attributable to members		<u>341,805</u>	<u>284,088</u>

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2008

	Share capital \$'000s (note 18)	Capital reserves \$'000s (note 19)	Investment revaluation reserve \$'000s	Retained earnings \$'000s	Total \$'000s
Balances at December 31, 2006	640,000	167	26,503	433,142	1,099,812
Profit for the year	-	-	-	284,088	284,088
Appreciation in fair value of investments	-	-	12,609	-	12,609
Preference dividends (note 27)	-	-	-	(31,888)	(31,888)
Balances at December 31, 2007	640,000	167	39,112	685,342	1,364,621
Profit for the year	-	-	-	341,805	341,805*
Depreciation in fair value of investments	-	-	(73,935)	-	(73,935)*
Preference dividends (note 27)	-	-	-	(31,950)	(31,950)
Balances at December 31, 2008	<u>640,000</u>	<u>167</u>	<u>(34,823)</u>	<u>995,197</u>	<u>1,600,541</u>

*Total recognised gains aggregated \$267,870,000 (2007: \$296,697,000).
The accompanying notes form an integral part of the financial statements.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Statement of Cash Flows
Year ended December 31, 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		\$'000s	\$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation		341,805	284,088
Adjustments to reconcile profit after taxation to net cash provided/(used) by operating activities:			
Depreciation		2,409	774
Impairment of available for sale financial assets		35,000	-
Gain on disposal of property, plant & equipment		-	(1,100)
Gain on sale of investments		(16,028)	(399)
Decrease/(increase) in insurance contract provisions		305,268	123,036
Deferred taxation		24,832	(11,761)
Employee benefit obligations		2,500	2,500
Income tax expense		86,085	119,820
Interest income		(370,224)	(290,640)
Changes in assets and liabilities excluding cash and deferred taxation:			
Securities purchased under resale agreements		319,885	318,396
Insurance receivables and deferred commission expense		103,845	(185,434)
Other accounts receivable		(892)	1,067
Accounts payable and accrued charges		(17,151)	10,953
Insurance payables and deferred commission income		15,705	75,776
Due to fellow subsidiaries		(19,064)	16,694
Cash provided/(used) by operating activities		813,975	463,770
Income tax paid		(128,058)	(99,813)
Net cash provided by operating activities		<u>685,917</u>	<u>363,957</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid being net cash used by financing activity		(47,925)	(31,888)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		313,921	316,861
Investments, net		(717,333)	(824,704)
Addition to property, plant & equipment		(16,488)	(1,541)
Proceeds from disposal of investments		110,501	3,399
Proceeds from disposal of property, plant & equipment		<u>94</u>	<u>1,100</u>
Net cash used by investing activities		(309,305)	(504,885)
Net increase/(decrease) in cash and cash equivalents		328,687	(172,816)
Cash and cash equivalents at beginning of the year		<u>592,335</u>	<u>765,151</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	<u>921,022</u>	<u>592,335</u>

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

1. Corporate structure and nature of business

The company is incorporated in Jamaica under the Companies Act, is domiciled in Jamaica and operates from its registered office at 19 Dominica Drive, Kingston 5. It is a wholly-owned subsidiary of Globe Holdings Limited which is incorporated in St. Lucia. The ultimate parent company is CL Financial Limited, which is incorporated in Trinidad & Tobago.

The principal activity of the company is the underwriting of general insurance business.

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 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. 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 which is used in the valuation, also makes use of the work of the external auditors.

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

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

Statement of compliance:

- (a) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 20084. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

In preparing these financial statements, the company has adopted IFRIC 14 - IAS 19, *The limit on a Deferred Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of IFRIC 14 did not have any significant impact on the financial statements.

At the date of approval of the financial statements, there were certain standards and interpretations which were issued but were not yet effective and have not been early adopted and have therefore not been applied in preparing these financial statements.

The one which is considered relevant to the company and its effective date is:

- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) which requires presentation of all non-owner changes in equity in one or two statements either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts to be disclosed on the face of the statement of changes in equity or in the notes.

(b) Basis of preparation:

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

These financial statements are presented in Jamaica dollars (\$), which is the functional currency of the company.

Where necessary prior year comparatives have been reclassified to conform with current year's presentation.

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet 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:

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

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

(i) Allowance for impairment losses on receivables:

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

(ii) Outstanding claims, see note 4(n).

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, and include short-term deposits and other monetary investments with maturities ranging between one and three months from balance sheet date.

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

(e) Accounts receivable:

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

(f) Accounts payable:

Trade and other payables, are stated at cost.

(g) Provisions:

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

(h) Related parties:

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the company;
 - (b) has an interest in the company that gives it significant influence over the entity; or
 - (c) has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company.

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

(i) Investments:

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

The fair value of available-for-sale investments is based on their quoted market bid price at the balance sheet 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.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

(j) Property, plant & equipment:

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

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 & equipment 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	3%
Furniture and equipment	10%
Motor vehicles	20%
Plant and machinery	10%
Computers and computer software	33 ¹ / ₃ %

(k) 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 balance sheet 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 the income statement.

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

(l) Impairment:

- (i) The carrying amount of the company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at the balance sheet 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 the income statement.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

(l) Impairment: (cont'd)

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.

- (i) 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.

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.

(m) Revenue recognition:

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

Revenue comprises the following:

(i) Gross written premiums

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

(m) Revenue recognition: (cont'd)

(ii) Commission income

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

(iii) 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.

(n) Insurance contract recognition and measurement:

(i) Insurance contracts

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

Gross written premiums

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

Unearned premiums

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

Unexpired risks

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

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

(i) Insurance contracts (cont'd)

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 reviewed by the company's actuary using the past loss experience of the company and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by their actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the balance sheet date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Deferred acquisition cost and deferred commission income

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

(ii) Reinsurance assets

In the normal course of business the company seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 24). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

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 "twenty-fourths" basis on the total premiums ceded.

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 20084. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

(iii) Insurance receivable and insurance payable

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

(o) Operating lease payments:

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

(p) Taxation:

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

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

Deferred tax is provided using the balance sheet liability method, providing 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 balance sheet date.

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

(q) Employee benefits:

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

(q) Employee benefits: (cont'd)

(i) Defined benefit pension plans:

The company is a participating employer in defined benefit group pension plans. The main defined benefit plan is effectively guaranteed by the ultimate holding company and does not expose the participating company to actuarial risks. This plan, Lascelles, Henriques, et. al. Superannuation Fund, is therefore accounted for as a defined contribution plan in the financial statements of the company, that is, pension contributions are expensed as and when they fall due.

(ii) Other post-retirement benefits:

The company provides post-retirement health care benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the balance sheet date is shown as an obligation on the balance sheet.

(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 balance sheet date.

(r) 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.

(s) 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 and other accounts receivable. Financial liabilities include accounts payable, insurance payables, and related party balances.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

5. Property, plant and equipment

	<u>Freehold land and buildings</u> \$'000s	<u>Furniture and equipment</u> \$'000s	<u>Motor vehicles</u> \$'000s	<u>Computer</u> \$'000s	<u>Plant and machinery</u> \$'000s	<u>Total</u> \$'000s
At cost:						
December 31, 2006	25,435	8,852	2,776	-	1,289	38,352
Disposals	-	-	(1,900)	-	-	(1,900)
Additions	-	-	-	1,541	-	1,541
December 31, 2007	25,435	8,852	876	1,541	1,289	37,993
Disposals	-	-	-	(94)	-	(94)
Additions	-	766	-	15,722	-	16,488
December 31, 2008	<u>25,435</u>	<u>9,618</u>	<u>876</u>	<u>17,169</u>	<u>1,289</u>	<u>54,387</u>
Depreciation:						
December 31, 2006	11,286	8,851	2,775	-	1,289	24,201
Charge for the year	760	-	-	14	-	774
Eliminated on disposal	-	-	(1,900)	-	-	(1,900)
December 31, 2007	12,046	8,851	875	14	1,289	23,075
Charge for the year	760	14	-	1,635	-	2,409
December 31, 2008	<u>12,806</u>	<u>8,865</u>	<u>875</u>	<u>1,649</u>	<u>1,289</u>	<u>25,484</u>
Net book values:						
December 31, 2008	<u>12,629</u>	<u>753</u>	<u>1</u>	<u>15,520</u>	<u>-</u>	<u>28,903</u>
December 31, 2007	<u>13,389</u>	<u>1</u>	<u>1</u>	<u>1,527</u>	<u>-</u>	<u>14,918</u>

The revalued amounts of freehold land and buildings were deemed to be the assets' cost upon first-time adoption of IFRS.

6. Deferred acquisition costs

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
The analysis of the deferred acquisition costs is as follows:		
Balance January 1	81,055	70,045
Paid during the year	201,548	167,437
Transfers to income during the year	(181,406)	(156,427)
Balance December 31	<u>101,197</u>	<u>81,055</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

7. Reinsurance assets and insurance contract provisions

	2008			2007		
	Gross \$'000s	Reinsurance \$'000s	Net \$'000s	Gross \$'000s	Reinsurance \$'000s	Net \$'000s
Claims outstanding [note 7(a)]	1,644,187	291,806	1,352,381	1,607,857	436,553	1,171,304
Unearned premiums [note 7(b)]	1,240,128	657,615	582,513	1,080,143	621,821	458,322
	<u>2,884,315</u>	<u>949,421</u>	<u>1,934,894</u>	<u>2,688,000</u>	<u>1,058,374</u>	<u>1,629,626</u>

Analysis of movements in insurance contract provisions

Claims outstanding:

	2008			2007		
	Gross \$'000s	Reinsurance \$'000s	Net \$'000s	Gross \$'000s	Reinsurance \$'000s	Net \$'000s
Claims notified	1,002,002	224,993	777,009	756,213	79,786	676,427
Claims incurred but not reported	<u>605,855</u>	<u>211,560</u>	<u>394,295</u>	<u>459,307</u>	<u>60,073</u>	<u>399,234</u>
Balance at January 1	<u>1,607,857</u>	<u>436,553</u>	<u>1,171,304</u>	<u>1,215,520</u>	<u>139,859</u>	<u>1,075,661</u>
Change in outstanding claims provision	558,083	947	557,136	886,171	430,969	455,202
Claims paid in year	<u>(521,753)</u>	<u>(145,694)</u>	<u>(376,059)</u>	<u>(493,834)</u>	<u>(134,245)</u>	<u>(359,589)</u>
	<u>36,330</u>	<u>(144,747)</u>	<u>181,077</u>	<u>392,337</u>	<u>296,724</u>	<u>95,613</u>
Balance at December 31	<u>1,644,187</u>	<u>291,806</u>	<u>1,352,381</u>	<u>1,607,857</u>	<u>436,583</u>	<u>1,171,274</u>
Claims notified	1,096,141	175,409	920,732	1,002,002	224,993	777,009
Claims incurred but not reported	<u>548,046</u>	<u>116,397</u>	<u>431,649</u>	<u>605,855</u>	<u>211,560</u>	<u>394,295</u>
Balance December 31	<u>1,644,187</u>	<u>291,806</u>	<u>1,352,381</u>	<u>1,607,857</u>	<u>436,553</u>	<u>1,171,304</u>

- (a) Outstanding claims include claims payable of \$86,405,000 (2007: \$85,240,000) under policies issued to related parties.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

Unearned premiums:

	2008			2007		
	Gross \$'000s	Reinsurance \$'000s	Net \$'000s	Gross \$'000s	Reinsurance \$'000s	Net \$'000s
Balance January 1	1,080,143	621,821	458,322	1,001,693	570,794	430,899
Premiums written during the year	2,391,235	1,352,313	1,038,922	2,197,562	1,440,126	757,436
Premiums earned during the year	(2,231,250)	(1,316,519)	(914,731)	(2,119,112)	(1,389,099)	(730,013)
Balance December 31	<u>1,240,128</u>	<u>657,615</u>	<u>582,513</u>	<u>1,080,143</u>	<u>621,821</u>	<u>458,322</u>

(b) Gross unearned premiums are analysed by class of business as follows:

	2008 \$'000s	2007 \$'000s
Accident	26,428	22,573
Liability	105,773	97,693
Motor	345,002	278,195
Marine	8,400	7,209
Pecuniary loss	3,632	3,236
Property	<u>750,893</u>	<u>671,237</u>
	<u>1,240,128</u>	<u>1,080,143</u>

Process used to determine the assumptions for measuring insurance contracts:

The company adopts a consistent process in the calculation of an adequate provision for insurance contracts. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. However, there is a risk that, due to unforeseen circumstances, the reserves may be insufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

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

Process used to determine the assumptions for measuring insurance contracts (cont'd)

The outstanding claims provisions are estimated based on facts known at the date of estimation. The ultimate cost of outstanding claims are estimated using a range of standard actuarial claims projection techniques.

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

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

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

8. <u>Insurance receivables</u>	<u>2008</u>	<u>2007</u>
	\$'000s	\$'000s
Receivable arising from insurance and reinsurance contracts		
due from other insurance companies	607	151,952
Premiums receivable	<u>194,342</u>	<u>166,984</u>
	<u>194,949</u>	<u>318,936</u>

The premiums receivable balance includes \$5,758,000 (2007: \$11,924,000) due from related parties.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 20089. Securities purchased under resale agreements

The fair value of the underlying securities at December 31, 2008 amounts to \$158,024,000 (2007: \$535,577,000).

10. <u>Investments</u>	<u>2008</u>	<u>2007</u>
	\$'000s	\$'000s
Loans and receivables:		
Maturing:		
Within 1 year:		
Deposits	64,995	100,458
Government of Jamaica Bonds	134,701	102,632
Government of Jamaica Investment Debentures	52,833	156,500
Government of Jamaica local registered stocks	48,818	30,000
Bank of Jamaica Certificates of deposit	360,834	27,511
Other Debentures - IAJ	-	647
Corporate Bonds	23,881	26,097
Within 1 and 5 years:		
Government of Jamaica Bonds	929,335	398,219
Government of Jamaica Local Registered Stocks	825	49,644
Government of Jamaica Investment Debentures	50,000	75,833
Bank of Jamaica Certificates of deposit	-	149,147
Corporate Bonds	44,526	50,391
Over 5 years:		
Government of Jamaica Bonds	220,000	215,000
Government of Jamaica Local Registered Stocks	30,000	68,137
Corporate Bonds	-	64,035
Available-for-sale securities:		
Quoted equities	173,306	134,304
Unquoted equities	-	22,105
Mutual funds	27,265	42,529
Corporate bonds	11,020	14,667
Government of Jamaica Local Registered Stocks	38,137	-
Government of Jamaica Bonds	<u>65,515</u>	<u>34,210</u>
	<u>2,275,991</u>	<u>1,762,066</u>

Investments include foreign currency investments aggregating US\$5,989,000 (2007: US\$3,093,000). At December 31, 2008, the fair value of loans and receivables aggregated \$1,802,359,000 (2007: \$1,526,264,000).

Investment bonds include \$45,000,000 (2007: \$45,000,000) held to the order of the Financial Services Commission as required by the Insurance Act 2001.

Corporate bonds maturing within 1 and 5 years include \$27,861,000 (2007: \$ nil) with a related company.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200811. Cash and cash equivalents

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Cash and bank balances	178,629	86,150
Securities purchased under resale agreements	321,554	378,127
Deposits	58,189	38,613
Bank of Jamaica Certificates of deposit	297,004	-
Other monetary instruments	<u>65,646</u>	<u>89,445</u>
	<u>921,022</u>	<u>592,335</u>

12. Accounts payable and accrued charges

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Accounts payable and accrued charges	4,947	27,795
Other payables	<u>25,335</u>	<u>35,613</u>
	<u>30,282</u>	<u>63,408</u>

Other payables include \$1,379,000 (2007: \$17,419,000) due to related parties.

13. Insurance payables

This represents payables arising from insurance and reinsurance contracts due to other insurance companies.

14. Deferred commission income

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

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Balance January 1	83,392	78,092
Commission received during the year	217,748	245,823
Transfers to income during the year	<u>(193,372)</u>	<u>(240,523)</u>
Balance December 31	<u>107,768</u>	<u>83,392</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200815. Due to fellow subsidiaries

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Globe Limited	-	8,465
J. Wray & Nephew Limited	<u>851</u>	<u>11,450</u>
	<u>851</u>	<u>19,915</u>

16. Employee benefit obligations

The company's obligation in respect of post-retirement benefits has been recognised primarily in respect of medical benefits for pensioners as follows:

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Present value of obligations	17,600	11,900
Unrecognised actuarial gains	(4,400)	(1,200)
Recognised liability	<u>13,200</u>	<u>10,700</u>

(i) Movements in the net liability recognised in the balance sheet:

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Balance at beginning of year	10,700	8,200
Expense recognised in the income statement	2,700	2,700
Contributions by employers	(200)	(200)
	<u>13,200</u>	<u>10,700</u>

(ii) Expense recognised in the income statement:

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Service cost	1,100	1,200
Interest on obligations	1,600	1,400
Net actuarial gain recognised in year	-	100
	<u>2,700</u>	<u>2,700</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200816. Employee benefit obligations (cont'd)

- (iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2008</u>	<u>2007</u>
Discount rate	13%	12%
Medical claims growth	<u>12%</u>	<u>11%</u>

Assumptions regarding future mortality are based on PA (90)M and PA(90)F tables with ages reduced by six years.

The overall expected long-term rate of return on assets is 12.5%.

The expected long-term rate of return is based on the assumed long-term rate of inflation.

- (iv) Assumed health care cost trends have a significant effect on the amounts recognised in the income statement. A one percent point change in assumed healthcare cost trend rates would have the following effects:

	<u>One percentage point increase</u> \$'000s	<u>One percentage point decrease</u> \$'000s
Effect on the aggregate service and interest cost	800	(600)
Effect on the defined benefit obligation	<u>4,700</u>	<u>(3,500)</u>

17. Deferred tax liability

- (a) Deferred tax liability is attributable to the following:

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Property, plant & equipment	4,544	2,858
Gain on exchange	2,354	1,422
Employee benefit obligations	(9,109)	(7,231)
Accrued investment income	41,223	22,455
Preference dividends	<u>(460)</u>	<u>(5,784)</u>
	<u>38,552</u>	<u>13,720</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200818. Share capital

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Authorised, issued and fully paid -		
427,000,000 ordinary shares of no par value	427,000	427,000
213,000,000 15% cumulative redeemable convertible preference shares of no par value	<u>213,000</u>	<u>213,000</u>
	<u>640,000</u>	<u>640,000</u>

19. Capital reserves

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Realised gain on disposal of investments	151,141	151,141
Share premium	<u>170</u>	<u>170</u>
	151,311	151,311
Capitalisation as bonus shares	<u>(151,144)</u>	<u>(151,144)</u>
	<u>167</u>	<u>167</u>

Realised capital reserves are available for distribution to shareholders, subject to transfer tax at 5% (2007: 7½%).

20. Gross premiums written

Gross premium income includes \$328,792,000 (2007: \$336,452,000) received from fellow subsidiary companies.

21. Investment income

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Interest income	370,224	290,640
Dividend income	19,357	7,781
Net gains on disposal of available for sale financial assets	16,028	399
Impairment loss on available for sale financial assets	<u>(35,000)</u>	<u>-</u>
	370,609	298,820
Less: investment expenses	<u>(12,242)</u>	<u>(10,009)</u>
Investment income, net	<u>358,367</u>	<u>288,811</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200822. Disclosure of expenses and related party transactions

(a) Profit before taxation is stated after charging:

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Depreciation	2,409	774
Directors' emoluments - fees	1,303	1,205
- management	16,665	11,292
Auditors' remuneration	5,225	5,150
Other staff costs	229,811	179,774*
Pension contributions	2,827	2,133
Motor vehicle lease – related parties	7,148	6,873
Equipment lease – fellow subsidiary	8,935	8,935
Property lease	<u>7,305</u>	<u>6,641</u>

(b) Transactions with key management personnel:

Compensation of key management personnel (including executive director) is as follows:

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Short term employment benefits		
Salary	46,212	32,703
Pension contributions [see note 4(q)]	<u>906</u>	<u>525</u>
	<u>47,118</u>	<u>33,228</u>

23. Taxation

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

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
Current tax expense	86,085	119,820
Deferred tax expense:		
Origination and reversal of temporary differences	<u>24,832</u>	<u>(11,761)</u>
Total taxation expense	<u>110,917</u>	<u>108,059</u>

*Reclassified to conform to current year's presentation.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

23. Taxation (cont'd)

	<u>2008</u> \$'000s	<u>2007</u> \$'000s
(b) Reconciliation of effective tax rate:		
Profit before tax	<u>452,722</u>	<u>392,147</u>
Computed "expected" tax expense	150,907	130,715
Difference between profit for financial statements and tax reporting purposes on -		
Depreciation charge and capital allowances	16	(246)
Other disallowed expenses and adjustments	(17,825)	(9,755)
Tax exempt interest	(6,188)	(1,527)
Preference dividends	(10,650)	(10,629)
Capital gains	(5,343)	(499)
Actual tax expense	<u>110,917</u>	<u>108,059</u>

24. Insurance risk management**Risk management objectives and policies for mitigating insurance risk:***Overview*

The company's management of insurance and financial 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:

Liability insurance
Property insurance
Motor insurance

Notes to the Financial Statements
December 31, 2008

24. Insurance risk management (cont'd)

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

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 modeling and scenario analyses.

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

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

Reinsurance strategy:

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

Ceded reinsurance includes credit risk, and the company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is discussed in more detail later 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 of contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claims reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims can have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these short term claims involve lower estimation uncertainty.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

24. Insurance risk management (cont'd)**Risk management objectives and policies for mitigating insurance risk: (cont'd)**

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	<p>The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property.</p> <p>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.</p> <p>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.</p>
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claim complexity is relatively low.

Management of general insurance risk

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200824. Insurance risk management (cont'd)

Property contracts:

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

Motor contracts:

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

Risk exposure and concentrations of risk:

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

	<u>Liability</u> \$'000s	<u>Property</u> \$'000s	<u>Motor</u> \$'000s	<u>Other</u> \$'000s	<u>Total</u> \$'000s
At 31 December 2008					
Gross	633,147	343,242	633,822	33,976	1,644,187
Net of reinsurance	<u>605,800</u>	<u>106,149</u>	<u>606,691</u>	<u>33,741</u>	<u>1,352,381</u>
At 31 December 2007					
Gross	319,095	834,796	414,651	39,315	1,607,857
Net of reinsurance	<u>249,575</u>	<u>495,842</u>	<u>386,572</u>	<u>39,315</u>	<u>1,171,304</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 balance sheet and the estimate of cumulative claims.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

24. Insurance risk management (cont'd)

Analysis of net claims development

	Accident year						Total
	2003	2004	2005	2006	2007	2008	
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Estimate of cumulative claims							
at end of accident year	357,150	628,799	681,634	488,451	564,039	616,494	-
-one year later	393,151	621,401	570,309	443,154	550,046	-	-
-two years later	612,222	640,696	545,391	426,552	-	-	-
-three years later	490,769	637,678	560,033	-	-	-	-
-four years later	458,164	620,009	-	-	-	-	-
-five years later	432,425	-	-	-	-	-	-
Estimate of cumulative claims	432,425	620,009	560,033	426,552	550,046	616,494	3,205,559
Cumulative payments to date	<u>266,609</u>	<u>516,690</u>	<u>381,551</u>	<u>236,404</u>	<u>280,346</u>	<u>171,578</u>	<u>1,853,178</u>
Net outstanding claims liabilities	<u>165,816</u>	<u>103,319</u>	<u>178,482</u>	<u>190,148</u>	<u>269,700</u>	<u>444,916</u>	<u>1,352,381</u>

25. Fair values of financial instruments

Fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The following table sets out the fair values of financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as property, plant and equipment.

Fair values were estimated as follows:

The fair values of cash and cash equivalents, accrued investment income, reinsurance assets, insurance receivables and other receivables, insurance and other payables and insurance contract provisions are assumed to approximate their carrying values, due to their short-term nature.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITEDNotes to the Financial Statements
December 31, 200825. Fair values of financial instruments (cont'd)

Fair value: (cont'd)

The fair value of financial instruments is assumed to be equal to the estimated market value of investments provided in the following tables. These values are based on quoted market prices, when available, when not available, other valuation techniques are used.

	<u>2008</u>		<u>2007</u>	
	<u>Carrying</u> <u>value</u> \$'000s	<u>Fair</u> <u>value</u> \$'000s	<u>Carrying</u> <u>value</u> \$'000s	<u>Fair</u> <u>value</u> \$'000s
Assets				
Earning assets:				
Securities purchased under resale agreements	162,450	162,450	482,335	482,335
Available for sale financial assets	315,243	315,243	198,938	198,938
Loans and receivables	1,960,748	1,802,359	1,514,250	1,526,264
Cash and cash equivalents	<u>921,022</u>	<u>921,022</u>	<u>592,335</u>	<u>592,335</u>
	<u>3,359,463</u>	<u>3,201,074</u>	<u>2,787,858</u>	<u>2,799,872</u>

26. Financial risk management

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

Credit risk
Liquidity risk
Market risk
Operational risk

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.

Risk management framework

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.

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

Risk management framework (cont'd)

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.

(a) Credit risk

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

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

- debt securities and cash 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. 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.

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

The company also operates a policy to manage its reinsurance counterparty exposures, and assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(a) Credit risk (continued)

Exposure to credit risk

	<u>AAA</u> \$'000	<u>AA</u> \$'000	<u>A</u> \$'000	<u>B</u> \$'000	<u>Not rated</u> \$'000	<u>Total</u> \$'000
December 31, 2008						
Financial assets:						
Carrying amount	-	-	-	11,020	2,226,850	2,237,870
Reinsurance assets:(excluding Unearned premium reserve):						
Carrying amount	-	186,030	64,018	-	41,758	291,806
Insurance and other Receivables: (excluding prepayments)						
Neither past due nor impaired	-	-	607	-	191,043	191,650
Past due but not impaired	-	-	-	-	5,889	5,889
Carrying amount	-	-	607	-	196,932	197,539
Cash and cash equivalents:						
Carrying amount	-	-	-	-	921,022	921,022
	-	186,030	64,625	11,020	3,386,562	3,648,237
	<u>AAA</u> \$'000	<u>AA</u> \$'000	<u>A</u> \$'000	<u>B</u> \$'000	<u>Not rated</u> \$'000	<u>Total</u> \$'000
December 31, 2007						
Financial assets:						
Carrying amount	40,132	-	-	14,667	1,990,664	2,045,463
Reinsurance assets:(excluding Unearned premium reserve):						
Carrying amount	-	179,048	201,255	13,305	42,945	436,553
Insurance and other Receivables: (excluding prepayments)						
Neither past due nor impaired	-	105,875	44,108	-	148,458	298,441
Past due but not impaired	-	-	-	-	22,193	22,193
Carrying amount	-	105,875	44,108	-	170,651	320,634
Cash and cash equivalents:						
Carrying amount	-	-	-	-	592,435	592,435
	40,132	284,923	245,363	27,972	2,796,695	3,395,085

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(a) Credit risk (continued)

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

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

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

Concentrations of credit risk

The specific concentration of risk from one counterparty or group of connected counterparties with receivables of \$30 million or more is as follows:

	<u>2008</u>	<u>2007</u>
	\$'000s	\$'000s
Munchener Ruckversicherungs	-	74,017
Swiss Reinsurance Company of Canada	-	31,121
Marathon Insurance Brokers Limited	<u>-</u>	<u>54,625</u>
	<u>-</u>	<u>159,763</u>

Assets that are past due

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

	Less than 30 days	30 to 60 days	60-90 day	More than 90 days	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
December 31, 2008					
Receivable arising from insurance and reinsurance contracts:					
- contract holders	1,717	277	1,403	1,233	4,630
- agents, brokers and intermediaries	<u>1,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,259</u>
	<u>2,976</u>	<u>277</u>	<u>1,403</u>	<u>1,233</u>	<u>5,889</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(a) Credit risk (continued)

	Less than 30 days \$'000s	30 to 60 days \$'000s	60-90 day \$'000s	More than 90 days \$'000s	Total \$'000s
December 31, 2007					
Receivable arising from insurance and reinsurance contracts:					
- contract holders	10,420	5,488	1,267	3,137	20,312
- agents, brokers and intermediaries	<u>1,416</u>	<u>465</u>	<u>-</u>	<u>-</u>	<u>1,881</u>
	<u>11,836</u>	<u>5,953</u>	<u>1,267</u>	<u>3,137</u>	<u>22,193</u>

Assets that are individually impaired:

As of December 31, 2008 the company had no impaired assets.

(b) Liquidity risk

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

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due, and in the event of reasonably foreseeable abnormal circumstances. The company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines. The company is subject to a liquidity limit imposed by the regulator. The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities. This ratio at the balance sheet date was 99% (2007:100%). The level set by the regulator is 95%.

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 balance sheet.

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(b) Liquidity risk: (cont'd)

	<u>Contractual undiscounted cash flows</u>					
	<u>Carrying Amount</u> \$'000s	<u>Total cash outflow</u> \$'000s	<u>Less than 1 year</u> \$'000s	<u>1-2 years</u> \$'000s	<u>2-5 years</u> \$'000s	<u>5-10 years</u> \$'000s
December 31, 2008						
Financial liabilities						
- Accounts payable & accrued charges	30,282	30,282	30,282	-	-	-
- Insurance payables	119,640	119,640	119,640	-	-	-
- Due to fellow subsidiaries	851	851	851	-	-	-
Total financial liabilities	<u>150,773</u>	<u>150,773</u>	<u>150,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities:						
- Claims liabilities	1,096,141	1,096,141	530,160	153,170	60,905	351,905
	<u>1,246,914</u>	<u>1,246,914</u>	<u>680,933</u>	<u>153,170</u>	<u>60,905</u>	<u>351,905</u>

	<u>Contractual undiscounted cash flows</u>					
	<u>Carrying Amount</u> \$'000s	<u>Total cash outflow</u> \$'000s	<u>Less than 1 year</u> \$'000s	<u>1-2 years</u> \$'000s	<u>2-5 years</u> \$'000s	<u>5-10 years</u> \$'000s
December 31, 2007						
Financial liabilities						
- Accounts payable & accrued charges	63,408	63,408	63,408	-	-	-
- Insurance payables	128,311	128,311	128,311	-	-	-
- Due to fellow subsidiaries	19,915	19,915	19,915	-	-	-
- Other	7,014	7,014	7,014	-	-	-
Total financial liabilities	<u>218,648</u>	<u>218,648</u>	<u>218,648</u>	<u>-</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities:						
- Claims liabilities	1,002,002	1,002,002	480,960	120,240	128,233	272,569
	<u>1,220,650</u>	<u>1,220,650</u>	<u>699,608</u>	<u>120,240</u>	<u>128,233</u>	<u>272,569</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(c) Market risk:

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

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

Management of market risk

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

(i) Interest rate risk

Interest rate risk arises primarily from the company's investments. The company monitors its interest rate risk by continuously reviewing the impact of market movements on the interest rates of its investments.

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

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

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

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(c) Market risk: (continued)

(i) Interest rate risk, cont'd)

	Carrying amount	
	<u>2008</u>	<u>2007</u>
	\$'000s	\$'000s
Fixed rate instruments:		
Financial assets	<u>2,019,214</u>	<u>1,655,045</u>
Variable rate instruments:		
Financial assets	<u>961,050</u>	<u>982,753</u>

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 of 2.5% (2007: 1%) in interest rates would have increased or decreased equity by \$18,385,000 (2007: 4,097,000).

Cash flow sensitivity analysis for variable rate instruments

A change of 2.5% (2007:1%) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit	
	<u>Increase</u>	<u>decrease</u>
	\$'000s	\$'000s
December 31, 2008		
Variable rate instruments	<u>24,027</u>	<u>(24,027)</u>
December 31, 2007		
Variable rate instruments	<u>9,828</u>	<u>(9,828)</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

(c) Market risk: (cont'd)

(ii) Equity price risk

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

A change in the market price at the balance sheet date would result in an increase/ (decrease), respectively, in equity and profit before taxation by the amounts shown below.

	<u>2008</u>		<u>2007</u>	
	<u>Equity</u>	<u>Profit before taxation</u>	<u>Equity</u>	<u>Profit before taxation</u>
20% (2007: 10%) increase	29,132,515	-	39,786,000	-
20% (2007:10%) decrease	<u>3,966,289</u>	<u>(33,098,804)</u>	<u>(39,786,000)</u>	<u>-</u>

(iii) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company incurs foreign currency risk primarily on insurance and reinsurance contracts and investments that are denominated in a currency other than the Jamaica dollar. Such exposure comprises the monetary assets and liabilities of the company that are not denominated in that currency. The principal foreign currency risk of the company is denominated in United States dollars (US\$). At December 31, 2008, net foreign currency assets aggregated approximately US\$9,093,000 (2007: US\$7,415,000). Exchange rates for the US dollar, in terms of Jamaica dollars were as follows:

At December 31, 2008: \$78.68

At December 31, 2007: \$70.61

At March 13, 2009: \$88.40

In accordance with accounting policies applied consistently, exchange gains and losses are recognised in the income statement when incurred [see note 4(k)].

Sensitivity analysis

<u>Movement of J\$ against the United States dollars</u>	<u>Increase/(decrease) in profit before taxation</u>	
	<u>2008</u>	<u>2007</u>
	<u>\$'000s</u>	<u>\$'000s</u>
10% weakening	(71,471,000)	(52,349,000)
2% (2007:10%) strengthening	<u>14,294,000</u>	<u>52,349,000</u>

GLOBE INSURANCE COMPANY OF JAMAICA LIMITED

Notes to the Financial Statements
December 31, 2008

26. Financial risk management (cont'd)

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

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

(e) Capital risk management

Capital risk is the risk that the company's capital can become inadequate to allow it to continue as a going concern. The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulator, to avoid the possible suspension or loss of its insurance licence (see note 2);
- 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 insurers must maintain at least a minimum level of assets, capital and surplus to meet the liabilities of the company. In general terms, an insurance company is solvent and adequately capitalized when the available assets are equal to at least 100% of the required assets (as defined). The regulator requires the ratio of available assets to required assets to be 135%.

At December 31, 2008, for the purposes of the Insurance Regulation, the company's available assets were 136% (2007: 138%) of the required assets.

27. Preference dividends

Preference dividends are paid gross and are treated as a charge before taxation in accordance with the Income Tax Act.