



IECCU

The Insurance Employees Co-operative
Credit Union Limited

2018 | ANNUAL REPORT

43rd

Annual General Meeting

- ✓ Secured and Unsecured Loans
- ✓ Wealth Creation Products
- ✓ Insurance

The Insurance Employees
Co-operative Credit Union Limited
Tel: 920-7447 • 906-5362

"A Union of Possibilities"



OUR PHILOSOPHY

The success of The Insurance Employees Co-operative Credit Union Limited is highly dependent on the co-operative effort of dedicated and committed men and women bound together by mutual interest and working towards the common objective of providing quality service to all our members. It is in this context that we set out below for all to see some of our basic beliefs.

We believe that all members should be treated justly and fairly and that there should be no favouritism.

We believe that the needs of members and employees must be recognized and that every effort should be made to satisfy their financial well-being.

We believe that employees' desire for self development, job satisfaction and knowledge of what is going on within the Credit Union should not only be encouraged but should be facilitated and assisted.

We believe that the Board of Directors is obliged to provide the members with innovative and creative services and strong Credit Union leadership.

We believe that members and employees should be encouraged to make their individual contributions to the success and growth of IECCU and that the society should have a social responsibility towards the communities within which it operates.

We believe that ours is the business of sharing and caring and that able and experienced people should avail themselves to sustaining the growth and development of the Credit Union.

We believe that our financial strength can be realized through prudent financial management, increased capital inflows and substantial surplus.

We believe in maintaining a good and effective relationship with all Credit Unions in Jamaica, the Co-operative Credit Unions, The World Council of Credit Unions and all Credit Union movements throughout the world, in order to advance the best interest of our members.

TABLE OF CONTENTS

MISSION STATEMENT	4
NOTICE & AGENDA	5
AGM MINUTES	6-11
HIGHLIGHTS	12-15
REPORT OF THE BOARD OF DIRECTORS	16-20
FINANCIALS	
Letter from The Department of Co-operatives & Friendly Societies	21
Financial Statements 2016	22
Independent Auditor's Report	23-24
Statement of Financial Position	25-26
Statement of Profit or Loss and Other Comprehensive Income	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to Financial Statements	30-60
TREASURER'S REPORT	61-63
REPORT OF THE SUPERVISORY COMMITTEE	65-66
REPORT OF THE CREDIT COMMITTEE	67-68
REPORT OF THE NOMINATION COMMITTEE	69
REPORT OF DELEGATES TO THE LEAGUE'S AGM	70
PROPOSALS; DISTRIBUTION OF SURPLUS, MAXIMUM LIABILITY	71
STAFF	72-76

MISSION STATEMENT

To promote the Co-operative principles of the Credit Union movement as the most effective approach for our members to achieve personal financial well being, and to provide a dynamic and friendly organization in which our employees will grow and develop, our members will prosper, and the public will respect.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD ANNUAL GENERAL MEETING OF THE INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED WILL BE HELD AT THE KNUTSFORD COURT HOTEL, 16 CHELSEA AVENUE, KGN 5 ON TUESDAY OCTOBER 1, 2019 AT 5:30 P.M.

THE MEETING IS BEING CONVENED FOR THE FOLLOWING PURPOSE:

1. TO READ AND CONSIDER THE RELEVANT REPORTS
2. TO CONSIDER AND DECIDE ON THE FOLLOWING RESOLUTIONS:
 - A. THAT THE REPORTS TO THE MEETING BE ADOPTED.
 - B. APPROVE AND ADOPT THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS CONCERNING DIVIDENDS.
3. TO ELECT OFFICERS FOR THE YEAR 2019/20
4. TO DEAL WITH ANY OTHER MATTERS THOUGHT FIT

AGENDA

THE INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LTD. 43RD ANNUAL GENERAL MEETING

1. ASCERTAIN THAT A QUORUM IS PRESENT
2. CALL TO ORDER
3. APOLOGIES
4. MINUTES OF THE 42ND ANNUAL GENERAL MEETING
5. MATTERS ARISING COVERED IN REPORTS
6. REPORTS
 - A. BOARD OF DIRECTORS
 - B. FINANCIAL REPORTS FOR 2018
 - i. AUDITOR'S REPORT
 - ii. TREASURER'S REPORT
 - C. CREDIT COMMITTEE REPORT
 - D. SUPERVISORY COMMITTEE REPORT
 - E. REPORT OF THE DELEGATES TO THE LEAGUE'S AGM
7. DISCUSSION; Merger Presentation
8. ELECTIONS
 - A. REPORT OF THE NOMINATIONS COMMITTEE
 - B. ELECTION OF OFFICERS
 - i. BOARD
 - ii. CREDIT COMMITTEE
 - iii. SUPERVISORY COMMITTEE
 - iv. DELEGATES TO THE LEAGUE'S AGM
9. NOMINATION OF AUDITORS
10. RESOLUTIONS
 - i. FIXING OF MAXIMUM LIABILITY
 - ii. DISTRIBUTION OF SURPLUS
11. ADJOURNMENT

MINUTES

MINUTES OF THE FORTY-SECOND ANNUAL GENERAL MEETING OF THE INSURANCE EMPLOYEES COOPERATIVE CREDIT UNION LIMITED HELD ON THURSDAY, NOVEMBER 22, 2018 AT THE KNUTSFORD COURT HOTEL, 16 CHELSEA AVENUE, KINGSTON 5

CALL TO ORDER/ READING OF NOTICE AND PRAYER

A quorum having been ascertained, the Chairman, Mrs. Bernita Locke, called the meeting to order at 6:30 p.m.

The Chairman apologized for the late start which she attributed to them waiting on the AGM booklets which the printers had promised to deliver before the commencement of the meeting. She apologized profusely for the late distribution of the booklet.

She stated that consultation was sought with the Registrar's office and they informed her that the various reports would have to be projected in light of the fact that the booklets were not received on time.

This was accepted on a motion moved by Loris Chin Young, seconded by Doreen Allen.

NOTICE CONVENING THE MEETING:

The Secretary was invited to read the Notice convening the meeting.

PRAYER:

Prayer was said by Mr. Kenneth DaCosta.

WELCOME

The Chairman extended welcome to the following:

Penelope Morgan	-	Past President
Sandra Hucey	-	Jamaica Co-operative Credit Union League
Neville Hendricks	-	Past President
Zamar Bennett	-	Jamaica Co-operative Credit Union League
Warren Bogle	-	Auditor
Andrew Matheson	-	QNET
Ms. Sheryl Brown	-	Department of Co-operative & Friendly Societies
Mr. Clifton Freeburn	-	"
Carlton Bartley	-	CEO, C&WJ Co-operative Credit Union Limited
Pete Smith	-	President, C&WJ Co-operative Credit Union Limited
Nadia Byfield	-	Dept. of Co-operative and Friendly Societies
Derrick Logan	-	Past President

APOLOGIES FOR ABSENCE

Apology for absence was tendered on behalf of Mrs. Bethune Lugg from QNET.

MINUTES OF THE FORTY-FIRST ANNUAL GENERAL MEETING

The minutes of the Forty-First Annual General Meeting having been previously circulated on the website was taken as read on a motion moved by Penelope Morgan and seconded by Michelle Walters Nembhard

Corrections to the Minutes:

There was none recorded.

The minutes were confirmed on a motion moved by Carmen Singh, seconded by Stephen Levy.

Matters Arising:

This the Chairman, stated would be dealt with in the Board Report.

REPORTS:

BOARD OF DIRECTORS REPORT

The Chairman presented the Board of Directors Report.

The Chairman stated that the Board of Directors for 2017 comprised of: Winston Delahaye, Vice President; Camelia Nelson, Treasurer; Marjorie Neita, Secretary; Ray Johnson, Rejeanne Campbell, Peter Townsend, Mark Wallen and Cosmo Walker, Directors. She welcomed newly elected Directors Rejeanne Campbell and Mark Wallen who replaced Christopher Givans and Doyle Simon.

This team, she indicated, consisted of experienced professionals in critical disciplines such as Finance, HR, Information Technology, Marketing & Sales and General Management.

The Chairman then highlighted the following:

- That the team reviewed the financial and operational affairs of the Credit Union at regularly scheduled meetings. There were seven possible meetings for the period under review and she directed members' attention to the attendance of Directors at these meetings which was projected on the screen. She noted that absenteeism was due to illness or some pre-job commitments.
- That the focus of the Board of Directors was on short and medium term initiatives as well as managing costs and financing the members' needs.
- That the Treasury Bill rates fell by 30% as the intent of the Government was to reduce interest rates to

MINUTES

stimulate economic growth which resulted in a fall in interest rates on savings and loans.

- That albeit the challenges faced by the Credit Union asset base increased by 8% to \$1.8B.
- Loans increased by 18.7% to \$1.4B.
- That a modest return of \$1.9M was realised.
- That the focus in 2017 was on key operational areas such as: improving the delivery of high quality service to our members, updating our policies and writing new procedures, and monitoring the Credit Union's financial performance.
- That the delinquency loan portfolio was reviewed and a debt collection strategy was adopted.
- That in the area of achievement, the Credit Union was involved in capacity building in the areas of financial analysis, fraud prevention, training and development of staff, and financial assistance was provided for study purposes for the staff.
- That total membership in 2017 was 10,888 compared to 10,468 in 2016.
- That the Internet Banking Platform was upgraded with enhanced security measures and at the end of the year, 871 members were online inclusive of 194 new applicants.
- The Chairman urged members to sign up for Internet Banking as this would reduce time and cost.
- Debit card holders totalled 3,465 in 2017.
- That in order to target the millennials, social media platforms such as Twitter, Facebook, Instagram were utilized.
- Text messaging was the tool used to engage members with 4,900 members receiving text messages at the end of 2017, an 11% increase over the previous year.
- The Credit Union awarded GSAT scholarships to Giana Robinson and Alessandro Robinson, children of members of the Credit Union, while Nicholas Holung received a bursary from the League.
- There was a promotional drive in relation to savings which saw an increase in the rate of savings particularly with the Youth Accounts.
- That there was a 4.8% increase on deposits and 4% increase on loans.
- That there were merger discussions between IECCU and C&WJ which would be discussed later in the meeting.
- Condolences were extended to the families and

friends of: Claudette Brooks, Horace Brown, Marilyn Cooke-Facey, Hopeton Findlay, Alma Folkes, Veronica Ford, Mark Hall, Maron Morrell, Douet Lowe; Gladstone Pottinger, founder of IECCU; Ruthlyn Thomas, Tony Williamson, formers members of the Credit Union who passed on in 2017.

- Special thanks were expressed to the Registrar, and his team at the Department of Co-operatives and Friendly Society.

The Chairman acknowledged the hard work of the following Committees – Supervisory, Credit, and Delinquency; the staff of the IECCU Limited, the Board and the Credit Union members.

Questions and comments were invited from the floor.

There being no questions, the report was adopted on a motion moved by Lillias Mowatt, and seconded by Simone Williams.

FINANCIAL REPORT

Auditor's Report

The Auditor, Mr. Bogle was invited to present the Independent Auditor's Report for the year ended December 31, 2017.

He read the report which stated in part that the financial statements gave a true and fair view of the financial performance and cash flows of the Credit Union for the year ended in accordance with the International Financial Reporting Standards and the requirements of the Co-operative Societies Act.

Treasurer's Report

Mr. Bowen was invited to present the Treasurer's Report in the absence of the Treasurer.

He reported that total assets stood at \$1.8B which reflected growth of 8% or \$132M over 2016.

Savings increased by 9% moving to \$1.64M at the end of 2017.

Loans increased by 7%.

The Delinquency ratio ended the year at 5.1%, the standard being 5% under the PEARL Ratio.

A modest surplus of \$1.64M was realized, which he attributed in part to Provisioning which went up by \$6.8M, and Operating Cost which went up by \$6.2M.

Most of the PEARLS ratios he stated were met.

Questions and comments were invited from floor.

There being no questions or comments, the Treasurer's

MINUTES

and Auditor's Report was accepted on a motion moved by Irene Graham, seconded by Fenton Edwards.

CREDIT COMMITTEE REPORT:

Mr. Smallwood, Chairman, presented the report.

He stated that members continued to avail themselves of the various loan products resulting in a 19% growth over 2016.

He stated that he won't be going through the report verbatim as this was previously circulated on the website.

He expressed heartfelt thanks to the valued members, faithful volunteers and expert staff for their demonstration of the strong commitment to the Credit Union.

He then introduced the members who served during the 2017 term, Paulette Small, Cauline Haynes, Uelma Nicholson and Herbert Reid.

Mr. Patrick Sinclair stated that the Committee omitted to mention and thank Kamla Brown from the Montego Bay branch who singlehandedly did a fantastic job during the period under review which saw the loan portfolio increasing.

Members applauded her for this performance.

There being no questions or comments, the Credit Committee Report was adopted on a motion moved by Triola Harper Smith, seconded by Julia Stewart.

SUPERVISORY COMMITTEE REPORT:

Ms Carol Nathan, Chairperson presented the report.

The following comprised the members of the Committee:

Mrs. Macherie Hamilton-Clarke - Secretary
Carol Nathan - Chairperson
Peter Samuels, Gabre Spence
and Andrea Smith - Members

They met five times during the period in addition to discussing matters concerning the Credit Union via Whatsapp.

A number of areas were probed such as the Human Resource Management, Information and Communication Technologies, Financial Management, Risk and Compliance and Delinquency.

She commended the management on the overall running of the Credit Union.

Concerns were expressed in the areas of Information and Communications Technologies, Financial Management, Delinquency and Membership; the completion of the review of policies and procedures to ensure the Credit Union's readiness as it related to BOJ regulatory changes

and the implementation of audit recommendations in a timely manner.

She expressed appreciation to the membership of the Credit Union, the Board of Directors, other volunteers, the Management and staff of the Credit Union; and the Jamaica Co-operative Credit Union League for their advice and support to the Committee during the period under review.

Queried by Mr. DaCosta as to the process and method of documentation as it related to the Whatsapp Group, Miss Nathan stated that in-house meetings are minuted but that there was no documented evidence of meetings involving the Whatsapp Group as decisions are not taken at the online meetings.

Mr. DaCosta asked for an update on the Bank of Jamaica Regulations. Mr. Bowen stated that the Act was in the process of being completed and it was expected to be completed in early 2019.

There being no further questions, the Report was adopted on a motion moved by Derrick Logan, seconded by Loris Chin Young.

DELEGATES REPORT

This report was presented by Mr. Mark Bowen.

Mr. Bowen stated that the Annual General Meeting and Convention of the Jamaica Co-operative Credit Union League was held at the Hilton Rose Hall Resort and Spa in Montego Bay from May 25 – 28.

Three workshops were held on ***Violence and doing Business in Jamaica, Building a Culture on Compliance and IFRS9: What you need to know about it.***

Of the \$16.7M surplus realized, it was distributed as follows:

\$1M was set aside for Scholarship Fund for the recognition of the 75th Anniversary of the League; and Interest on Voluntary Shares - \$6.3M.

There were several condolences resolutions passed as well as congratulatory resolutions for credit unions who were celebrating 25 and 50 years anniversary.

MERGER DISCUSSION:

Mr. Johnson made a presentation to highlight aspects of Credit Union mergers. He stated that the harsh economic conditions in which Credit Unions were operating had forced them to change their operating approach which would require them to meet capital adequacy targets, adopt IFRS9 and the proposed Bank of Jamaica Regulation. In addition their restrictive bond limiting the growth of the Credit Union and rising fixed costs would see them needing a larger asset base for them to survive. IECCU was limited as it related to human resources as its

MINUTES

size and skill set limit their ability to function effectively and efficiently. Because of this they had several options, one being to do nothing, another to merge or become a thrift society which had its limitation.

In light of all the above-mentioned they opted for merger. After looking at and contacting other Credit Unions, CW&J arose as a possible merger partner. It had a larger bond in that anybody who owns a phone in Jamaica can join them. A due diligence study to involve both entities was done and it was discovered that both entities had similar cultures, similar products and IECCU members would have access to additional products such as telebanking, mobile banking, cambio service, drive-through tellers, 22 locations where they could do business and that these additional costs would not be borne by the IECCU membership. He pointed to the decrease in IECCU's surplus over time, and the need for better and more costly technological solutions. CW&J was looking to migrate to a more sophisticated software platform providing them with more functionality in respect to the banking and regulatory requirements which would enable them to meet the requirements of the Bank of Jamaica.

He stated that if the merger was successful it could result in the disengagement of staff as well as opportunities for employees to become better engaged somewhere else.

The current operations would continue for one year and the arrangement with companies such as Sagicor, VMBS and Guardian would remain for the contracted terms. The pension arrangement would continue as is.

Member Everaldo Dawes asked that the document be sent to the members so they could read and make an informed decision thereafter.

A lengthy discussion ensued with majority of the members not being in favour of the merger and expressed the view that they were not convinced that they could not survive in the current economic climate.

A member, Mr. McLennon, suggested that if all the members invited a family member to join the Credit Union there would be no need for merger.

Staff members expressed dissatisfaction in the manner they were made aware of the merger and stated that they should have been informed of the development before the meeting as they would be adversely affected.

Mr. Barclay, the Manager of C&WJ Credit Union was invited to address the meeting. He started off by informing the meeting why they went to the market for deferred shares as a member had earlier suggested that it was because they were in problem why they did this.

He then pointed out some of the advantages to the membership should the merger take place. He alluded to the different interest rates on the various products, car loans currently at 7.49% and mortgage currently at 7.99%.

He pointed out that currently there were 22 locations across the island that members could transact business.

Members asked whether their loan rates would be affected by the merger. They were informed that if they enter into a new contract the rates would be affected.

Mr. Freeburn from the Department of Co-operatives and Friendly Societies was invited to address the meeting as the regulators. He pointed out to the membership that a decision had not been arrived at as it was the membership who would have to vote in favour of the merger. He however advised the Board that they should have more sensitization sessions with members and staff so they could be adequately informed. However, he noted that in negotiations like these certain information have to be kept confidential. He urged members to attend these sensitization sessions so as to be better informed. He assured the meeting that his Department was watching and guiding the process.

NOMINATION COMMITTEE REPORT

The report was presented by Mr. Peter Townsend.

He stated that the Nomination Committee reviewed the nominations for the Board, Credit and Supervisory Committees. They considered the rules with regard to delinquency, term limits, the different skills set, and the fit and proper requirement. In light of that, they recommended the following:

Board of Directors

Directors retiring: Bernita Locke (President), who had completed her term based on the term limit; Ray Johnson, Marjorie Neita, Camelia Nelson and Cosmo Walker.

Directors Nominated: Mrs. Sherrie Davis Cuthbert, HR Manager at Guardian Life; and Ray Johnson, Marjorie Neita, Camelia Nelson and Cosmo Walker who all indicated their availability and willingness to serve, if nominated, for a two-year term.

Credit Committee

Retiring: Paulette Small and Woodrow Smallwood.

Nominated: Paulette Small and Woodrow Smallwood who have indicated their willing to serve.

Supervisory Committee

All members of the Supervisory Committee retired.

Retiring: Macherie Hamilton-Clarke, Gabre Spence, Carol Nathan, Andrea Smith and Peter Samuels

Nominated: Macherie Hamilton-Clarke, Gabre Spence, Carol Nathan, Andrea Smith and Peter Samuels

MINUTES

Delegates to JCCUL

Delegates: Bernita Locke and Mark Bowen

Alternate Delegates: Camelia Nelson and Michelle Walters Nembhard

ELECTIONS

Mr. Clifton Freeburn, representative from the Registrar, conducted the elections. He indicated that a quorum needed to be present in the room. A count was conducted and 100 persons were in the room. He reminded the members of the rules that would guide the election process. He then opened the floor for nominations.

Board of Directors

Nominations were asked three times from the floor. There being none, Ray Johnson, Marjorie Neita, Camelia Nelson, Cosmo Walker and Sheree Davis Cuthbert were duly elected on a motion moved by Loris Chin Young, seconded by Deniese Ebanks, to serve for a two-year term.

Credit Committee

The floor was opened for nominations. Mr. Steven Levy was nominated on a motion moved by Vivienne Fearon Pickering, seconded by Claire Williams. There being no other nominations, ballot papers were distributed and instructions given as to how to mark the ballots.

Mr. Levy was asked to give a brief profile of himself and he stated that he was currently an Assistant Manager at Sagicor Group Jamaica and had been employed there for the past 11 years. He presently holds a Master in Computer Base Management Information System and he joined the Credit Union 10 years ago.

Ms. Paulette Small and Mr. Woodrow Smallwood were duly elected to serve for two years.

Supervisory Committee

Nominations were asked three times from the floor. There being no other nominations, Macherie Hamilton-Clarke, Gabre Spence, Carol Nathan, Peter Samuels and Andrea Smith were duly elected to serve for one year on a motion moved by Irene Graham, seconded by Brian Clennon.

Delegates to the League

On a motion moved by Audrey Longmore Wilson, seconded by Valerie Campbell Bartley, the nomination put forward by the Nominating Committee to have Bernita Locke and Mark Bowen as Delegates and Camelia Nelson and Michelle Walters Nembhard as Alternate Delegates was duly accepted.

RESOLUTIONS

The Chairman invited Mr. Bowen to take the meeting through the resolutions.

Appropriation of Surplus

The Board proposed that the appropriation of surplus of (\$1,640,584), that 20% of this sum go to Statutory Reserve which is mandatory leaving a balance of \$1,312,467 to be put to Reserves.

This was accepted on a motion moved by Nigel Dixon, seconded by Michael Swire

Maximum Liability

The Board of Directors proposed that the Maximum Liability be set at \$1.9 billion. This would satisfy the maximum projected growth in interest bearing liabilities during 2018, in keeping with Article XIX, Rule 69 of our rules.

This was accepted on a motion moved by Everal Daves, seconded by Linora Campbell.

Results for Credit Committee Election:

Mr. Freeburn announced the results for the Credit Committee as follows:

Paulette Small received 57 votes, Mr. Woodrow Smallwood received 56 votes and Steven Levy received 42 votes. Mr. Woodrow Smallwood and Paulette Small were duly elected to the Credit Committee.

There were two spoilt ballots

EARLY BIRD PRIZE

The Chairman invited Mr. Bowen to draw the Early Bird prizes.

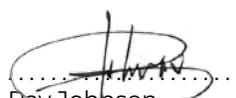
Third prize went to Elaine Hazel
Second Prize went to Dahlia Shakespeare
First Prize went to Hyacinth Ennis

In closing, the Chairman advised the membership that they would be invited to a sensitization session very early in the year and urged members to attend when announced.

She wished for all a safe journey home.

TERMINATION

The meeting was terminated at 8:45 p.m.


Ray Johnson
Chairman


Majorie Neita
Secretary

PERSONS PRESENT AT AGM

MEMBER'S NAME	COMPANY	MEMBER'S NAME	COMPANY
1. Adalia Nembhard	Student	81. Loris Chin-Young	Retired
2. Ajani Clennon	Genesis Academy	82. Lorna Baxter	Retired
3. Alecia Davis	Advantage General	83. Lorraine Hall-Clarke	UDC
4. Alicia Hart	IECCU	84. Lucille Bowen	Retired
5. Andrew Matherson	QNET	85. Macherie Hamilton-Clarke	GLL
6. Angella Freeburn	Sagikor	86. Magdalena Cooper	Solid Life
7. Ann-Marie Richards	Sagikor	87. Makeisha Robinson	Ardenne High School
8. Audrey Wilson	GLL	88. Marcia Campbell	Sagikor
9. Ava Dawn Jones	Unattached	89. Marcia Gordon	Sagikor
10. Bernita Locke	Volunteer	90. Marcia Jones	MC SYSTEMS
11. Brandon Feguson	Sagikor	91. Marcia Osborne	JCCUL
12. Brent Capleton	Sagikor	92. Marcian Clennon	Broadbent
13. Brian Clennon	LAMA	93. Marie Barrett-Anderson	Sagikor
14. Carla Lewin-Lawrence	JN	94. Marie Knight	Self Employed
15. Carlene Haughton	IECCU	95. Marion Maragh	UWI
16. Carlton Barkley	CWJ	96. Marjorie Neita	Unattached
17. Carlton Haughton	Unattached	97. Marjorie Smith	Spectrum Insurance Brokers
18. Carmen Atkinson	Retired	98. Mark Bowen	IECCU
19. Carmen Singh	Independent	99. Maureen Lawson	Retired
20. Carol Nathan	UTECH	100. Maxine Daley	UTECH
21. Carolyn Kirlaw	Unattached	101. Michael Swire	Retired
22. Cauline Haynes	Volunteer	102. Michelle Grant	VMBS
23. Chantal Smith	Advantage General	103. Michelle Walters Nembhard	IECCU
24. Charlene Bennett	VMBS	104. Mitzie Heywood	GLL
25. Charmaine Hall-Grant	GLL	105. Nadia Byfield	Dept of Co-operatives
26. Charmaine Mighty	TIP Friendly	106. Neville Hendricks	Special Guest/Past President
27. Christine Barker	IECCU	107. Nichola Williams	Unattached
28. Cindy Forrest	Retired	108. Nigel Dixon	Self-Employed
29. Claire Williams	Sagikor	109. Norma Clarke	Spectrum Insurance Brokers
30. Claudette Johnson	IECCU	110. Osheone Gayle	Sagikor
31. Clifton Freeburn	Co-op Department	111. Patrick Sinclair	Sagikor
32. Clinton McClenon	GLL	112. Paulette Small	Volunteer
33. Colene Haughton	Restaurant Association	113. Pene Morgan	Retired
34. Colin Holder	Retired	114. Pete Smith	CWJ
35. Cosmo Walker	Lawe Insurance Broker	115. Peter Townsend	Sagikor
36. Courtney Bell	MICO university	116. Rajeane Campbell	Sagikor
37. Dahlia Shakespeare	Unattached	117. Ramon Walker	Caribbean Assurance Brokers
38. Damia McDonald Barrett	IECCU	118. Ray Johnson	Volunteer
39. Damion White	CGM	119. Renee Bailey	Unattached
40. Dave Lee	Unattached	120. Rhona Briscoe	VMBS
41. Daveon Shakespeare	GLL	121. Richard Barrett	JDF
42. Deanna Gordon	Sagikor	122. Richard Cummings	Crighton Ins
43. Delceita Clarke	Gk General	123. Richard Findlay	IECCU
44. Denise Ebanks-Lee	Sagikor	124. Richard McDonald	Sagikor
45. Derrick Logan	Past President	125. Rickeisha Kessler	FFK
46. Desmond Dawkins	JN	126. Robert Samuels	Sagikor
47. Diane Facey	Sagikor	127. Roger Adamson	CGM
48. Dionne White	IECCU	128. Roxanne Brown	IECCU
49. Donnette Hunter	CUNA Mutual	129. Ryan McCalla	Gk General
50. Donovan Reid	Retired	130. Samantha Easy	Solid Life
51. Doreen Allen	Unattached	131. Samuel Dewar	GLL
52. Dwane Lawrence	JN	132. Sandra Mattis	Firm Insurance
53. Eberle Dawes	Retired	133. Sandra Wiles	Alpha Academy
54. Elaine Hazle	Spectrum Insurance Brokers	134. Sean Lee	Sagikor
55. Ena Pantry	Sagikor	135. Sharon Bell	JN
56. Erica Clare	CGM	136. Sharon Frater	MC SYSTEMS
57. Eula Daley	Unattached	137. Sharon Waugh	GLL
58. Felix Porter	FFK	138. Sherrie Davis-Cuthbert	GLL
59. Gavin Walters	IECCU	139. Stephen Levy	Sagikor
60. Gloria Tucker	JNGI	140. Teisha Dyke	Gk General
61. Howard Walker	Sagikor	141. Teniesha Bailey	IECCU
62. Hyacinth Ennis	GLL	142. Thelma Medley	Gk General
63. Imogene Spence	Management Control System	143. Tiffany McClenon	Student
64. Irene Graham	Sagikor	144. Travis Hibbert	Sagikor
65. Jacqueline Wilson	IECCU	145. Tricia Robinson	IECCU
66. Jermaine Williams	Sagikor	146. Triola Harper-Smith	GLL
67. Joan Dennis	GLL	147. Uelma Nicholson	Spectrum Insurance Brokers
68. Josephs Walters	Desmon Mair Ins	148. Valerie Farquharson	Sagikor
69. Joyce James	Stenographer	149. Valrie Campbell	JCF
70. Judy Miller-Smith	Unattached	150. Vanessa Quarry	Webster United Church
71. Julia Stewart	GLL	151. Warren Bogle	Auditor
72. Kamisha Wint	IECCU	152. Winford Knight	Self-Employed
73. Karlene Thompson Williams	IECCU	153. Woodrow Smallwood	Sagikor
74. Krisan Codner	IECCU	154. Yamalia Martin	FFK
75. Latoya Jones	IECCU	155. Yonne Grey	GLL
76. Leandra Campbell	Retired	156. Yvette Johns	UWI
77. Lilieth Ferron Henry	Sagikor	157. Yvonne Smith	Office of Public Defender
78. Lillias Mowatt	Sagikor	158. Yvonne Cross	GLL
79. Lisa White	Unattached	159. Yvonne Lawson-Johnson	FFK
80. Lloyd Mendez	Unattached	160. Yvonne Williams	Unattached

2018 HIGHLIGHTS

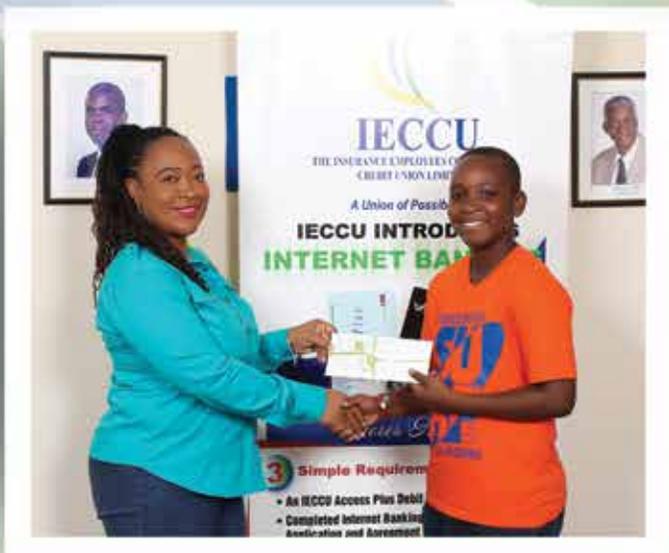
GSAT Scholarship Winners



Mark Bowen - General Manager
Presents to Carissa Robinson



Mrs. Michelle Nembhard -
Operations Manager
Presents to Romier McCarthy,
collecting on behalf of his sister
Joy-Andra McCarthy,
our JCCUL Bursary Winner



Mrs. Michelle Nembhard -
Operations Manager
Presents to Joshua Wilson

2018 HIGHLIGHTS

42nd Annual General Meeting



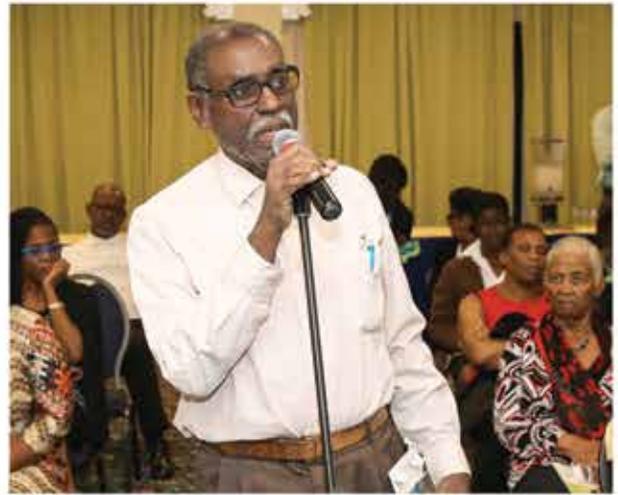
2018 HIGHLIGHTS

42nd Annual General Meeting



2018 HIGHLIGHTS

42nd Annual General Meeting



BOARD OF DIRECTORS



BOARD OF DIRECTORS: (From Left to Right)

Back Row: Ray Johnson - President, Winston Delahaye, Mark Wallen, Peter Townsend

Front Row: Cosmo Walker - Vice President, Camelia Nelson - Treasurer

Marjorie Neita - Secretary and Rejeanne Campbell

Missing from photo: Sheree Davis Cuthbert

REPORT OF THE BOARD OF DIRECTORS 2018

Opening Comments

One of the few things that is certain these days is uncertainty. We note the positive world economic outlook we expected post 2016 but also recognize the potential for world recession as super-powers dispute trade agreements. We see the United Kingdom struggling to establish relations with Europe but are mindful that new arrangements with former colonies and new markets may arise. We see new investments in infrastructure and other areas indicating economic expansion in Jamaica but hear expressions of concern regarding crime and poverty. These are matters that help to inform decision-making for which your Credit Union must give due attention in order to make decisions on the path forward.

Economic Overview

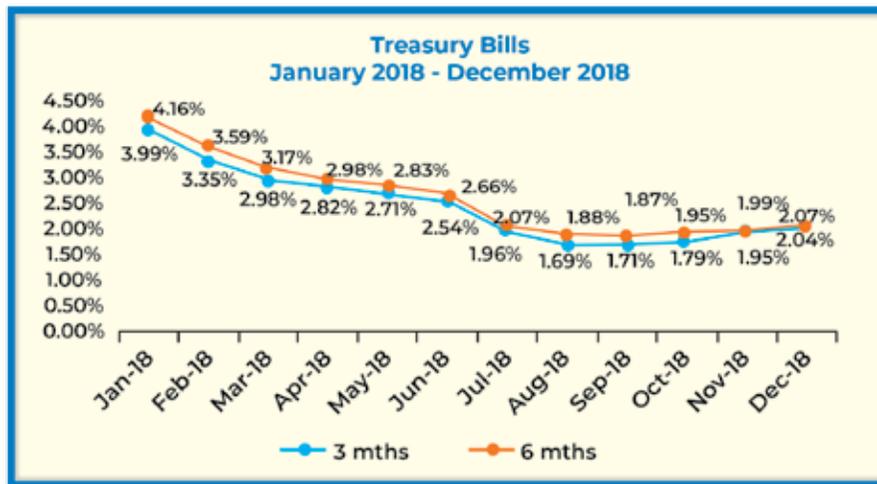
The year under review saw gradually improving perceptions of confidence in the economy. The December 2018 edition of CUBIZ, a Credit Union League publication, cited the November 2018 edition of the Survey of Businesses' Inflation Expectations revealing that the Present Business Conditions Index increased to 117.7

BOARD OF DIRECTORS

relative to 106.6 recorded in the previous survey. The Future Business Conditions Index increased to 143.2 relative to 128.2 in the previous survey.

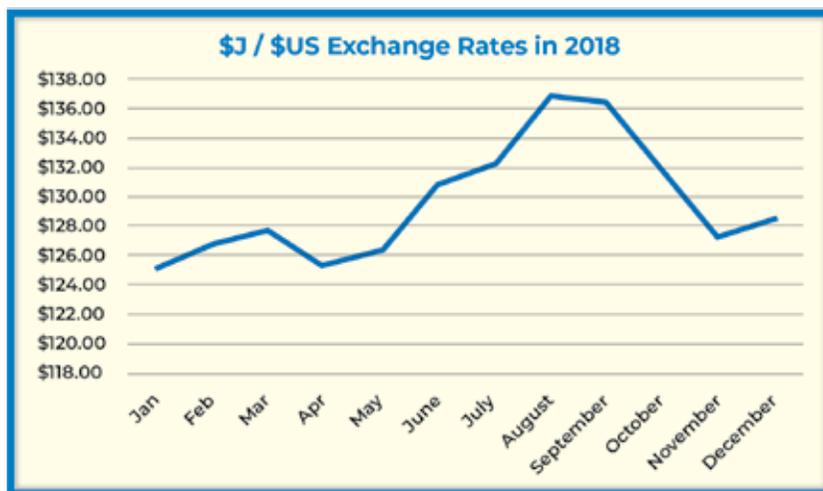
Inflation for 2018 was reported by the Statistical Institute at 2.4%. This was below the 4% target and was explained by mid-year food price reductions, lower imported inflation associated with currency strengthening and lower electricity fuel rates, and lower overall domestic demand. People are clearly mindful of what they spend and are cautious.

We reported last year that Government policy has consistently focused on economic growth through continuous reduction of interest rates. This policy continued throughout 2018 as rates fell Treasury Bill rates fell from about 4% to about 2%. The graph below illustrates this movement.¹



This movement in rates reinforced the need for IECCU to assign operational costs to activity drivers and adjust fees accordingly. We recognize that while this is not unusual for the banking sector, Credit Unions have had to make the decision in order to ensure a return can be directed to members and high standards of services are maintained.

At the end of 2017, the US dollar traded at J\$124 but lost value to \$127.97 by the end of 2018 after a fluctuating during the year as demonstrated below.²



¹CUBIZ vol 10 issue 4
²http://www.boj.org.jm/foreign_exchange/fx_rates_monthly.php

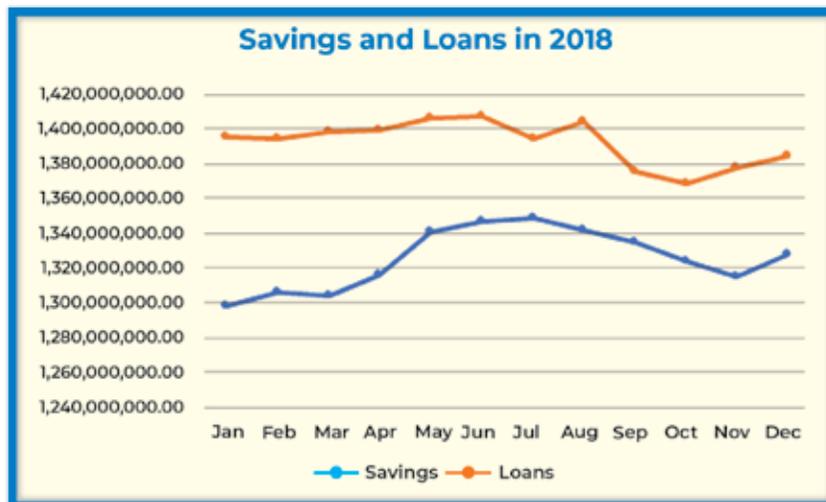
These factors contributed to an environment of increasing economic stability and an expectation that while individuals will expect and participate in economic expansion, they will exercise caution. We recognize that to remain relevant to our members our lending policy will have to be reviewed. We are mindful of the need

BOARD OF DIRECTORS

to create ways to support non-traditional members needs including ventures into business expansion, agriculture and pharmaceuticals. At the same time, we must be wary to avoid unnecessary risk taking.

Significant Highlights

Falling interest rates and rising inflation prompted increased demand for loans in 2017. The chart below illustrates the rising demand for loans outstripping the savings in the latter part of the year.



Loans took a similar trend as competition from other lenders resulted in some loss in market share but was boosted by an increase in the loan limits particularly for unsecured loans. This was an important strategy to reduce the impact of declining loan interest rates. We recognize that unsecured lending is inherently risky and employ tested measures to minimize potential losses.

Loan interest income is the largest contributor to our bottom line and this increased by 5% from \$135.5M in 2017 to \$142.7M. We recognized that IFRS9 would require the introduction of significant internal resources and opted to outsource those calculations to Creditinfo Jamaica. Delinquency management activities during the year included writing off some loans over 12 months past due. This does not mean that efforts to collect will cease. We are happy to advise that we ended the year with a surplus of \$7.69M a significant improvement over 2017.

Board of Directors

The Board of Directors comprised of Ray Johnson, President, Cosmo Walker, Vice-President, Marjorie Neita, Secretary, Camelia Nelson, Treasurer, Peter Townsend, Sheree Davis Cuthbert, Winston Delahaye, Rejeanne Campbell and Mark Wallen who are directors. The table below shows attendance at Board meetings for the period.

Members	Scheduled Meetings	Meeting Postponed	Meetings Attended	Absent	Excused
Rejeanne Campbell	8	3	3	2	
Winston Delahaye	8	3	4	1	Date was changed.
Sheree Davis Cuthbert	8	3	5		
Ray Johnson	8	3	5		
Marjorie Neita	8	3	4	1	
Camelia Nelson	8	3	2	3	
Peter Townsend	8	3	4	1	
Cosmo Walker	8	3	5		
Mark Wallen	8	3	3	2	

BOARD OF DIRECTORS

Operations

A summary of the activities in member services is provided below.

	2018	2017
Members	11,165	10,888
Internet Banking	1,074	871
New FIP	45	42
Goal Accounts	220	173
Debit Cards	3,540	3,465

We continued our focus on improving key operational areas and recognize that this is best achieved by combining human factors with effective processes. We updated practically all policies and wrote new procedures where gaps existed. We invested in staff by facilitating training in courses in Financial Analysis, Business Management, Auditing, and Know your Customer, Communication Skills, Technology in Member Service, Sales Strategies, Fraud Prevention among others. It is expected that training will ensure high levels of customer care. We will continue to strengthen the team by supporting their professional and intellectual development. Increasing competition in the financial market and the need to ensure that our members are satisfied, we reviewed our loan and saving resulting in changes that were well received by our members.

Marketing

With the continuous changes in technology and with an increasing number of persons using the internet for recreational purposes and to conduct business, there was undoubtedly the need to venture into cyber-marketing. To this end, we have included Google pop-up ads to the pool of marketing tools that we currently use. This will facilitate us in communicating with our members who are using cyber space as well as prospective members.

Our continuous use of other electronic communication channels to communicate with the membership: Facebook, Twitter and Mailchimp email marketing accounts continued to provide a link with members including the younger demographic. The website was frequently refreshed and monitoring tools were implemented and used to enhance and manage information. Communicating with members via text messaging continued to be one of the most effective and frequently used mass communication tools.

The IECCU Grade Six Achievement Test (GSAT) Scholarship Awards were offered to Carissa Robinson,

daughter of Makeisha Robinson and Joshua Wilson, son of Audrey Wilson. The Jamaica Co-operative Credit Union League (JCCUL) Bursary was offered to Joy-Andra McCarthy, daughter of Sophia Morris.

IECCU staff members continued to outperform the other Credit Unions in the CUNA Professional Development Online (CPD Online) web-based training service for Credit Unions. We have consecutively copped the top two awards offered in the programme, the overall Top Performing Credit Union and the Top User Award which went to Alicia Hart, of the Member Service Department.

Our efforts to promote savings have received encouraging results as seen in the table below.

SELECT SAVINGS PRODUCTS				
Savings Type	2018		2017	
	Nos.	Amt \$	Nos.	Amt \$
Youth Accounts	894	21.55M	901	19.82M
Golden Harvest	75	24.23M	87	25M
Partner Plan	66	1.96M	74	1.96M
Savers Club	15	787K	32	2.08M
Christmas Club	20	171K	22	799K
Term/Fixed Deposits	652	274.45M	683	290.75M

We commend those who make the effort to save despite the challenges.

Montego Bay

The Montego Bay office continues to provide service to members in the western region.

PERFORMANCE OF MONTEGO BAY OFFICE		
ACTIVITY	2018	2017
Deposits	\$27.6M	\$26.7M
Transfers	\$16.2M	\$19.4M
Withdrawals	\$12.9M	\$6.5M
Loan Granted	\$25.9M	\$80.3M
Enquiries	1222	1226
Debit Cards Issued	0	12
New Accounts	7	6

Deposits increased by 3%. While deposit, inter-account transfers and enquiries have remained relatively constant, withdrawals doubled and loans declined by some 68%. This was caused by strong

BOARD OF DIRECTORS

competition from other Financial Institutions especially the Banks who were offering lower rates on their loans without the need for a deposit. This is especially the case with Sagicor Bank who can provide their team members with staff rates while waiving processing fees. This has subsequently reduced the amount of loans being accessed by our Sagicor members. Changes to our lending policy has since been made as we take a more competitive position.

We will continue to facilitate ease of business for members in the west and strive to do so more efficiently.

Information Technology

We have been sending statements to our members via email since the implementation of our E-statement software in 2017. This has proven to be a safe, reliable and efficient way to receive statements and we encourage all members to choose this as an option to receive your quarterly statements.

The Internet Banking platform was upgraded with new enhanced security features in 2017. At the end of 2018, 1079 members were online inclusive of 205 additions for the year. Members are no longer required to have an Access Plus Debit Card to gain access to this facility. We encourage our members to take advantage of this initiative so that they can have continuous access to their account information.

While we encourage members to utilize the Access Plus Debit Card service we remind all card holders to exercise care to protect your card and pin from those around you when doing your transactions, including those you may not see.

The web site continues to be used as a marketing tool. Members have used the site to access their accounts, make inquires or appointments for loan interviews and to download forms. We continue to encourage members to use this tool to assist in managing their financial affairs.

Delinquency

The Delinquency Ratio was reduced from 4.9% in 2017 to 3.78% in 2018. Strategies included negotiating with members whose loan balances were the use of social media, and engagement with the Credit Bureau and collection agencies. Loans in arrears for over 365 days, with a low chance of recovery or a lengthy process to recovery, were charged off during the year. These loan balances amounted to \$41,431,276. The last exercise of this nature was in 2013. We encourage our members to work with us from the first signs of difficulty to regularize their

situation in the shortest possible time and prevent unnecessary discomfort.

League

The League continued its role as an effective voice for the credit union movement and worthy representation for its members. The theme for 2018 was "Re-imagining and Moving Forward Together". The league continues to help Credit Unions in merger discussions, preparing for Bank of Jamaica oversight and becoming more efficient to serve the Movement effectively by providing relevant and best services.

Condolence

On behalf of the membership of the credit union, we express our sincerest condolence to the families and close friends of Arnie Francis, Cynthia Morgan, Derrick Leslie, Heddy Ross, Herseley Anderson, Jeanette Lopez, Joseph Rollins, Keith Saunders, Leebourne Reid, Marie Demetrius-Baker, Noel White, Opal Lopez, Winnifred Almon and any other not mentioned here.

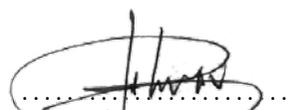
Their contribution to our Credit Union will be greatly missed. We remember too those who lost loved ones to crime and other tragedies.

Conclusion

Your Credit Union continues to look for ways to create efficiencies while effectively meeting your needs. We encourage you to work with us by ensuring that you honor your obligations so we can serve you better. On behalf of my colleagues on the Board, and all volunteers, I must thank each one of you, our members, for your continued loyal support. Despite the difficulties and challenges of 2018, we are committed to finding ways to exceed your expectations within the guidelines of best practices. As you consider where to invest and where you seek financial assistance let our Credit Union, the Insurance Employees Co-op Credit Union, a Union of Possibilities, help you on your way to financial well-being.

May God continue to bless and strengthen each and every one of you.

For and on behalf of the Board of Directors,


.....
Ray Johnson
President

FINANCIALS



**DEPARTMENT OF CO-OPERATIVES
& FRIENDLY SOCIETIES**
(Agency of the Ministry of Industry, Commerce,
Agriculture and Fisheries)
2 MUSGRAVE AVENUE
Kingston 10
Tel: 927-4912/927-6572 or 978-1946
Fax: 927-5832
E-mail: dcfs@cwjamaica.com



ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE REGISTRAR AND THE FOLLOWING REFERENCE QUOTED:

S1

R 467/-148/09/19

September 20, 2019

The Secretary
Insurance Employees Co-operative
Credit Union Limited
27 Parkington Plaza
KINGSTON 10

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2018.

You must now hold the Annual General Meeting convened under **Regulation 19** of the Co-operative Societies Regulations, 1950. At least seven (7) days notice shall be given before the meeting is held.

A copy of your report, which you intend to present to the Annual General Meeting on the year's working of the Society as set forth in **Regulation 35** of the Co-operative Societies Regulations should be forwarded to this office.

Kindly advise me of the date of the Annual General Meeting, so that arrangements may be made for the Department to be represented.

Yours truly,

**Vanessa Porter Allen (Mrs.)
FOR REGISTRAR OF CO-OPERATIVE SOCIETIES
AND FRIENDLY SOCIETIES**

cc. **Jamaica Co-operative Credit Union League**



INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIALS

Independent Auditor's Report

To the Registrar of the Co-operative Societies of Insurance Employees Co-operative Credit Union

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Insurance Employees Co-operative Credit Union ("the Credit Union") set out on pages 5 to 42, which comprise the statements of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in 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 Credit Union as at December 31, 2018 and of financial performance and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union 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.

Key Audit Matters

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

There were no Key Matters to note during our examination.

Other Information

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

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

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

FINANCIALS

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors

Responsibilities of Management and the Board of Directors 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 Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Credit Union's financial reporting process.

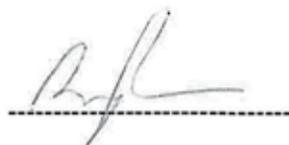
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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.

Report on additional matters as required by the Co-operative Societies 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 Co-operatives Societies Act, in the manner required

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.



BOGLE & COMPANY

Chartered Accountants

September 16th, 2019

FINANCIALS

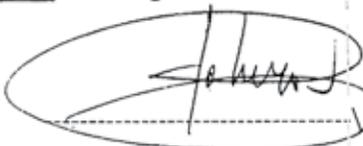
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	<u>Notes</u>	<u>2018</u> \$	<u>2017</u> \$
<u>Assets</u>			
Non-current assets			
Earning:			
Financial investments	6	112,116,687	82,337,686
Loans, after provision for loan impairment	7	<u>1,357,290,175</u>	<u>1,333,778,181</u>
		1,469,406,862	1,416,115,867
Non-earning:			
Property, plant & equipment	8	<u>33,284,512</u>	<u>29,936,998</u>
Total non-current assets		<u>1,502,691,374</u>	<u>1,446,052,865</u>
Current assets			
Earning:			
Financial investments	6	63,817,763	48,886,542
Loans, after provision for loan impairment	7	42,249,130	71,327,023
Liquid assets	9	146,861,863	143,766,950
Cash & bank balances	10	<u>20,799,254</u>	<u>12,058,305</u>
		273,728,010	276,038,820
Non-earning:			
Accounts Receivable	11	16,110,801	19,346,031
Cash & bank balances	10	<u>57,666,430</u>	<u>72,575,932</u>
		73,777,230	91,921,963
Total current assets		<u>347,505,239</u>	<u>367,960,783</u>
Total assets		<u>1,850,196,615</u>	<u>1,814,013,648</u>

Approved by the Board of Directors on 16/9/19 and signed on its behalf by:



Directors



Directors

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	<u>Notes</u>	<u>2018</u> \$	<u>2017</u> \$
<u>Equity & Liabilities</u>			
Equity			
Permanent shares	12	24,725,851	24,852,075
Institutional capital	13	260,875,771	260,874,731
Non-institutional capital	14	94,027,762	107,523,068
Undistributed deficit	15	7,697,660	(3,176,817)
Total Equity		<u>387,327,044</u>	<u>390,073,057</u>
Non-current liabilities:			
Interest bearing:			
Members' shares (voluntary)		679,701,975	653,039,680
External Credit	16	<u>74,029,640</u>	<u>74,033,370</u>
Total non-current liabilities		<u>753,731,615</u>	<u>727,073,050</u>
Current liabilities			
Interest bearing:			
Savings deposits	17	<u>676,376,487</u>	<u>656,781,928</u>
		676,376,487	656,781,928
Non- interest bearing:			
Payables & accruals	18	<u>32,761,469</u>	<u>40,085,613</u>
Total current liabilities		<u>709,137,956</u>	<u>696,867,541</u>
Total Liabilities		<u>1,462,869,571</u>	<u>1,423,940,591</u>
Total Equity & Liabilities		<u>1,850,196,615</u>	<u>1,814,013,648</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME AS AT DECEMBER 31, 2018

	Notes	<u>2018</u> \$	<u>2017</u> \$
<u>Income</u>			
Interest on loans		142,706,185	135,491,399
Interest on investments		6,927,816	17,963,052
		<u>149,634,001</u>	<u>153,454,451</u>
<u>Interest expense</u>			
Interest on Deposits		23,190,540	26,672,053
Interest on Shares		3,197,434	6,500,291
		<u>26,387,974</u>	<u>33,172,344</u>
Net interest income		123,246,027	120,282,107
Interest on loans		(2,666,271)	(2,675,942)
Bank charges		(4,764,980)	(4,199,926)
Loan loss provision	7.iii	(2,982,735)	(8,105,508)
Net interest income after loan loss and financial cost		<u>112,832,042</u>	<u>105,300,732</u>
Miscellaneous	19	10,819,675	9,733,557
Loss on Global Fund		(436,226)	(480,087)
Investment Property Income		3,491,982	2,631,206
		<u>13,875,431</u>	<u>11,884,676</u>
Gross margin		126,707,472	117,185,407
Revaluation (loss)/gain on foreign currency		1,828,119	(291,276)
Less operating expenses	25	<u>120,837,930</u>	<u>119,098,346</u>
Net profit/ (loss)		7,697,661	(2,204,215)
<u>Other comprehensive Gain</u>			
<i>Those that might be reclassified to profit or loss in subsequent periods</i>			
Transfer (from)/ to Loan Loss Reserve		(32,062,626)	2,552,600
Unrealised Gain on Investment		2,953,500	1,292,199
Total comprehensive income		<u>(21,411,466)</u>	<u>1,640,584</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2018

	Permanent Shares	Institutional Capital	Non- Institutional Capital	Undistributed Surplus/Deficit	Totals
	\$	\$	\$	\$	\$
January 1, 2017	24,414,464	260,545,064	120,732,103	(17,428,833)	388,262,798
Total comprehensive income		-	-	1,640,584	1,640,584
Prior period adjustment				(261,486)	(261,486)
Entrance fee		1,550			1,550
Statutory transfer		328,117		(328,117)	-
Loan Loss Reserve			2,552,600	(2,552,600)	-
Unrealised Holding Gain			1,292,199	(1,292,199)	-
Appropriations:					-
General Reserves			(17,045,834)	17,045,834	-
Receipts /transfer	437,611		(8,000)		429,611
December 31, 2017	24,852,075	260,874,731	107,523,068	(3,176,817)	390,073,057
IFRS 9 Adjustment	-	-	15,610,243	-	15,610,243
December 31, 2017 adjusted	24,852,075	260,874,731	123,133,311	(3,176,817)	405,683,300
January 1, 2018	24,852,075	260,874,731	123,133,311	(3,176,817)	405,683,300
Total comprehensive income				(21,411,466)	(21,411,466)
Entrance fee		1,040			1,040
Statutory transfer					-
Loan Loss Reserve			(32,062,626)	32,062,626	-
Unrealised Holding Gain			2,953,500	(2,953,500)	-
Appropriations:					-
General Reserves					-
Receipts /transfer	(126,224)		3,577	3,176,817	3,054,170
December 31, 2018	24,725,851	260,875,771	94,027,762	7,697,660	387,327,044

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED STATEMENT OF CASH FLOWS AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Total Comprehensive Income	(21,411,466)	1,640,584
Adjustment to reconcile profit for the year to Net cash provided by operating activities		
Add depreciation	1,832,888	1,895,871
Less Interest Income	(149,634,001)	(153,454,451)
Less Unrealised Gain	(2,953,500)	(1,292,199)
	<u>(172,166,079)</u>	<u>(151,210,195)</u>
Other assets	3,235,231	(163,648)
Payables & accruals	(7,327,875)	19,344,670
Net cash flows from operating activities	<u>(176,258,723)</u>	<u>(132,029,173)</u>
Interest received	<u>149,513,435</u>	<u>155,971,408</u>
<u>Cash flows from investing activities</u>		
Purchase of fixed assets	(5,180,402)	(3,431,624)
Financial investments	(41,549,174)	129,832,870
Loans to members	5,702,787	(223,618,602)
Net cash used in investing activities	<u>(41,026,789)</u>	<u>(97,217,356)</u>
<u>Cash flows from financing activities</u>		
Appropriations & payments	18,791,678	(267,934)
Permanent shares	(126,224)	437,612
Members' shares deposits	46,256,856	111,460,115
Net cash flows from financing activities	<u>64,922,310</u>	<u>111,629,793</u>
Net cash and cash equivalents for the year	(2,849,771)	38,354,672
Cash and cash equivalents at beginning of year	<u>228,388,487</u>	<u>190,033,815</u>
Cash and cash equivalents at end of year	<u>225,538,716</u>	<u>228,388,487</u>
<u>Represented by:</u>		
Cash & bank balances	78,465,685	84,634,237
Liquid assets (excluding accrued interest)	147,073,031	143,754,250
	<u>225,538,716</u>	<u>228,388,487</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

1. Identification & Activities

The Insurance Employees Co-operative Credit Union Limited is a Co-operative Society registered under the Co-operative Societies Act. Membership is restricted to present and past employees of Life, Health and General Insurance and their related companies, Building Societies along with their extended families. The Credit Union's operations are concentrated in the parishes of St. Andrew and St. James. The registered office and principal place of business is located at 27 Parkington Plaza, Kingston 10.

The objectives of the credit union are to promote thrift among its members and to create hereby a source of credit for its members at competitive rates of interest for provident and productive purposes;

To receive the savings of its members

To make loans to members for provident and productive purposes in the way and manner hereinafter provided;

To invest in any security in which trustees are for the time being by Law authorized to invest;

To borrow money as provided by the rules of the Credit Union subject to the provisions of the Law and Regulations;

To draw, make, accept, endorse, discount, execute and issue Promissory Notes, Bills of lading, Bills of Exchange, Bills of Sale, Warrants and other negotiable or transferrable instruments.

2. New and revised IFRSs in issue but not yet effective

The Credit Union has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts ¹
IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ²

¹Effective for annual periods beginning on or after 1 January 2019.

²Effective for annual periods beginning on or after 1 January 2021.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

3. Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2018

a. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability – weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and the contract assets.

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

- 12- month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the report date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; The Credit Union has chosen to apply this policy also for the Loans and Financial Investments.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

4. Use of Judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Credit Union's accounting policies and the reported amounts of assets and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment in the year ending December 31, 2018 is set out below.

Note 5d – Financial Instruments: Recognition and Measurement

5. Summary of significant accounting policies

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

The significant accounting policies that have been used in preparation of the financial statements are summarised below and have been consistently applied for all the years presented. The Measurement bases used are those specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

b. Reporting currency

The amounts stated in these financial statements are presented in Jamaican Dollars which is the functional currency of the Credit Union.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

c. Basis of Preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement is categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out below:

d. Financial Instruments: Recognition and Measurement

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Summary of significant accounting policies

Financial Instruments: Recognition and Measurement (cont'd)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'investments FVTPL and FVTOCI' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and Receivables

Loans and receivables are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Financial Investments

The 'Financial Investments' caption in the statement of financial position includes:

- debt and equity investment securities mandatorily measured at FVPL or designated as FVPL;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI

The Credit Union elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in OCI are transferred to the surplus and appropriations account on disposal of an investment.

Dividends

Dividends are recognised in profit or loss unless they clearly present a recovery of part of the cost of the investment, in which case they are recognised in OCI.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Summary of significant accounting policies

Financial Instruments: Recognition and Measurement (cont'd)

Loan Loss Provision

The Credit Union recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Loans, after provision for loan impairment

No impairment on loss recognised on equity investments.

The Credit Union measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12- month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

12 – month ECL are the portion of ECL that the result from default events on a financial instrument that are possible within the 12 months after the reporting date. Loans for which a 12-month ECL is recognised are referred to as “Stage 1”

Lifetime ECL are the ECL that result from all possible default events over the expected life of the loan. Loan which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2 and 3”

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are no credit-impaired at the reporting date: as the present value of all cash shortfalls;
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union of the commitment is drawn down and the cash flows that the Credit Union expects to receive.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Summary of significant accounting policies

Financial Instruments: Recognition and Measurement (cont'd)

Loan Loss Provision (cont'd)

The Credit Union also provides based on the industry standards. This provision does not factor the time value of money, neither does it consider collateral.

The excess of the provision set for by the industry and that prescribed by IFRS is accumulated in a reserve called 'Loan loss Reserve' included in non-institutional capital.

e. Properties, Plant and Equipment:

Land and Building comprises the building located at 27 Parkington plaza, Kingston 10, which is also the Credit Union's main office. All property, plants and equipment are reported at their initial cost less accumulated depreciation and accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight line method and next month convention. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates for the Credit Union are as follows:

Building	2.5%
Furniture and Fixtures	10%
Office Equipment	20%
Computer	20%

The useful lives of the property, plant and equipment are reviewed and adjusted if necessary. *Land is not depreciated*

Repairs and maintenance expenditures are charged to the profit or loss as general overhead during the period in which they are incurred.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

f. The effects of changes in foreign currency rates:

The Credit Union is subject to changes in foreign currency rates as it relates to the accounts held in United States dollar. It is recorded initially in the functional currency using the spot exchange rate of the Jamaican dollar to the United States dollar at the date of transaction. At the end of the period the foreign currency is converted to the functional currency using the closing rate for the period. Exchange differences arising from conversion of the rates used for initial recording and at the end of the period are recognised in the profit and loss statement.

g. Liquid Assets

A liquid asset an asset that can readily be converted into cash is similar to cash itself because the asset can be sold with little impact on its value. Investments are considered liquid assets because they can be readily liquidated. Generally, investments are considered liquid assets because they can be easily sold, depending on the investment. The Credit Union's fixed assets comprises interest bearing assets from the Jamaica Co-op Credit Union League (JCCUL).

h. Cash and Bank Balances

Cash and Bank balances included notes and coins on hand, unrestricted funds held at other financial institutions representing non-interest-bearing liquid assets owned by the Credit Union. Interest bearing liquid assets such as interest-bearing savings accounts and short term investments which are expected to be converted within a ninety day cycle (90) are classified under "Liquid Assets."

i. Revenue Recognition

Interest on investment

Dividend/Interest income from investments is recognized when the investor's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Credit Union and the amount of income can be measured reliably).

Interest on loans

Interest on loans is recognized when interest is calculated on the outstanding balance at the end of each month, using the reducing balance method.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Summary of significant accounting policies (cont'd)

Rental Income

Rental Income is recognised based on the accrual basis on rental agreement for the portion of building located at 27 Parkington plaza, Kingston 10.

Commission and Fees

Fees and commission income are generally recognised on a cash basis when the service has been provided.

j. Institutional Capital

Institutional Capital includes the Statutory Reserve Fund as well as various other reserves established from time to time as is deemed necessary by the Board of Directors and agreed upon by the members to support the operation of the Credit Union and thereby protect the interest of the members. These reserves are not available for distribution.

The stronger the overall capital position, the easier it is for the credit union to deal with future uncertainties such as asset loss and adverse economic cycles.

k. Members' Shares in Co-operative Entities and Similar Instruments

Members' shares in co-operative entities have some characteristics of equity. They also give the holder the right to request redemption for cash, although that right may be subject to certain limitations. IFRIC 2 gives guidance on how those redemption terms should be evaluated in determining whether the shares should be classified as financial liabilities or as equity.

Members' shares- (voluntary)

The voluntary shares are the main account for the credit union members. It forms the corner stone of the members' relationship with the credit union.

l. Lease arrangements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

6. Financial investments

	2018	2017
	\$	\$
Investment securities designated as at FVTPL	114,618,444	
Investment securities measured at FVOCI - debt instruments	29,835,382	
Investments securities designated as at FVOCI - equity instruments	31,480,624	
Available-for-sale investment securities		131,224,228
	<u>175,934,450</u>	<u>131,224,228</u>

i. Investment securities designated as at FVTPL

	2018
	\$
Debt Securities	55,649,200
Equity Securities	58,969,244
	<u>114,618,444</u>

ii. Debt Securities measured at FVOCI

	2018
	\$
Government Of Jamaica FR 8.5%	4,351,301
Government Of Jamaica BMI 8.5%	25,483,781
	<u>29,835,082</u>

iii. Equity Investments designate as at FVOCI

	2018
	\$
NCB CAP Income optimizer	<u>31,480,624</u>

iv. Available-for-sales securities

	2017
	\$
Debt securities	84,462,757
Equity securities	39,320,844
unquoted equity securities at cost	7,440,627
	<u>131,224,228</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

7. Loans, after provision for loan impairment

Loans originated by the credit union

	Maturity schedule				Carrying Value 2018	Carrying Value 2017
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	Current		Non-current			
Loans to individuals	10,623,281	25,334,270	1,145,134,064	217,393,853	1,398,485,468	1,425,455,082
Accrued Interest	6,291,579	-	-	-	6,291,579	6,154,590
Less provision for loan loss	-	-	-	-	(5,237,742)	(26,504,468)
	<u>16,914,860</u>	<u>26,038,073</u>	<u>1,147,765,409</u>	<u>218,087,196</u>	<u>1,399,539,305</u>	<u>1,405,105,204</u>

The total number of loans for 2018 was 2,394 (2017: 2,585), of which there are a total of 111 (2017 :231) non-performing loans. The credit union defines a non-performing loan as one where payments are beyond 30 days past due. The Credit Union does not accrue interest for loans which are in arrears for over 90 days

The Credit Union provides for its non-performing loans using the loan loss provision as prescribed by IFRS 9 as well as the standards of the Jamaica Co-operative Credit Union League (JCCUL). Each loan has been analysed as required by the standard and the adjustment reclassified to the Loan Loss Reserve under non-institutional capital.

i. ECL Evaluation

A total of 2,454 contracts have been assessed by the Credit Bureau as at the reporting date of December 31, 2018. Based on the assessment the following assumption were made:

- Loss Given Default (LGD) = 50%
- Contacts with terms remaining < 1 month not assessed
- Contract already in default assumed to have a Probability of Default (PD) of 100% going forward.
- 5% discount rate

Below is the staging policy used

Stage	DPD	PD
1	< 31	12 Months
2	31- 89	Lifetime
3	> 90	Lifetime

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Loans, after provision for loan impairment (cont'd)

ii. Movement for loan loss provision

	<u>2018</u>	<u>2017</u>
	\$	\$
Allowance for loan loss at the beginning of year	26,504,469	20,951,559
IFRS 9 adjustment	(15,610,243)	-
(Reversal)/Additional of provision	(4,622,936)	5,903,147
Amount recovered during the year	<u>(1,033,548)</u>	<u>(350,239)</u>
Net provision at end of year	<u>5,237,742</u>	<u>26,504,468</u>

During 2018, the Credit Union wrote off loans totalling \$40,701,845 which was charged against the provision accounts. There was no write offs in 2017.

Loans, after provision for loan impairment (cont'd)

Movement for loan loss provision (cont'd)

	Total Loan Loss Provision	Net Movement on loan impairment
	\$	\$
As prescribed by JCCUL	14,128,961	(37,719,109)
As prescribed by IFRS 9	<u>(5,237,742)</u>	<u>5,656,482</u>
Transferred from Loan Loss Reserve	<u>8,891,219</u>	<u>(32,062,626)</u>

iii. Net movement on impairment

	<u>2018</u>	<u>2017</u>
	\$	\$
Provided during the year	4,016,282	8,455,747
Bad Debt Recovered	<u>(1,033,547)</u>	<u>(350,239)</u>
Charged to income and expenditure	<u>2,982,735</u>	<u>8,105,508</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Loans, after provision for loan impairment (cont'd)

iv. Collateral

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares held in the Credit Union and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

The Credit Union had 5 repossessed collateral at the reporting date with a market value of \$4,195,906 (2017: \$2,000,000).

v. Ageing

	<u>2018</u>	<u>2017</u>
	\$	\$
Neither past due nor impaired	<u>1,345,507,334</u>	<u>1,350,998,614</u>
Less than 2 months	24,198,135	1,158,552
2-3 Months	7,997,671	18,176,518
4-6 Months	5,590,880	2,622,097
6-12 Months	8,848,796	8,138,783
Over 12	<u>6,342,652</u>	<u>44,360,518</u>
Total Loans	<u>1,398,485,468</u>	<u>1,425,455,082</u>
Less: Allowance for impaired loans	(5,237,742)	(26,504,468)
Add: Accrued Interest	<u>6,291,579</u>	<u>6,154,590</u>
Loans after allowance for impairment losses	<u>1,399,539,305</u>	<u>1,405,105,204</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

8. Property, Plant and Equipment

	Land and Building \$	Furniture and Fixtures \$	Office Equipment \$	Computer \$	Total \$
<u>Cost</u>					
January 1, 2017	14,649,347	3,860,638	11,679,256	21,403,454	51,592,695
Additions	599,797	215,814	567,214	2,048,798	3,431,623
Balance December 31, 2017	15,249,144	4,076,452	12,246,470	23,452,252	55,024,318
January 1, 2018	15,249,144	4,076,452	12,246,470	23,452,252	55,024,318
Additions	-	209,664	1,114,485	3,856,253	5,180,402
Balance December 31, 2018	15,249,144	4,286,116	13,360,955	27,308,505	60,204,720
<u>Accumulated depreciation</u>					
January 1, 2017	3,261,114	2,576,464	8,365,688	8,988,184	23,191,450
Charge for the year	319,613	119,850	710,838	745,569	1,895,870
Balance December 31, 2017	3,580,727	2,696,314	9,076,526	9,733,753	25,087,320
January 1, 2018	3,580,727	2,696,314	9,076,526	9,733,753	25,087,320
Charge for the year	319,614	152,029	693,774	667,471	1,832,888
Balance December 31, 2018	3,900,341	2,848,343	9,770,300	10,401,224	26,920,208
<u>Net book value</u>					
Balance December 31, 2018	11,348,802	1,437,773	3,590,655	16,907,282	33,284,512
Balance December 31, 2017	11,668,416	1,380,138	3,169,944	13,718,450	29,936,998

Land and Building comprises land in the amount of \$2,464,594 (2017: \$2,464,594), which is not depreciated.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

9. Liquid Assets

The liquid assets represent the fair value of the investments as at December 31, 2018 and are expected to mature within 3 months or less. These investments are categorised as Fair Value through Profit or Loss (FVPL).

	<u>2018</u>	<u>2017</u>
	\$	\$
JCCUL - Certificate of Deposits	-	112,600,235
JCCUL - Cu-Cash Deposit	145,854,777	30,173,080
JCCUL - Settlement deposit	1,007,086	993,635
	<u>146,861,863</u>	<u>143,766,950</u>

10. Cash and Bank Balances

	<u>2018</u>	<u>2017</u>
	\$	\$
Earning Assets		
Foreign exchange account – NCB Financial Group	49,480	48,465
Foreign exchange account – Scotiabank	20,749,774	12,009,839
	<u>20,799,254</u>	<u>12,058,304</u>
Non-Earning		
Petty cash	2,050	905
Cash in hand	310,138	255,777
Current Account – CIBC First Caribbean International Bank	1,136,074	5,196,392
Current Account - Scotiabank	34,703,665	47,813,837
Current Account - NCB Financial Group	7,981,450	9,696,624
Current Account – Sagicor Group	2,242,035	1,801,311
Current Account – JN Group	5,477,584	4,850,798
Current Account – Victoria Mutual Group	778,347	706,723
Current Account - Sagicor Group	5,035,087	2,253,565
	<u>57,666,430</u>	<u>72,575,932</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

11. Accounts Receivable

The accounts receivable accounts represent amounts owed to the Credit Union as of December 31, 2018. There has been no provision for loss against these accounts.

	<u>2018</u>	<u>2017</u>
	\$	\$
Premiums Receivables	1,777,437	1,777,433
Rental Receivable	641,522	433,267
Prepayment	1,142,100	1,915,033
Security Deposit	34,188	34,188
Withholding Tax	5,103,281	5,103,437
Other receivables	7,412,274	10,082,673
	<u>16,110,801</u>	<u>19,346,031</u>

- i. Withholding tax represents accumulated withholding tax on investments. Effective September 1, 2010, the Credit Union was granted a 10 year exemption on withholding tax. The Credit Union has been reducing this balance by offsetting it against the withholding tax payable on interest paid to members on shares and deposits.
- ii. Premiums Receivables represents balance owed by members to reimburse Credit Union for payments made on their behalf

12. Permanent Shares

This represents equity in the Credit Union which cannot be withdrawn but may be transferred to another member or repurchased by the Credit Union through its permanent shares reserve Fund.

	<u>2018</u>	<u>2017</u>
	\$	\$
Permanent Shares	24,717,637	24,864,172
Permanent Shares reserve	8,214	(12,096)
	<u>24,725,851</u>	<u>24,852,076</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

13. Institutional capital

a. Statutory Reserve

Pursuant to the Co-operative Societies Act Credit Unions are required to transfer to a Statutory Reserve all entrance fees collected and a minimum of 20% of net surplus.

b. Special Reserve

This reserve represents amounts appropriated by members to strengthen the capital based of the Credit Union and is not available for distribution.

	<u>2018</u>	<u>2017</u>
	\$	\$
Statutory Reserve	260,861,791	260,861,791
Entrance Fees	13,980	12,940
Total	<u>260,875,771</u>	<u>260,874,731</u>

14. Non-institutional capital

This represents amounts set aside to facilitate outreach and development activities of the credit union.

	<u>2018</u>	<u>2017</u>
	\$	\$
Capital Reserve ⁱ	3,000,000	3,000,000
Gain on Investment ⁱⁱ	7,950,536	4,997,036
General Reserve	73,610,686	73,610,686
Share Fund transfer reserve	575,321	571,744
Loan Loss Reserve ⁱⁱⁱ	8,891,219	25,343,603
	<u>94,027,762</u>	<u>107,523,068</u>

- i. Capital Reserve represents an amount put aside for significant capital expenditure.
- ii. Gain on investment represents the accumulated interest on the Credit Union's National Commercial Bank Capital Market account and its gain on the Jamaica Unit Trust securities
- iii. Loan loss reserves represents the cumulative excess of provision for loan loss determined by using the JCCUL regulatory requirements over the amount determined under IFRS.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

15. Undistributed Surplus

This represents amount available for distribution to the members of the Credit Union

	<u>2018</u>	<u>2017</u>
	\$	\$
Undistributed Deficit	<u>7,697,660</u>	<u>(3,176,817)</u>
	<u>7,697,660</u>	<u>(3,176,817)</u>

16. External Credit

	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	Non-Current		2018	2017
	\$	\$	\$	\$
Sagicor Life Jamaica Limited	48,000,000		48,000,000	48,000,000
Guardian Life	-	25,000,000	25,000,000	25,000,000
Interest Payable			1,029,640	1,033,370
	<u>48,000,000</u>	<u>25,000,000</u>	<u>74,029,640</u>	<u>74,033,370</u>

- i. The loan facility from Sagicor life Jamaica Limited matures 2019 and is secured by Building located at 27 Parkington Plaza, Kingston 10 and bears an interest rate of 4%.
- ii. The loan facility from Guardian life Limited matures 2025 and is secured by hypothecation and bears an interest rate of 5%.

17. Members Deposits

	Within 3 Months	3 to 12 Months	Carrying value	Carrying value
			2018	2017
	\$	\$	\$	\$
Term Deposit	251,324,717	305,116,108	556,440,825	531,398,047
Regular deposits	109,421,946	-	109,421,946	113,497,876
Interest Accrued on Members deposits	10,513,716	-	10,513,716	11,886,005
	<u>371,260,379</u>	<u>305,116,108</u>	<u>676,376,487</u>	<u>656,781,928</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

18. Payables and Accruals

This represents the non-interest earning liabilities of the Credit Union.

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounts Payables	2,804,959	8,040,843
Death Claims	1,193,602	950,050
Premium Payables	4,024,260	7,163,511
General Consumption Tax	71,433	292,720
Honoraria	251,001	251,001
QNET	151,094	189,492
Security Deposit	301,417	301,417
Audit Fees	1,898,906	1,186,091
Other payables	22,064,797	21,710,488
	<u>32,761,469</u>	<u>40,085,613</u>

19. Miscellaneous Income

	<u>2018</u>	<u>2017</u>
	\$	\$
Commission and Fees	1,858,191	1,072,440
Bill of Sale	187,578	422,243
Discount Cards	9,500	15,600
Service Charge	6,876,200	7,684,135
Other	1,888,206	539,139
	<u>10,819,675</u>	<u>9,733,557</u>

20. Contingent Liability

The Credit Union has guaranteed \$9.6M to Collector of Customs for 3 years from June 2015 if a member fails to pay the duties on the vehicles imported when they are sold. In exchange a freehold title for a 2-bedroom apartment valued at \$12M provides security.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

21. Financial Risk

a. Fair Values

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable and willing parties who are under no compulsion to act. This is best evidenced by a quoted market price. Many of the society's financial instruments lack an available trading market. Therefore, these instruments have been valued using other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. The fair values of cash resources, securities purchased under resale agreements, other assets, and other liabilities, are assumed to approximate their carrying values due to their short-term nature. The fair value of the quoted equities is determined based on their quoted bid price at the statement of financial position date. The fair value of Government of Jamaica securities is estimated by discounting the future cash flows of the securities at the estimated yields at the date of the statement of financial position for similar securities. The estimated fair values of loans to members are assumed to be the principal receivable less any allowance for loan losses.

The fair value of external credits, deposits payable on demand or after notice, and deposits with a variable or floating rate payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature. The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	2018 Fair value \$	2018 Carrying value \$	2017 Fair value \$	2017 Carrying value \$
<u>Financial assets:</u>				
Loans and advances	1,399,539,305	1,399,539,305	1,405,105,204	1,405,105,204
Liquid assets (including cash and bank balance)	225,327,548	225,327,548	228,401,186	228,401,186
Financial investments	175,934,450	175,934,450	131,224,228	131,224,228
Non-earning assets	16,110,801	16,110,801	19,346,032	19,346,032
<u>Financial liabilities:</u>				
Savings deposits	676,376,487	676,376,487	656,781,928	656,781,928
Members' share capital	679,701,975	679,701,975	653,039,678	653,039,678
<u>Other liabilities</u>				
Non-interest liabilities	32,761,467	32,761,467	40,085,613	40,085,613

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

Fair Values (cont'd)

	Fair value hierarchy as at 31/12/18			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
<i>Liquid assets</i>		146,861,863		146,861,863
<i>Loans and receivables:</i>				
- loans to members	-	-	1,399,539,305	1,399,539,305
- Other receivables	-		16,110,801	16,110,801
<i>Fair Value through Profit or loss</i>				
- Repurchase agreements		63,817,763	-	63,817,763
- Other investments		104,676,060	-	104,676,060
- Unquoted investments			7,440,627	7,440,627
	-	315,355,686	1,423,090,733	1,738,446,420
Financial liabilities				
<i>Saving Deposits</i>		-	676,376,487	676,376,487
<i>Members' share capital</i>	-	-	679,701,975	679,701,975
<i>Loans from other entities</i>	-	-	74,029,640	74,029,640
<i>Trade and other payables</i>	-	-	32,761,467	32,761,467
Total	-	-	1,462,869,569	1,462,869,569

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

Fair Values (cont'd)

	Fair value hierarchy as at 31/12/17			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
<i>Liquid assets</i>		143,766,950		143,766,950
<i>Loans and receivables:</i>				
- loans to members	-	-	1,405,105,204	1,405,105,204
- Other receivables	-	-	19,346,032	19,346,032
<i>Investments available for sale</i>				
- Repurchase agreements		48,886,542	-	48,886,542
- Other investments		74,897,059	-	74,897,059
- Unquoted investments			7,440,627	7,440,627
	-	267,550,551	1,431,891,863	1,699,442,414
Financial liabilities				
<i>Saving Deposits</i>			656,781,928	656,781,928
<i>Members' share capital</i>	-	-	653,039,678	653,039,678
<i>Loans from other entities</i>	-	-	74,033,370	74,033,370
<i>Trade and other payables</i>	-	-	40,085,613	40,085,613
Total	-	-	1,423,940,589	1,423,940,589

b. Insurance

The Credit Union has in place the following insurance coverage which are deemed adequate:

- GK General Insurance Company Limited: Commercial All Risk, Fidelity Guarantee, Public Liability, Money, Machinery Breakdown, and Low Voltage.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

c. Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Credit Union to similar risks as loans and are managed in similar manner.

The carrying amount of financial assets represents the maximum exposure to credit risk (before application of collateral held) which at the statement of financial position date was:

<i>Financial assets</i>	<u>2018</u>	<u>2017</u>
	\$	\$
Cash and Cash Equivalents	225,327,548	228,401,186
Loans and receivables (including trade receivables balance)	1,399,539,305	1,405,105,204
Available-for-sale financial assets	175,934,450	131,224,228
<i>Financial liabilities</i>		
Payables and Deposits	1,462,869,571	1,423,940,590

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

d. Loan loss provision

In the financial statements the credit union does not provide for loan loss in accordance to Jamaica Co-operative Credit Union League (JCCUL) as those methods are superseded that those of the International Financial Reporting Standards set out in the preceding paragraph.

For comparative purposes, the credit union continues to maintain the provision schedule in accordance with JCCUL requirements.

Provision based on the Jamaica Co-operative Credit
Union League requirement
December 31, 2018

Months arrear	Number of accounts	Delinquent Loans \$	Savings held \$	Exposure \$	Revised Provision \$	%
Less than 2	52	24,198,135	6,519,757	17,678,378	-	
2-3	18	7,997,671	3,108,227	4,889,444	799,767	10%
4-6	16	5,590,880	2,451,421	3,139,459	1,677,264	30%
6-12	13	8,848,796	2,008,069	6,840,727	5,309,278	60%
over 12	12	6,342,652	495,428	5,847,224	6,342,652	100%
Totals	111	52,978,134	14,582,902	38,395,232	14,128,961	

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance brought forward	51,848,069	43,742,559
Increase/(decrease) in provision for loan loss	<u>(37,719,108)</u>	<u>8,105,510</u>
Balance carried forward	<u>14,128,961</u>	<u>51,848,069</u>

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

e. Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations for its financial liabilities. The Credit Union'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 or stressed conditions. Prudent liquidity risk management which the Credit Union uses includes maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and maintaining an adequate amount of committed overdraft facilities.

The Credit Union is subject to a liquidity limit set by the Jamaica Co-operative Credit Union League and compliance is closely monitored. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposit.

For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 1:0.48 (2017:1:0.53). There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures the risk.

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash resources:		
Loans (after provision for loan impairment)	42,249,130	71,327,023
Financial investments (within 3 months)	63,817,763	48,886,542
Liquid assets	146,861,863	143,766,950
Cash & bank balances	78,465,685	84,634,236
Accounts Receivables	16,110,801	19,346,032
	<u>347,505,242</u>	<u>367,960,783</u>
Saving Deposits and other payables:		
Members deposits	676,376,487	656,781,928
Payables & accruals	32,761,467	40,085,613
	<u>709,137,954</u>	<u>696,867,541</u>
Ratio	0.49	0.53

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

Liquidity risk cont'd

Members' Voluntary share capital can be withdrawn at the option of the members, unless they are held as security for loans and guarantees and will therefore affect the liquidity position of the Credit Union. These have no contractual maturity. The amounts included in the analysis are based on management's estimate of flows on expected cash from these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

f. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rate, foreign currency rate and equity prices and will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Credit Union's exposure to market risks or the manner in which it manages and measures the risk.

g. Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments.

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

Interest rate risk (cont'd)

A summary of the Credit Union's interest rate gap position and sensitivity analysis is as follows:

As at December 31, 2018

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Assets						
Cash	-	-	-	-	78,465,685	78,465,685
Demand Deposits	146,861,863	-	-	-	-	146,861,863
Investments	63,817,763	-	104,676,060	7,440,627	-	175,934,450
Loan Portfolio, net	11,677,118	25,334,270	1,145,134,064	217,393,853	-	1,399,539,305
Fixed Assets	-	-	-	-	33,284,512	33,284,512
Other Assets	-	-	-	-	16,110,800	16,110,800
Total Assets	222,356,744	25,334,270	1,249,810,124	224,834,480	127,860,997	1,850,196,615
Liabilities						
Demand Savings Account	251,324,717	-	-	-	-	251,324,717
Term Deposits	119,935,662	305,116,108	-	-	-	425,051,770
Loans Payable	1,029,640	-	48,000,000	25,000,000	-	74,029,640
Other Liabilities	-	-	-	-	712,463,444	712,463,444
Total Liabilities	372,290,019	305,116,108	48,000,000	25,000,000	712,463,444	1,462,869,571
Total Equity					387,327,044	387,327,044
Total Liabilities & Equity	372,290,019	305,116,108	48,000,000	25,000,000	1,099,790,489	1,850,196,615
Asset Liability Gap	(153,961,766)	(279,078,035)	1,204,441,469	200,527,823	(971,929,491)	-
Cumulative Gap	(153,961,766)	(433,039,801)	771,401,668	971,929,491	-	-

A 1% basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Impact of 1% increase in interest rate per tenor bucket	(1,539,618)	(2,790,780)	12,044,415	2,005,278	(9,719,295)	-
Impact of 1% decrease in interest rate per tenor bucket	1,539,618	2,790,780	(12,044,415)	(2,005,278)	9,719,295	-
Impact of 1% increase in interest on cumulative gap	(1,539,618)	(4,330,398)	7,714,017	9,719,295	-	-
Impact of 1% decrease in interest rate on cumulative gap	1,539,618	4,330,398	(7,714,017)	(9,719,295)	-	-

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Financial Risk (cont'd)

Interest rate risk (cont'd)

As at December 31, 2017

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Assets						
Cash	-	-	-	-	84,634,236	84,634,236
Demand Deposits	143,766,950	-	-	-	-	143,766,950
Investments	48,886,542	-	74,897,059	7,440,627	-	131,224,228
Loan Portfolio, net	18,089,526	31,343,881	924,101,431	431,570,366	-	1,405,105,204
Fixed Assets	-	-	-	-	29,936,998	29,936,998
Other Assets	-	-	-	-	19,346,032	19,346,032
Total Assets	210,743,018	31,343,881	998,998,490	439,010,993	133,917,266	1,814,013,648
Liabilities						
Demand Savings Account	240,656,196	-	-	-	-	240,656,196
Term Deposits	125,383,881	290,741,851	-	-	-	416,125,732
Loans Payable	1,033,370	-	48,000,000	25,000,000	-	74,033,370
Other Liabilities	-	-	-	-	693,125,294	693,125,294
Total Liabilities	367,073,447	290,741,851	48,000,000	25,000,000	693,125,294	1,423,940,591
Total Equity					390,073,057	390,073,057
Total Liabilities & Equity	367,073,447	290,741,851	48,000,000	25,000,000	1,083,198,351	1,814,013,648
Asset Liability Gap	(156,330,428)	(259,397,970)	950,998,490	414,010,993	(949,281,085)	-
Cumulative Gap	(156,330,428)	(415,728,398)	535,270,092	949,281,085	-	-

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Impact of 1% increase in interest rate per tenor bucket	(1,563,304)	(2,593,890)	9,509,985	4,140,110	(9,492,811)	-
Impact of 1% decrease in interest rate per tenor bucket	1,563,304	2,593,890	(9,509,985)	(4,140,110)	9,492,811	-
Impact of 1% increase in interest on cumulative gap	(1,563,304)	(4,157,284)	5,352,701	9,492,811	-	-
Impact of 1% decrease in interest rate on cumulative gap	1,563,304	4,157,284	(5,352,701)	(9,492,811)	-	-

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

h. Capital Management

The Credit Union's objectives when managing capital are to safeguard the Credit Union's ability to continue as a going concern.

The Credit Union defines its capital as members' share capital, institutional capital and non-institutional capital. Dividend pay-outs are made taken into account as maintenance of an adequate capital base.

The Credit Union is required by the League to maintain its institutional capital inclusive of permanent shares at a minimum of 8 % of total assets. At the statement of financial position date, this ratio was 15 % (2017: 16 %) which is in compliance with the requirements.

There were no changes in the Credit Union's approach to capital management during the year.

	<u>2018</u>	<u>2017</u>
	\$	\$
Institutional Capital	285,601,623	285,726,807
Total Assets	1,850,196,615	1,814,013,648
Ratio	15%	16%

22. Related Parties

At December 31, 2018, 20(2017: 23) members of the credit union's Board of Directors, Committee members and key management personnel had savings and loans inclusive of interest of the figures below:

	<u>2018</u>	<u>2017</u>
	\$	\$
Savings	28,745,703	15,810,164
Loans (inclusive of interest)	28,702,349	24,263,701

Relate Party transactions were made on terms equivalent to those that prevail in arm's length transactions

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

23. Staff Compliment

	<u>2018</u>	<u>2017</u>
Number of persons employed		
Permanent	24	25
	<u>24</u>	<u>25</u>

24. Comparison of ledger balances

	Permanent Shares \$	Voluntary Shares \$	Deposits \$	Loans \$
Balance as per General Ledger	25,103,639	679,701,975	665,862,771	1,398,485,470
Balance as per Members' Ledger	25,103,639	679,701,975	665,863,034	1,398,485,470
Difference	-	-	(263)	-

FINANCIALS

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

25. Administrative expenses

	<u>2018</u>	<u>2017</u>
	\$	\$
<u>Personnel expenses</u>		
Salaries, allowances & statutory contributions	70,328,151	69,852,052
Staff training	901,591	639,161
Travelling & related expenses	926,688	825,421
	<u>72,156,430</u>	<u>71,316,634</u>
 <u>General overheads</u>		
Audit & supervision	1,018,109	1,900,380
Depreciation	1,832,888	1,895,871
Donations	45,704	41,500
Office rental	1,404,802	1,587,117
Insurance premiums	6,620,515	6,479,765
FIP Expenses	1,548,493	843,978
Office expenses	7,396,080	4,988,100
Professional fees	2,295,547	1,968,627
Repairs & maintenance	1,264,001	1,611,623
Security and messenger service	2,549,689	2,564,287
Telephone, cable, postage & telegram	5,644,217	6,346,227
Utilities	3,857,076	3,872,773
Rates & taxes	673,330	647,269
Minimum Business tax	60,000	60,000
	<u>36,210,451</u>	<u>34,807,518</u>
 Marketing & promotion	<u>2,604,280</u>	<u>3,534,583</u>
 <u>Affiliation & representation:</u>		
Stabilization dues	2,352,761	1,797,542
League fees	3,635,073	3,382,798
Seminars and meetings	3,878,935	4,259,272
	<u>9,866,769</u>	<u>9,439,612</u>
 Total operating expenses	<u>120,837,930</u>	<u>119,098,346</u>

TREASURER REPORT

On behalf of the Board and Management I am pleased to report on the financial performance of your Credit Union for the year ended 31 December 2018.

OVERVIEW

The Credit Union adopted IFRS9 effective 1 January 2018 and utilized the services of Credit info to assist in the provision requirement of the standard. The 2017 income statement has been restated, for comparative purpose, to account for the movement in loss loan reserves in Other Comprehensive Gain.

Surplus for the year 2018 was \$7.69 million, a significant improvement over 2017 deficit of \$2.2 million. Total assets grew by 2% or \$36 million to close 2018 at \$1.85 billion (2017 - \$1.81 billion), a growth rate that was marginally below the annual inflation rate of 2.4%. During the year delinquent loans over 12 months were written off and resulted in a \$32 million release in loss reserves as reported in Other Comprehensive Gain. These were accumulated losses in compliance with the loan loss provision requirement by the Jamaica Co-operative Credit Union league.

With interest rate trending down during the year, we focused on areas where we could improve returns without sacrificing our quality of service and products offerings to you, our members. Interest rates offered on some deposits were reviewed and rates were also reduced on some loan products to align with market rates. This resulted in a 20% decline in our cost of funds.

Our return on property improved by 31% over prior year. Loans after provisions grew by 2% and interest on loans increased by 5% due mainly to an expansion of unsecured loan limits as well as more aggressive delinquency management.

INCOME

Our primary sources of income (interest on loans and on investments) decreased by \$3.8 million compared to 2017. However a reduction of \$6.8M in interest expense, and loan loss provision by \$5.2 million fee income increased by \$1.1M contributed to the surplus of \$7.69 million

MEMBERS' SAVINGS

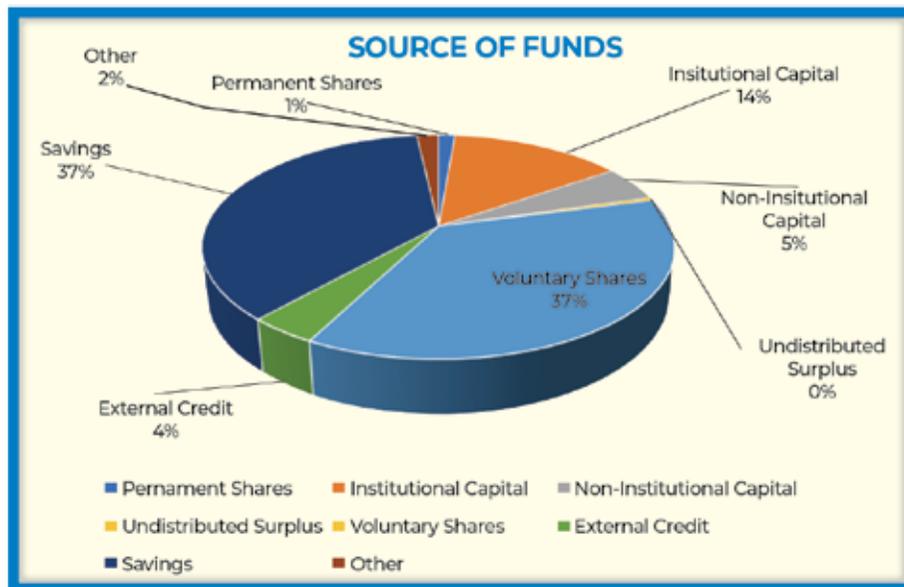
Savings by our members, which comprised of voluntary shares and deposits, were the main pillar in the growth of total assets. Members' savings increased by 4% or \$46.2M as at 31 December 2018 with a 4.1% growth in voluntary shares and 3% in deposits. It is from voluntary and time deposit that funds are loan to members.

The chart, **Sources of Funds** shows both the sources and the percentage mix of the Credit Union's funds that are used for lending. Members' savings (Voluntary shares- 37% and savings deposits -37%) comprised 74% of the total.



Camelia Nelson
Treasurer

TREASURER REPORT



An old proverb says it's not what one earns that matters, but what ones saves. We are aware of the difficulties in saving in these times, but we encourage you to maintain and indeed increase your saving with us by even the smallest margin. These savings will not only earn a fair return but also provide access to financing at a later date when most needed.

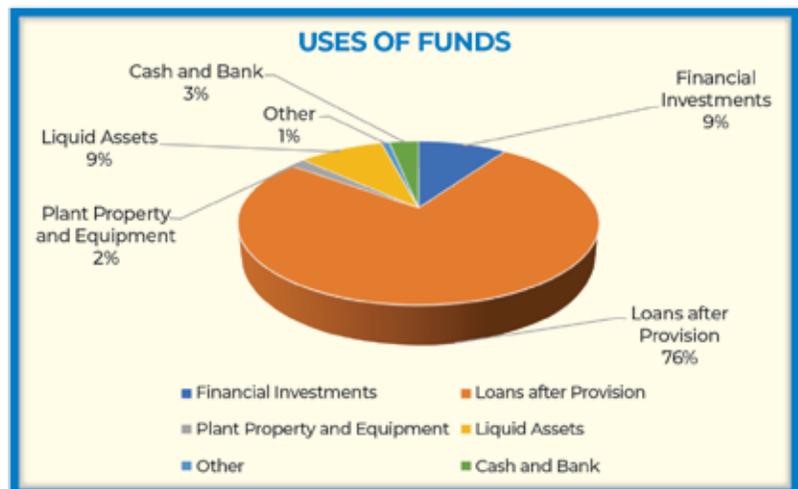
EQUITY

Equity remains robust in spite of a \$3M reduction. This was largely due to the release from Loan Loss reserves (\$13.5M) and an increase in Undistributed Surplus (\$10.87M). Institutional Capital to assets remains at 14%.

The chart, **Assets by use** shows the use to which members' deposits are put.

LOANS

Our Loans to assets of 76% was in compliance with the PEARLS standard of between 60% and 80%. We recorded a marginal increase of 1.8 percentage points above 2017 in our lending portfolio (after accounting for write-offs). It was especially important that we maintain relatively high loans to assets ratio to maximize loan income as loan rates are trending downwards in a very competitive market.



Delinquency was 3.78% at December 31, 2018 compared to the standard of 5%. We continue to urge members whose circumstances have affected their credit rating to make contact so that we can assist in restoring your position.

The PEARLS ratios, as prescribed by the Jamaica Co-operative Credit Union League continue to be the financial measuring tool of how well a credit union has performed financially. IECCU's performance measured against the PEARLS Standard is set out on the following page. The table on the following page presents our performance for the last five (5) periods.

TREASURER REPORT

KEY RATIOS As At December 31, 2018

Protection	STANDARD	2018	2017	2016	2015	2014
Adequacy of A.L.L For Delinquency > 12 Months	100%	100%	100%	100%	100%	100%
Net Capital /Asset	>8%	15%	14%	16.95%	17.79%	17%
Effective financial structure						
Net Loans / Total Assets	60-80%	76%	77%	69.93%	63.52%	65.8%
Total Savings / Total Assets	70-80%	73%	72%	70.61%	69.81%	69%
Asset quality						
Delinquent Loans / Gross Loans	<5%	3.78%	5.1%	4.92%	8.57%	10.2%
Total Non-Earning Assets / Total Assets	<7%	6%	5%	5.00%	7.32%	5.7%
Rate of return & cost						
Cost Of Funds / Average Member Savings	>8%	1.90%	2.6%	2.97%	2.27%	3.7%
Operating Expenses / Average Assets	<8%	6.5%	6.5%	7.02%	6.82%	7.90%
Net Income / Average Assets	>2.3%	0.4%	0.1%	0.61%	1.14%	0.7%
Liquidity						
Liquid investments / members savings	20-30%	21%	21%	26.78%	35%	31.7%
Signs of growth						
Total Assets	>8%	2%	8%	4.90%	6.22%	2.6%
Membership	>5%	%	4%	-5.32%	3.11%	6.52%

OTHER

We ask members to note that all credit contracts including those outside IECCU form part of the provision assessment. It is important to maintain a good credit record as it will assist your loan prospects as well as the overall cost of credit.

Your financial wellbeing is dependent on how you save and borrow. The following points were made in the last report but cannot be overstated:

- 1) Let us assist you to manage your loans.
- 2) Save more with your Credit Union.

CONCLUSION

As a Credit Union we strive to help our members achieve financial well-being by offering relevant products and services. At the same time, we must observe the requirements of our regulators, industry best practices and reporting requirements required of financial institutions. We commit to doing our best to achieve both in spite of the challenges.

I must also say thanks to our auditors Bogle and Company, the Registrar of Cooperative Societies, CMFG Life Insurance, and the Jamaica Co-operative Credit Union League for their professional assistance and guidance provided throughout the year.

On behalf of the members of the Board of IECCU. I must also thank our dedicated management, staff and volunteers. The resolve of the IECCU remains that of serving our members in such a way that we help you to achieve the best goals for yourselves and your families.



Camelia Nelson
Treasurer



IECCU

THE INSURANCE EMPLOYEES COOPERATIVE
CREDIT UNION LIMITED



PAYDAY LOAN*

0% INTEREST

Get up to 50%

of your net pay

Conditions apply*

Kingston
27 Parkington Plaza, Kingston 10
Telephone: (876) 929-1706,
929-1466 and 906-5362-4
Fax: 968-6208

Montego Bay
Shop #22 Montego Bay Shopping Center
Howard Cooke Boulevard
Tel: (876) 979-6516
Fax: 971-7540

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SUPERVISORY COMMITTEE



SUPERVISORY COMMITTEE: (From Left to Right)

Carol Nathan - *Chairperson*, Peter Samuels, Macherie Hamilton-Clarke - *Secretary*
Missing: Andrea Smith, Gabre Spence

REPORT OF THE SUPERVISORY COMMITTEE 2018

The committee's overall objective was to ensure compliance with key requirements, to ensure transparency, as well as ensure soundness and that the credit union operate in the best interest of its members.

MEMBERS OF THE COMMITTEE

At the first meeting of the committee, Dr. Carol Nathan was elected as Chairman, and Mrs. Macherie Hamilton-Clarke was elected Secretary. The committee met together on four (4) occasions. It should be noted that the committee communicated at other times on matters concerning the credit union via mediated technologies. The following table gives a profile of the members' attendance at the face-to-face meetings.

MEMBERS	POSSIBLE MEETING	ATTENDED MEETINGS	EXCUSED
Carol Nathan (Chairman)	4	4	0
Macherie Hamilton-Clarke (Secretary)	4	4	0
Peter Samuels	4	4	0
Gabre Spence	4	4	0
Andrea Smith	4	4	0

MAJOR AREAS OF FOCUS

The committee probed the operations of the credit union and investigated areas such as Human Resource Management, Information and Communication Technologies (ICT), Financial Management, Risk and Compliance and Delinquency. The credit union's management should be commended for the overall running of the credit union. The following areas of concerns were however noted.

SUPERVISORY COMMITTEE

Information and Communication Technologies:

The committee has noted the need for still further improvements in ICT protocol and or guidelines. Our findings revealed that these ICT protocols which should have been implemented since 2018 were still not yet implemented. There are still concerns regarding adherence to ICT guidelines on matters such as ICT budget, procurement, segregation of duties with its internal control risks, and the need for a review of the disaster recovery plan. This has implication for proper risk management which is key to Credit Union's wellness.

Financial Management: The PEARLS ratios indicated some improvement in the delinquency ratios over the period as these were being kept within the standard. There was grave concern however regarding the signs of growth indicators/ ratios which have been way below the PEARL ratio standards. These growth indicators such as growth in total assets and growth in membership definitely need strengthening. These have serious implication for the credit union's health.

Concerns were also raised for the status of the bank reconciliation process for a number of major reconciliations. It was noted that on an average these were not up-to-date for as much as two to three months. We observed that outstanding lodgments on some bank reconciliations included significant deposits that were dated as far back as 2014. Similarly, outstanding cheques had a significant number of stale-dated cheques representing a large balance. The committee recommends that this process be given closer attention so that the financials can reflect true and correct bank balances. The committee questions whether the use of the software Clarity to reconcile the major banks could be a contributory factor to this unacceptable performance.

There were some other concerns with the financials such as the fact that the audited financial statements for year ending December 2018, based on regulations, should have been completed by March 31, 2019. It was noted however, that this was not completed until September 2019. Another matter of note, was the fact that included in the other receivables and payables were long standing amounts that need investigation. The committee believes that there could be better cash flow management if more of the cash and cash equivalents were placed on interest earning deposits. There was concern there was no deposits over 90 days which could yield higher interest.

Membership Growth: The credit union's efforts

to grow its membership have been noted; notwithstanding the poor growth rate. The recommendation is for more aggressive marketing strategies to effect the needed growth.

Delinquency: The overall delinquency loan ratio was within the acceptable PEARL standards. Examining the delinquent loans, revealed that in accordance with our previous year's recommendation, a large percentage of delinquent loans that were within the category of the over 360 day's band, were charged off in keeping with best practices within industry. This has improved the state of the delinquent loans.

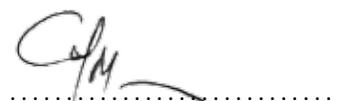
BOJ Regulatory Changes: It was noted that a number of policies and procedures were being put in place to ensure the credit union's readiness for the BOJ's regulatory changes. To date there has been completion of a number of policies which are at the credit union's board review stage for final approval and implementation. The necessary action to have these signed off at the board level has been very slow, as these are being done since 2018. It is recommended that the necessary steps be put in place to have all of these policies fully completed and reviewed.

Implementation Status of Audit Recommendations: The committee expresses serious concerns that the implementation of audit recommendations are not being done on a timely manner. It is recommended that swifter actions be taken in regards to audit recommendations.

ACKNOWLEDGEMENT

The Supervisory committee wishes to express appreciation to the members of the credit union for the confidence placed in us to serve the membership. We also want to say thanks to the board of directors, other volunteers, the management and staff of the credit union for the support and cooperation given us during our tenure. We also wish to thank the management and staff of the Jamaica Cooperative Credit Union League (JCCUL) for their advice and support to the committee during its term in office.

Let me also say thank you to the members of the supervisory committee for their time and commitment to serve the committee, staff, volunteers and the credit union membership.



Carol Nathan, DBA
Chairman

CREDIT COMMITTEE



CREDIT COMMITTEE: (From Left to Right)
Paulette Small, Uelma Nicholson - *Chairperson*, Cauline Haynes, Woodrow Smallwood
Missing: Herbert Reid

REPORT OF THE CREDIT COMMITTEE 2018

The Jamaican Financial Landscape for the Year 2018 continued to be characterized by reduced savings and loan interest rates, a buoyant stock market vis a vis a variety of Initial public offerings (IPOS), mergers and acquisitions among other trends.

IECCU, for its part, has continued to leverage its position, competing as a Credit Union serving the Insurance and Building Society sectors within an aggressively competitive financial market.

During the year under review, members accessed funding of \$590 Million for education, motor vehicle purchase and repair, stock market purchases, home improvement, mortgage deposit and domestic expenses among other purposes. The Unsecured loans, Loan within savings and Motor vehicle loans continue to be the more popular loan types.

The Credit Union sustained marginal increases in its loan portfolio. This growth trend is graphically depicted on the following page with a five-year comparison.

CREDIT COMMITTEE

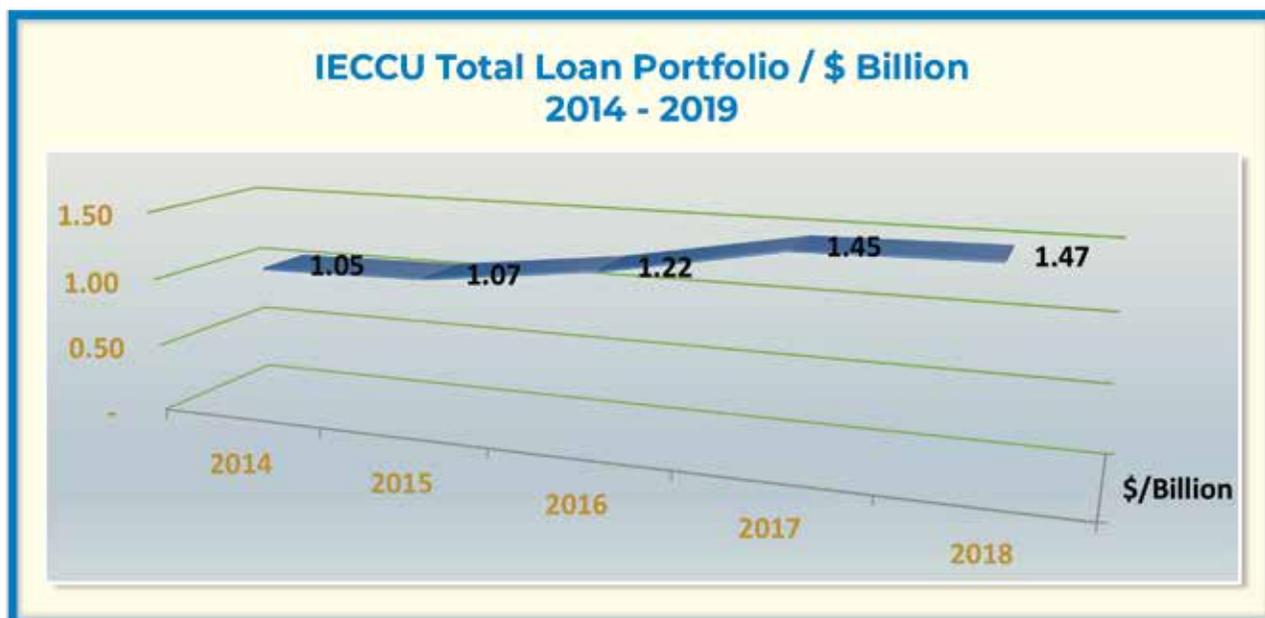


Figure 1: IECCU Total Loan Portfolio 2014-2018

Loan offerings were enhanced by:

1. Increasing the Unsecured amount up to \$1.5 Million with up to 5 years to pay subject to conditions being met.
2. Offering sub ten ($\leq 10\%$) interest rates for motor vehicle loans.
3. Commencement of the mortgage deposit loan scheme for VMBS employees.

Credit Administration was ably carried out by the staff and management whilst the Credit Committee consistently reviewed and approved loans - convening its weekly meeting fifty times during this year.

Our Credit Committee Team of Paulette Small, Herbert Reid, Cauline Haynes, Woodrow Smallwood and myself – Uelma Nicholson, is pleased to have served you and is available to continue serving in this capacity.

We continue to encourage members to access loans via the Insurance Employees Cooperative Credit Union and thank you, our members for making IECCU - your Union of possibilities.

Uelma Nicholson
Credit Committee Chairperson

NOMINATING COMMITTEE

REPORT OF THE NOMINATING COMMITTEE 2018

The Board of Directors appointed Ray Johnson as Chairman of the Nominations Committee.

The Nominating Committee did its due diligence to ensure that the members are fit to handle the affairs of the Credit Union based on the Rules of the Credit Union. The committee considered the rules relating to delinquency, term limits, representation of the wide spectrum of members and competencies needed to ensure best practices and efficiency. Nominees are required to be fit and proper.

The recommendations of the Nominations Committee are as follows:

BOARD NOMINATIONS

NAME	RETIRING	NOMINATED	TERM (YRS)
Rejeanne Campbell	Yes	Yes	2
Winston Delahaye	Yes	End of Limit	
Camelia Nelson	Resigned	No	
Barrington Lawrence		Complete for Nelson	1
Lesa Robinson		New	2
Peter Townsend	Yes	Yes	2
Mark Wallen	Yes	Yes	2

CREDIT COMMITTEE NOMINATIONS

NAME	RETIRING	NOMINATED	TERM (YRS)
Cauline Haynes	Yes	Term Limit	
Uelma Nicholson	Yes	Term Limit	
Herbert Reid	Yes	Term Limit	
Stephen Levy		Yes	2
Courtney Golding		Yes	2
Audrey Wilson		Yes	2

SUPERVISORY COMMITTEE NOMINATIONS

NAME	RETIRING	NOMINATED	TERM (YRS)
Novelette Cornwall	Yes	Yes	1
Macherie Hamilton-Clarke	Yes	Yes	1
Carol Nathan	Yes	Yes	1
Peter Samuels	Yes	Yes	1
Gabre Spence	Yes	Yes	1

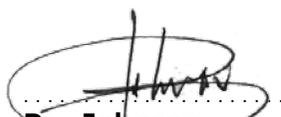
DELEGATES TO JCCUL AGM

DELEGATES

Ray Johnson
Mark Bowen

ALTERNATE DELEGATES

Cosmo Walker
Michelle Walters Nembhard



Ray Johnson
Chairman

DELEGATES REPORT

ON THE 77th ANNUAL GENERAL MEETING OF THE JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE LTD.

The Convention & legally constituted 77th annual general meeting of the Jamaica Co-operative Credit Union League was held from May 17-20, 2018 at the Hilton Rose Hall Hotel & Spa in Montego Bay. Approximately one hundred and forty (140) delegates, alternate delegates and observers attended the weekend Conference.

WORKSHOPS

Three workshops were held along with the strategic planning session. They were:

- An afternoon workshop presented by Mr. Donovan Gayle, CEO of DHL Jamaica who presented on **“Workplace Wellness and the impact on productivity”**
- **“Competing in the new IFRS9 Environment and Facing the Reality of a new Paradigm.”**
It was the second year that focus was given to the issues surrounding the IFRS 9.
- **“Risk Here, Risk There, Risk Everywhere: Get in the Know: Manage your Risks.”**

Three presenters brought home the issues and helped the participants to dissect various risks. Presenters were Ms. Stephanie Williams, Attorney At Law from Henlin Gibson Henlin, Attorneys at Law; who opened the issues relating to the Data Protection Act; Mr. Robert Finzi Smith, Security Expert, and Former Army Officer who dealt with the issue of personal safety and Sgt. Kevin Watson, Digital Forensic Examiner and Cybersecurity Specialist and Cybercrimes Investigator who delved into the topic “The War on Cybercrimes.”

The annual awards dinner ended Friday's activities. Guest speaker at this event was Hon. Audley Shaw Minister of Industry, Commerce, Agriculture & Fisheries.

Delegates from twenty-five (25) Credit Unions attended the 77th Annual General Meeting.

RULE CHANGES and RESOLUTIONS

There were no rule changes. Seven (7) congratulatory resolutions were passed recognizing Credit Unions longevity.

Others prizes:

CPD Online Top Performing Credit Union-Insurance Employees Credit Union
CPD Online Top User – Alicia Hart – Insurance Employees Credit Union



.....
Mark Bowen

APPROPRIATION OF SURPLUS

PROPOSAL FOR THE APPROPRIATION OF SURPLUS FOR THE YEAR ENDING DECEMBER 31, 2018

Your Board proposes the appropriation of surplus as follows:

Surplus	<u>\$7,697,660</u>
Reserve Fund 20%	\$1,539,532
Dividend on Permanent Shares (8% approx.)	\$2,000,000
Undistributed Surplus	\$4,158,128

PROPOSAL FOR THE SETTING OF MAXIMUM LIABILITY FOR THE YEAR ENDING DECEMBER 31, 2019

The Board of Directors proposes that the maximum liability for 2019 be set at \$2Billion. This will satisfy the maximum projected growth in interest bearing liabilities during 2019 in relation to Article XIX, Rule 69.

For and on behalf of the Board of Directors



Camelia Nelson
Treasurer

STAFF MEMBER PHOTOS



MARK BOWEN
General Manager



MICHELLE WALTERS NEMBARD
Operations Manager

STAFF MEMBER PHOTOS



FRONT ROW (L-R)
KAMISHA WINT, ALICIA HART, LATOYA JONES & KRISAN CODNER
BACK ROW (L-R)
GAVIN WALTERS, NYADIAN DUBIDAD-HUIE & CARLENE HAUGHTON
Member Service Department

STAFF MEMBER PHOTOS



TENIESHA BAILEY
Marketing



JACQUELINE WILSON
Risk, Compliance & Securities Officer

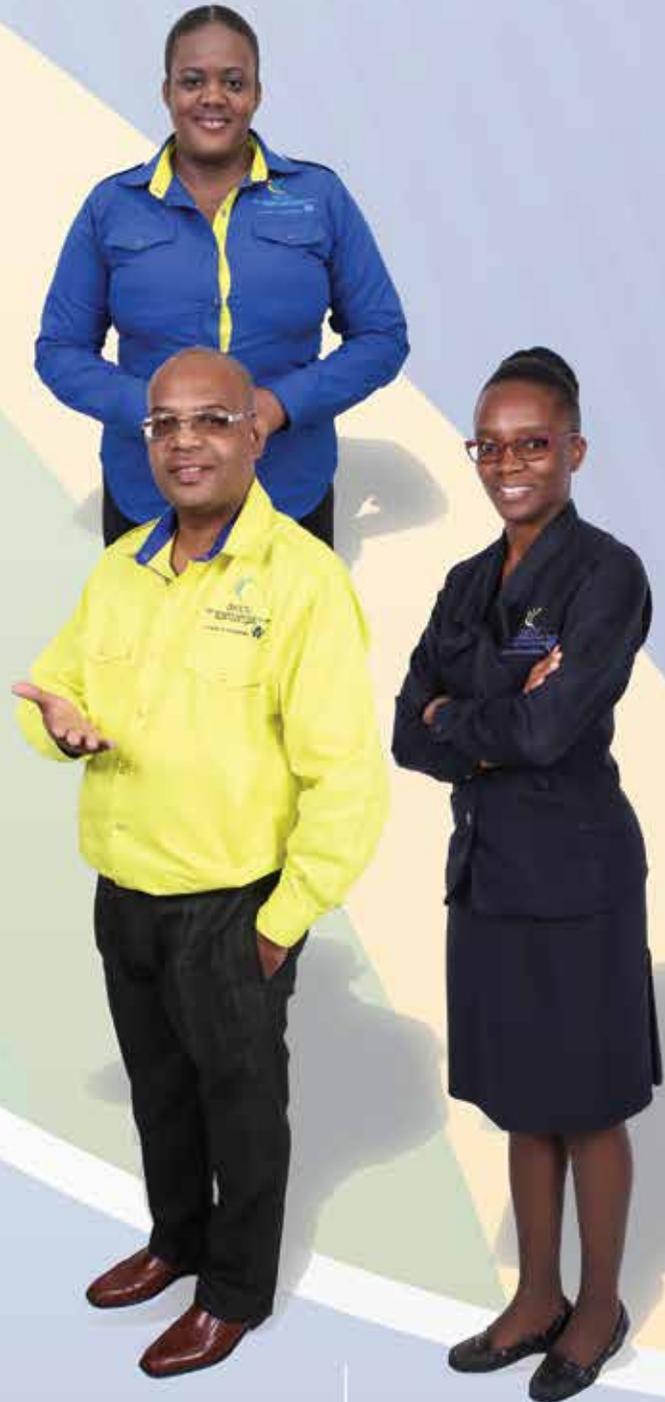


**CLAUDETTE GRAHAM-JOHNSON &
KARLENE THOMPSON-WILLIAMS**
Administrative Department

STAFF MEMBER PHOTOS



**ROXANNE BROWN &
DIONNE WHITE**
Credit Department



**FRONT ROW:
GODFREY SILVERA & DAMIA BARRETT**
BACK ROW: VINNILLA ALEXANDER
Accounts Department

STAFF MEMBER PHOTOS



(L-R) CHRISTINE BARKER, EVERTON CAMPBELL, CORDELLA MCGOWAN
Systems & Processes Department



KAMLA BROWN
Business Administrator
(Montego Bay Branch)

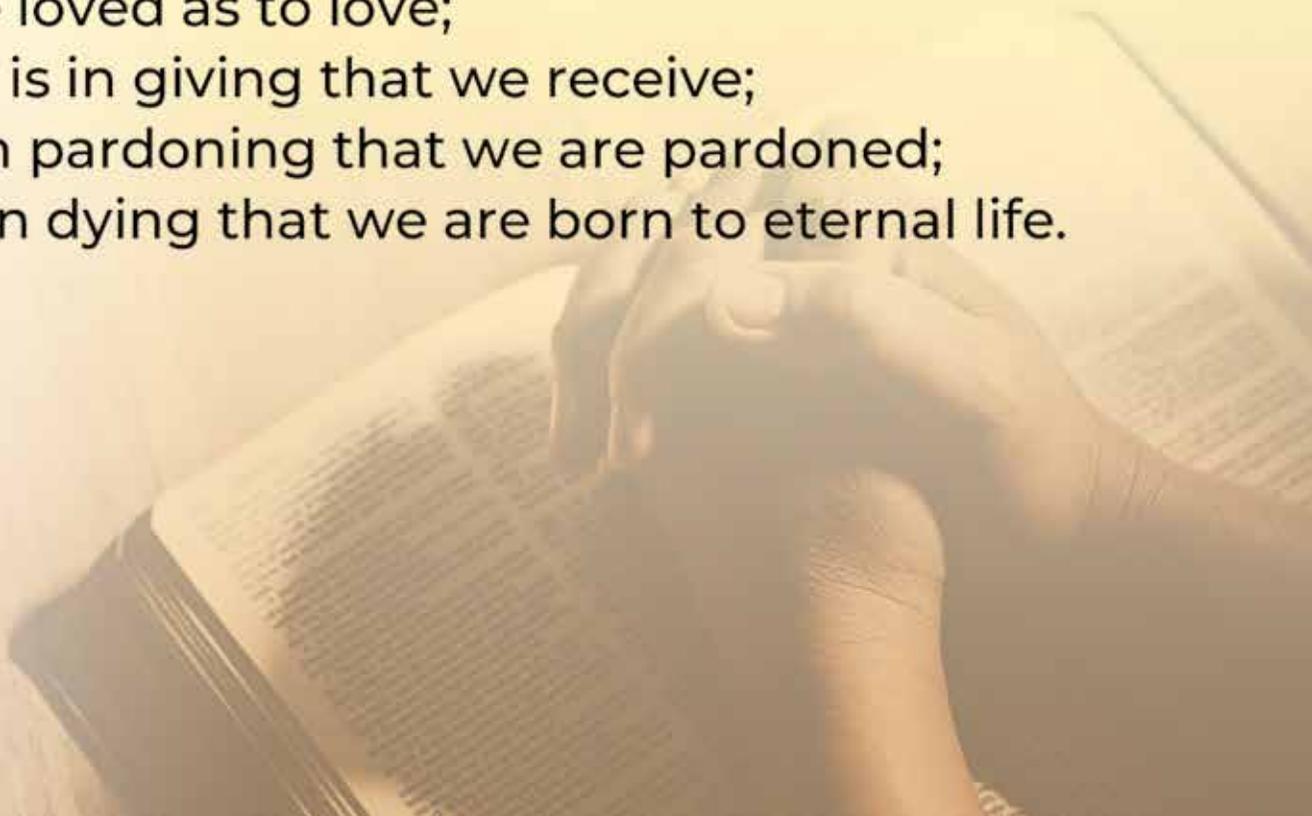


(L-R) DEVAR RHOOMES & TRICIA ROBINSON
Delinquency Department

Prayer of St Francis Assisi

Lord make me an instrument of thy peace,
Where there is hatred, let me sow love
Where there is injury pardon;
Where there is doubt faith;
Where there is despair hope;
Where there is darkness, light and
Where there is sadness, joy.

O divine master, grant that I may not
So much seek to be consoled as to console;
To be understood as to understand;
To be loved as to love;
For it is in giving that we receive;
It is in pardoning that we are pardoned;
And in dying that we are born to eternal life.





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