

Key Insurance Company Limited

KEY INSURANCE COMPANY LIMITED

Unaudited Financial Statements

30 September 2016



Key Insurance Company Limited

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30 September 2016

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Key Insurance Company Limited

REPORT TO SHAREHOLDERS
14 November 2016

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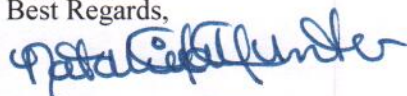
KEY INSURANCE COMPANY POSTS PROFITS BEFORE TAXES OF \$66M.

For the quarter ending September 30, Key Insurance reversed its last quarter loss position performance by producing net profit of \$66.02M. The highlights of this achievement are as follows:-

- Net Premiums earned increased by \$140M due to more focus on our motor business and continuous satisfaction of current and new customers.
- Net claims and reinsurance recoveries reduced by \$31M due to a substantial overhaul in the Claims Reviews strategy. Upon reflection of last quarter's results, the Management Team agreed that the usual December claims review, which was previously suitable when the company posted financials annually, was no longer a feasible strategy. Consequently, commencing at the beginning of the Third quarter, the Company elected to do quarterly reviews of our claims reserves and claims files. It was our hope that increasing the frequency of these reviews, would allow our shareholders to capture a more representative picture of the Company's true financial position in any given quarter.
- Our strategic and effective management of our investment portfolio resulted in an increase in interest income and exchange gain by \$12.8M and \$5.7M respectively. Management continues to actively identify a wider range of investment options in an effort to take advantage of instruments with higher rates of returns.
- Administrative and Other Expenses increased by \$100M. This can be attributed to additional investment in our staff, data processing and the associated increases in telephone and electricity costs commensurate with the burgeoning Motor Portfolio. The Company continues to explore cost-saving initiatives in the final Quarter of 2016.
- Net commission received on premium written and paid on reinsurance ceded increased by \$5.2M

The company continues to have a strong capital base, excellent reinsurance coverage from some of the best reinsurers in the world, significant liquidity, and an experienced management team with dedicated team members in our branch network committed to a successful outcome for the 2016 financial year for all our stakeholders. Management at this time endeavors to forge new revenue partnerships, manage its costs, strengthen its processes and maintain a positive outlook for the remainder of the financial year.

Best Regards,



Natalia Gobin-Gunter
Chairman-Director
Key Insurance Company Limited

Key Insurance Company Limited

Statement of Comprehensive Income
 Nine month period ended 30 September 2016
 (expressed in Jamaican dollars unless otherwise indicated)
 Unaudited

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	Note	3 Months Ended September 30, 2016 \$'000	3 Months Ended September 30, 2015 \$'000	9 Months Ended September 30, 2016 \$'000	9 Months Ended September 30, 2015 \$'000
Gross Premium Written	6	298,316	277,556	785,051	766,692
Reinsurance Ceded		132,811	145,479	334,398	415,593
Net Premiums Written		165,505	132,077	450,653	351,099
Change in unearned premium reserve, net		(25,164)	(22,918)	(49,443)	43,854
Net Premiums Earned		140,341	109,159	401,210	394,953
Commission on reinsurance ceded		24,130	25,667	61,675	75,698
Commission on premium written		(29,293)	(30,700)	(74,219)	(74,965)
Claims expense		228,114	(193,322)	(575,469)	(339,584)
Reinsurance recoveries		(197,123)	143,279	464,191	174,401
Administration and other expenses		(100,259)	(76,834)	(280,880)	(219,560)
Underwriting profit/(loss)		65,910	(22,752)	(3,492)	10,942
Investment income		12,735	11,720	32,889	43,527
Gains on revaluation of investment properties		-	-	10,000	-
Other income		5,718	10,748	26,654	13,736
Profit/(Loss) Before Taxation		84,363	(284)	66,051	68,205
Taxation		-	-	(30)	-
Net Profit/(Loss) After Taxation		84,363	(284)	66,021	68,205
Other Comprehensive Income:					
<i>Item that may be subsequently classified to profit or loss:</i>					
Net gain on the revaluation of available for sale investment securities		10,271	0	20,271	0
Total Comprehensive Income/(Loss) for the period		94,634	(284)	86,292	68,205
Earnings/(Loss) per stock unit	7	0.24	(0.001)	0.19	0.22

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Financial Position
30 September 2016
(expressed in Jamaican dollars unless otherwise indicated)

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	Note	Unaudited September 2016 \$'000	Unaudited September 2015 \$'000	Audited December 2015 \$'000
ASSETS				
Cash and deposits		932,816	655,981	185,923
Investment securities		164,887	290,757	773,382
Due from policyholders, brokers and agents		147,258	126,703	76,870
Due from reinsurers		572,648	242,210	211,371
Deferred policy acquisition costs		80,652	98,738	70,778
Taxation recoverable		181,445	171,471	171,599
Other receivables		469	3,263	3,701
Investment properties		183,100	152,020	173,100
Intangible assets		1,327	1	1,098
Property, plant and equipment		298,041	290,532	281,089
		<u>2,562,643</u>	<u>2,031,676</u>	<u>1,948,911</u>
LIABILITIES AND EQUITY				
Liabilities				
Bank overdraft		16,399	12,910	150
Other payables		26,082	30,979	26,419
Due to reinsurers		170,947	149,906	96,936
Deferred taxation		14,076	13,071	14,076
Insurance reserves		1,260,269	927,615	930,707
		<u>1,487,773</u>	<u>1,134,481</u>	<u>1,068,288</u>
Equity				
Share capital	3	235,282	127,327	127,327
Capital reserve		57,371	57,371	57,371
Fair value reserves		274,221	194,321	243,950
Retained earnings		507,996	518,176	451,975
		<u>1,074,870</u>	<u>897,195</u>	<u>880,623</u>
		<u>2,562,643</u>	<u>2,031,676</u>	<u>1,948,911</u>

Approved for issue on behalf of the Board of Directors on 14 November 2016 signed on its behalf by:



Natalia Gobin Gunter

Director



Sandra Masterton

Director

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Changes in Equity
Nine month period ended 30 September 2016
(expressed in Jamaican dollars unless otherwise indicated)

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	Share Capital S'000	Capital Reserves S'000	Fair Value Reserves S'000	Retained Earnings S'000	Total S'000
Balance as at 01 January 2015	127,327	57,371	194,321	449,971	828,990
Total comprehensive income for the period	-	-	-	68,205	68,205
Balance as at 30 September 2015	<u>127,327</u>	<u>57,371</u>	<u>194,321</u>	<u>518,176</u>	<u>897,195</u>
Balance as at 01 January 2016	127,327	57,371	243,950	451,975	880,623
Shares issued during the period	107,955	-	-	-	107,955
Total comprehensive income for the period	-	-	20,271	66,021	86,292
Transfer between reserves: Gains on revaluation of investment properties, transferred from retained earnings			10,000	(10,000)	-
Balance as at 30 September 2016	<u>235,282</u>	<u>57,371</u>	<u>274,221</u>	<u>507,996</u>	<u>1,074,870</u>

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Cash Flows
Nine month period ended 30 September 2016
(expressed in Jamaican dollars unless otherwise indicated)

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	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities		
Net profit	66,051	68,205
Adjustment for:		
Amortisation and depreciation	7,894	7,306
Gain on sale of property, plant and equipment	-	(180)
Gain on revaluation of investment properties	(10,000)	-
Gain on foreign exchange	(19,551)	(6,539)
Dividend income	(2,087)	(566)
Interest income	(32,889)	(43,527)
	<u>9,418</u>	<u>24,699</u>
Change in operating assets and liabilities		
Due from policyholders, brokers and agents	(70,388)	(58,627)
Change in deferred policy acquisition costs	(9,874)	(14,117)
Change in insurance reserves	329,562	59,055
Due to/from reinsurers	(287,266)	(16,882)
Other assets	3,232	(136)
Other liabilities	(337)	11,812
	<u>(25,653)</u>	<u>5,804</u>
Taxation paid	<u>(9,876)</u>	<u>(10,198)</u>
Net cash used in operating activities	(35,529)	(4,394)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(24,566)	(10,610)
Acquisition of Intangible Asset	(509)	-
Net disposal and maturity of investments	628,766	443,803
Interest and dividend received	34,976	44,093
Net cash provided by investing activities	<u>638,667</u>	<u>477,286</u>
Cash Flows from Financing Activities		
Net proceeds from the issue of shares	<u>107,955</u>	<u>-</u>
Net cash provided by financing activities	107,955	-
Net increase in cash and cash equivalents	711,093	472,892
Effect of changes in exchange rate on cash and cash equivalents	19,551	6,539
Cash and cash equivalents at the beginning of the period	<u>185,773</u>	<u>163,640</u>
Cash and cash equivalents at the end of the period	<u><u>916,417</u></u>	<u><u>643,071</u></u>

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Notes to the Financial Statements
30 September 2016
(expressed in Jamaican dollars unless otherwise indicated)

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1. Identification and Activities

- (a) Key Insurance Company Limited is registered and domiciled in Jamaica. Its registered office is located at 6c Half Way Tree Road, Kingston 5, Jamaica.
- (b) The company is licenced to operate as a general insurer in Jamaica, under the Insurance Act 2001. Its principal activity is the underwriting of motor, commercial and personal property and casualty insurance.

2. Significant Accounting Policies

The principal accounting policies applied to the preparation of these financial statements are similar to those applied to the audited financial statements for year ended 31 December 2015.

These policies have been consistently applied to all the periods presented unless otherwise stated.

Basis of Preparation

These financial statements have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting and have been prepared under the historical cost convention as modified by the revaluation of available for sale investment securities, investment properties and certain property, plant and equipment.

3. Share capital

	2016	2015
	\$'000	\$'000
Authorised - 375,739,903 (2015 - 650,000) ordinary shares		
Issued and fully paid - 369,097,498 (2015 - 636,635) ordinary shares at no par value	<u>235,282</u>	<u>127,327</u>

A resolution was passed at a General Meeting on 21 March 2016 that each of the authorised and issued shares of Key Insurance Company Limited be sub-divided into 496 ordinary shares (496 to 1).

On 31 March 2016, the company issued 52,689,903 ordinary shares through an initial public offering at a value of \$119,606,079. Costs associated with the share issue amounted to \$11,651,079.

4. Earned premium

On 1 February 2015, management changed the method of computing earned premium from the 1/24th to the 1/365th method. This accounted for the significant increase in earned premium and net earnings during the first six months of 2015. The change impacted the earned premium due to the fact that short rate transactions accounted for a significant portion of the motor book of business.

Key Insurance Company Limited

Notes to the Financial Statements
30 September 2016
(expressed in Jamaican dollars unless otherwise)

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5. Capital Management

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT) which is used by the Financial Services Commission to determine the solvency of the company. The minimum standard stipulated by section 17(4) of the Insurance (Actuaries) (General Insurance Companies) regulations, 2011 is that a General Insurance Company shall have a minimum MCT percentage of 250% (2015 - 250%).

As at 30 September 2016, the company achieved the minimum level of capital based on MCT.

	September 2016	December 2015
Actual MCT ratio	<u>301%</u>	<u>347%</u>
Minimum required MCT Ratio	<u>250%</u>	<u>250%</u>

6. Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The operating segments are Motor and Non-Motor classes of insurance premium written.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before income tax, not including non-recurring gains and losses. Income and expenses that are directly related to segments are reported within those segments. Head office income and expenses are allocated to segments based on gross premium written.

	<u>Nine months ended 30 September 2016</u>		
	Motor \$'000	Non-Motor \$'000	Total \$'000
Gross Premium Written	447,554	337,497	785,051
Reinsurance ceded	<u>24,633</u>	<u>309,765</u>	<u>334,398</u>
Net Premiums written	422,921	27,732	450,653
Change in unearned premium reserve, net	<u>(27,194)</u>	<u>(22,249)</u>	<u>(49,443)</u>
Net premiums earned	395,727	5,483	401,210
Underwriting expenses	<u>230,719</u>	<u>173,983</u>	<u>404,702</u>
Underwriting profit/(loss)	165,008	(168,500)	(3,492)
Other Income			<u>69,543</u>
			<u>66,051</u>
			<u>66,051</u>
			<u>66,051</u>

	<u>Nine months ended 30 September 2015</u>		
	Motor \$'000	Non-Motor \$'000	Total \$'000
Gross Premium Written	344,331	422,361	766,692
Reinsurance ceded	<u>20,219</u>	<u>395,374</u>	<u>415,593</u>
Net Premiums written	324,112	26,987	351,099
Change in unearned premium reserve, net	<u>24,120</u>	<u>19,734</u>	<u>43,854</u>
Net premiums earned	348,232	46,721	394,953
Underwriting expenses	<u>172,805</u>	<u>211,206</u>	<u>384,011</u>
Underwriting profit/(loss)	175,427	(164,485)	10,942
Other Income			<u>57,263</u>
			<u>68,205</u>
			<u>68,205</u>

7. Earnings per Share

The calculation of earnings per stock unit is based on the net profit for the period attributable to stockholders and the 352,119, 640 weighted average issued and fully paid ordinary stock units

Key Insurance Company Limited

Shareholdings and Directors and Connected Parties
Quarterly Reports as at 30 September 2016

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Directors	Holdings as at 30 September 2016
Sandra Masterton	88,409,444
William Masterton	86,304
Natalia Gobin-Gunter	88,409,445
Andrew-David Gunter	-
Kala Abrahams	88,409,444
Keith Collister	60,970
Carol Collister	-
Charlton Hylton	7,947
Karla Hylton	-
Stephen Allen	-
Michael Fraser	-
Dennis Brown	-
Kisha Anderson	-
Senior Managers	
Heather Bowie	5,590
Sophia Phillips	15,605
Treveen Little	93,374
Carlene Isaacs	5,000

Key Insurance Company Limited

List of Top Ten Shareholders
Quarterly Reports as at 30 September 2016

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Shareholders	Holdings as at 30 September 2016
Natalia Gobin-Gunter	88,409,445
Sandra Masterton	88,409,444
Kala Abrahams	88,409,444
JMMB T1 Equity Fund	43,089,690
Jamaica Money Market Brokers Limited	36,846,000
World Net Investment Company Limited	11,785,254
M F & G Trust and Finance Limited	3,157,012
Rezworth Burchenson & Valerie Burchenson	591,216
Marathon Insurance Brokers Limited	591,216
Sameer Younis	456,446
William McConnell	443,925
Derrick Dunn	443,925
Romaine Whyte	390,900