

Key Insurance Company Limited

KEY INSURANCE COMPANY LIMITED

Unaudited Financial Statements
31 March 2017



KEY INSURANCE
COMPANY LIMITED

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Key Insurance Company Limited Unaudited Financial Statements

31 March 2017

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Key Insurance Company Limited

REPORT TO SHAREHOLDERS
For the First Quarter Ended March 31, 2017

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On behalf of the Board of Directors of Key Insurance Company Limited, I am pleased to present our financial results for the first quarter, ended 31 March 2017. We are happy to report that we have concluded our first full year as a member of the Junior Market of the Jamaica Stock Exchange. The past year's experiences were characterized by exciting moments and we feel proud to be members of this organization.

The first quarter of 2017 featured several positive achievements including:

Total comprehensive income for the first quarter of 2017 was \$30,046,000 an increase of \$22,043,000 over the First Quarter of 2016. This positive performance is primarily a composite of, \$6,224,000 increase in underwriting loss, \$3,640,000 increase in investment income, \$3,049,000 decrease in other income and \$26,043,000 gains accrued from the revaluation of shares and gains realized from sale of stocks. Overall stock prices have reflected a consistent gain for the first quarter of 2017.

Gross premiums income showed an increase of 49% over last year's first quarter results. Premiums income as at March 31, 2017 stood at \$295,928,000.00, in contrast with the first quarter of 2016 which was \$198,581,000.00, The company continues to experience growth in both its non-motor and motor portfolios but a significant increase in the size of our motor portfolio was particularly notable. Non-motor gross premiums income increased by 38.41% over last year's results and Motor gross premiums income increased by 59% over the same period last year.

In response to the sharp growth during the first quarter in regards to new and retained business, our unearned premium reserves have shown a significant increase over the corresponding period last year.

The company continues to experience a corresponding increase in its claims portfolio as the company grows in the number of policies underwritten. Our claims portfolio has seen approximately a 74% increase in the first quarter of the year in comparison with the similar period in 2016. However, we remain committed to maintaining efficiency in the handling of claims by ensuring prudent reserving and settlement practices.

There was an overall increase of 8.5% in operating costs for the period. The company's senior management has committed to the reduction and containment of operating costs as a top priority. Towards this end, we have embarked upon a strategic process of identifying and initiating cost cutting measures. As a result, in the first quarter of the year, we commenced several projects aimed at decreasing utility costs, such as the replacement of inefficient air cooling systems with more cost-effective inverter air conditioning models and the changing of lighting to energy saving LED across the organization.

The company's capital base remains strong and our Management Team remains committed to the company's profitability and growth.

Signed by:



Natalia Gobin-Gunter
Chairman
May 15, 2017

Key Insurance Company Limited

Statement of Comprehensive Income

Three month period ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

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		Unaudited Three Months ended March 31, 2017	Unaudited Three Months ended March 31, 2016	Audited Year ended December 31, 2016
	Note	\$'000	\$'000	\$'000
Gross Premiums Written	5	295,928	198,581	1,081,746
Reinsurance Ceded		(96,761)	(75,228)	(435,881)
Net Premiums Written		199,167	123,353	645,865
Change in unearned premium reserve, net		(30,977)	(5,432)	(111,830)
Net Premiums Earned		168,190	117,921	534,035
Changes in insurance reserves		3,427	(1,025)	42,957
Commission on reinsurance ceded		18,333	13,415	78,292
Commission on premiums written		(27,609)	(15,940)	(101,908)
Claims expense		(98,595)	(56,569)	(1,044,827)
Reinsurance recoveries		10,967	14,738	803,396
Change in unexpired risk reserves		-	1,083	(27,027)
Administration and other expenses		(93,195)	(85,880)	(410,096)
Underwriting loss		(18,481)	(12,257)	(125,178)
Investment income		15,151	11,511	42,288
Gains on revaluation of investment properties		-	-	12,050
Other income		610	3,659	20,280
(Loss)/Profit before Taxation		(2,720)	2,913	(50,560)
Taxation		1,618	(15)	8,326
Net (Loss)/Profit after Taxation		(1,102)	2,898	(42,234)
<i>Item that may be subsequently classified to profit or loss:</i>				
Net gain on the revaluation of available for sale investment securities		31,148	5,105	24,539
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Revaluation gains on property, plant and equipment		-	-	16,998
Deferred tax charge on revaluation of property, plant and equipment		-	-	6,616
Other Comprehensive Income		31,148	5,105	48,153
Total Comprehensive Income for the Period		30,046	8,003	5,919
(Loss)/Earnings per Share	6	(0.003)	0.008	(0.115)

Key Insurance Company Limited

Statement of Financial Position

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31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	March 2017 \$'000	Audited 2016 \$'000	March 2016 \$'000
ASSETS				
Cash and deposits		507,437	451,265	567,694
Investment securities		546,433	507,479	357,717
Due from policyholders, brokers and agents		141,165	139,284	73,303
Due from reinsurers		322,014	502,203	179,571
Deferred policy acquisition costs		112,488	112,401	66,923
Taxation recoverable		185,670	185,023	176,184
Other receivables		7,348	280	121,324
Investment properties		185,150	185,150	173,100
Intangible assets		1,122	1,149	1,038
Property, plant and equipment		314,425	313,753	282,009
Deferred taxation		2,484	866	-
		<u>2,325,736</u>	<u>2,398,853</u>	<u>1,998,863</u>
LIABILITIES AND EQUITY				
Liabilities				
Bank overdraft		3,359	1,663	7,619
Other payables		35,028	25,795	29,141
Due to reinsurers		86,711	39,494	61,964
Deferred taxation		-	-	14,076
Insurance reserves		1,176,095	1,337,404	889,482
		1,301,193	1,404,356	1,002,282
Equity				
Share capital	3	235,282	235,282	235,282
Capital reserve		57,371	57,371	57,371
Fair value reserves		335,301	304,153	249,055
Retained earnings		396,589	397,691	454,873
		<u>1,024,543</u>	<u>994,497</u>	<u>996,581</u>
		<u>2,325,736</u>	<u>2,398,853</u>	<u>1,998,863</u>

Approved for issue on behalf of the Board of Directors on 15 May 2017 signed on its behalf by:



Natalia Gobin Gunter

Chairman



Sandra Masterton

Director

The notes on pages 6 to 7 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Changes in Equity
Three month period ended 31 March 2017
(expressed in Jamaican dollars unless otherwise indicated)

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	Share Capital \$'000	Capital Reserves \$'000	Fair Value Reserves \$'000	Retained Earnings \$'000	Total \$'000
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	-	-	5,105	2,898	8,003
Balance as at 31 March 2016	<u>235,282</u>	<u>57,371</u>	<u>249,055</u>	<u>454,873</u>	<u>996,581</u>
Balance as at 01 January 2017	235,282	57,371	304,153	397,691	994,497
Total comprehensive income for the period	-	-	31,148	(1,102)	30,046
Balance as at 31 March 2017	<u>235,282</u>	<u>57,371</u>	<u>335,301</u>	<u>396,589</u>	<u>1,024,543</u>

The notes on pages 6 to 7 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Cash Flows

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Three month period ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017	2016
	\$'000	\$'000
Cash Flows from Operating Activities		
Net (loss)/profit	(1,102)	2,898
Adjustment for items not affecting cash:		
Amortisation and depreciation	2,909	2,613
Realised gain on sale of available-for-sale investment securities	(744)	-
Gain on foreign exchange	(175)	(1,076)
Dividend income	(756)	(290)
Interest income	(9,189)	(11,511)
Taxation	(1,618)	15
	<u>(10,675)</u>	<u>(7,351)</u>
Changes in operating assets and liabilities		
Due from policyholders, brokers and agents	(1,881)	3,567
Deferred policy acquisition costs	(87)	3,855
Insurance reserves	(161,309)	(41,225)
Due from reinsurers	180,189	31,800
Due to reinsurers	47,217	(34,972)
Other assets	(7,068)	(117,623)
Other liabilities	9,233	(2,722)
	<u>55,619</u>	<u>(164,671)</u>
Taxation paid	(647)	(4,585)
Net cash provided by/(used in) operating activities	<u>54,972</u>	<u>(169,256)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(3,530)	(3,473)
Purchase of investments	(686,663)	(38,023)
Proceeds from disposal and maturity of investments	688,714	453,088
Interest and dividend received	1,586	18,368
Net cash provided by investing activities	<u>107</u>	<u>429,960</u>
Cash Flows from Financing Activities		
Net proceeds from the issue of shares	-	107,955
Net cash provided by financing activities	<u>-</u>	<u>107,955</u>
Net increase in cash and cash equivalents	55,080	368,659
Effect of changes in exchange rate on cash and cash equivalents	92	336
Cash and cash equivalents at the beginning of the period	<u>445,905</u>	<u>182,580</u>
Cash and cash equivalents at the end of the period	<u>501,077</u>	<u>551,575</u>

The notes on pages 6 to 7 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Notes to the Financial Statements
31 March 2017

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(expressed in Jamaican dollars unless otherwise indicated)

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.
- (c) The company is a public company listed on the Jamaica Stock Exchange.

2. Significant Accounting Policies

The principal accounting policies applied to the preparation of these unaudited financial statements are similar to those applied to the audited financial statements for year ended 31 December 2016.

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

Basis of Preparation

These interim 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.

These financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the company's audited financial statements as at and for the year ended 31 December 2016. The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The company has not early adopted any other standard, interpretations or amendments that had been issued and is not yet effective.

3. Share capital

	2017	2016
	\$'000	\$'000
Authorised - 496,000,000 ordinary shares		
Issued and fully paid - 368,460,863 ordinary shares at no par value ordinary shares	<u>235,282</u>	<u>235,282</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.

Key Insurance Company Limited

Notes to the Financial Statements

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31 March 2017

(expressed in Jamaican dollars unless otherwise)

4. 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 31 March 2017, the company achieved the minimum level of capital based on MCT.

	March 2017	December 2016
Actual MCT ratio	<u>327%</u>	<u>306%</u>
Minimum required MCT Ratio	<u>250%</u>	<u>250%</u>

5. 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.

	2017		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premiums written	207,108	88,820	295,928
Reinsurance ceded	<u>12,975</u>	<u>83,786</u>	<u>96,760</u>
Net premiums written	194,133	5,034	199,167
Change in insurance reserve, net	<u>(19,281)</u>	<u>(8,269)</u>	<u>(27,550)</u>
Net premiums earned	174,852	(3,235)	171,617
Underwriting expenses	<u>133,042</u>	<u>57,056</u>	<u>190,099</u>
Underwriting profit/(loss)	41,809	(60,291)	(18,482)
Other Income			<u>15,762</u>
Segment results			<u>(2,720)</u>

	2016		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premium written	130,415	68,166	198,581
Reinsurance ceded	<u>5,417</u>	<u>69,811</u>	<u>75,228</u>
Net premiums written	124,998	(1,645)	123,353
Change in insurance reserve, net	<u>(3,567)</u>	<u>(1,865)</u>	<u>(5,432)</u>
Net premiums earned	121,431	(3,510)	117,921
Underwriting expenses	<u>85,620</u>	<u>44,558</u>	<u>130,178</u>
Underwriting profit/(loss)	35,811	(48,068)	(12,257)
Other Income			<u>15,170</u>
Segment results			<u>2,913</u>

6. (Loss)/Earnings per Share

The calculation of (loss)/earnings per share is based on the net loss or profit for the period attributable to stockholders and the 368,460,863 issued and fully paid ordinary stock units.

Key Insurance Company Limited

Shareholdings of Directors, Senior Managers and Connected Parties

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Quarterly Reports as at 31 March 2017

Directors	Holdings as at 31 March 2017
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	-
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 31 March 2017

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Shareholders	Holdings as at 31 March 2017
Natalia Gobin-Gunter	88,409,444
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
Sameer Younis	1,047,662
Marathon Insurance Brokers Limited	591,216
Rezworth Burchenson & Valerie Burchenson	591,216