



KEY INSURANCE
COMPANY LIMITED

Annual Report 2016



Our *Vision*

To satisfy our customers by providing the best possible insurance protection of assets in Jamaica.

Our *Mission*

Key Insurance Company Limited is committed to protecting its Policyholders by providing quality products, excellent service & security of assets; through constant product and technological improvement by a highly motivated and competent staff.



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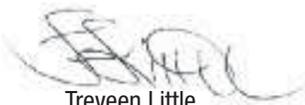
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Key Insurance Company Limited (hereinafter referred to as “the Company”) will be held at 4 pm on 14th June 2017, at The Valencia Suites, Spanish Court Hotel, located at 6 Worthington Avenue, Kingston 5, to pass the following resolutions for the following purposes:

1. To receive the Report of the Board of Directors and the Audited Financial Statements and the Report of Auditor for the year ended 31 December 2016.
2. To re-appoint the following Directors who have resigned by rotation in accordance with Section 97 the Amended Articles of Association and who being eligible have offered themselves for reappointment:
 - (a) Sandra Masterton
 - (b) Natalia Gobin-Gunter
 - (c) Kala Abrahams
 - (d) Keith Collister
 - (e) Michael Fraser
 - (f) Kisha Anderson
 - (g) Dennis Brown
3. To accept the resignation of Stephen Allen who will not be seeking a reappointment
4. To consider, and if thought fit the following resolution. To authorise the Board of Directors to reappoint PricewaterhouseCoopers as the external auditors and to fix their remuneration.
5. To authorise the Board of Directors to fix the remuneration of the Directors.

Dated the 30th day of April 2017

Approved



Treven Little
Company Secretary
Key Insurance Company Limited

Corporate Data

BOARD OF DIRECTORS

Natalia Gobin-Gunter BA, PAD
Chairman

Sandra Masterton, FCIP
Managing Director

Kala Abrahams
Executive Director, Purchasing
Manager/ Web Operations

Keith Collister MA (Econ) Cantab, MBA

Independent Non Executive Director

Stephen Allen, FCCA, FCA
Independent Non-Executive
Director

Kisha Anderson, BSc
Independent Non Executive Director

Dennis Brown, MBA, FCCA, FCA
Independent Non Executive Director

Michael Fraser J.P., C.L.U.
Independent Non Executive Director
Mentor

CORPORATE SECRETARY

Treveen Little BA, LLB, LLM, PAD

EXECUTIVE TEAM

Patrick Reid
Systems Manager

Jacqueline Johnson BSc, MSc
Finance Director

Heather Bowie, FCII, CIP, MBA
Manager of Claims Operations

Sophia Phillipps BA, CIP
Underwriting Manager

**Carlene Isaacs, BSc,
Dip Insurance**
Reinsurance Manager

Treveen Little BA, LLB, LLM, PAD
General Legal Counsel, Corporate
Secretary & Compliance Officer

COMMITTEES

Audit
(Statutory Committee)

**Dennis Brown,(Chairman) MBA,
FCCA, FCA,**

**Keith Collister, MA (Econ)
Cantab, MBA**

Alastair Macbeath BSc, ACC

Vintoria Bernard, FCA, FCCA

**Jacqueline Somers-King, FCCA,
MBA**

Sandra Masterton, FCIP

Investments and Loans

**Keith Collister,(Chairman) MA
(Econ) Cantab, MBA**

Natalia Gobin-Gunter BA, PAD

Blossom Hanchard

Peter Thompson MSc, CFA,

Sandra Masterton, FCIP

Compensation Committee

Kisha Anderson, (Chairman) BSc

Natalia Gobin-Gunter BA., PAD

Michael Fraser J.P., C.L.U.

Dennis Brown MBA, FCCA, FCA

Conduct Review

**Keith Collister, (Chairman) MA
(Econ) Cantab, MBA,**

Natalia Gobin-Gunter BA., PAD

Stephen Allen, ACCA

AUDITORS

Pricewaterhousecoopers
Scotiabank Centre Duke Street P.O.
Box 372, Kingston

INTERNAL AUDITORS

Ernst & Young
8 Olivier Rd, Kingston

BANKERS

Sagicor Bank
17a Duke Street, Kingston

REGISTERED OFFICE

6c Half Way Tree Road, Kingston

ATTORNEYS

**Nunes Scholefield DeLeon
Attorneys-at-Law**
6a Holborn Road
Kingston 5

**Georgia Hamilton & Co.
Attorneys-at-Law**
63 Molyne Road
Kingston 10

**Kerry Ann Sewell
Attorney-at-Law Suite**
14b Musgrave Professional Suites
34 Lady Musgrave Road
Kingston 5

**Nicholson Phillips
Attorneys-at-Law**
22 Trafalgar Road
Kingston 10

**Symone Mayhew
Attorney-at-Law**
Unit 11 – 2 Seymour Avenue
Kingston 10

**Abendana & Abendana
Attorneys-at-Law 3**
2 Lady Musgrave Road

**Bailey Terrelonge Allen
Attorneys-at-Law**
2 Newlin Street
Ocho Rios, St Ann

REGISTRAR

**Jamaica Central Securities
Depository Limited**
40 Harbour Street
Kingston



Chairman's Report



The Year 2016 was special for Key Insurance Company Limited. As a newly-listed entity, we were humbled by the interest shown and grateful for the trust placed in us by our new shareholders. With our third quarter on the Junior Market of the Jamaica Stock Exchange coming to a close, I look back on our modest beginnings in 1982 and note our successful IPO listing with pride. Key opened its Initial Public Offering on Tuesday, March 29, 2016 at 9:00 am and closed within one minute. The IPO was oversubscribed.

While the year was not without challenges, the Company, for the first time in its history, achieved sales of over a Billion Dollars, an accomplishment of which we are very proud. Several large claims were prudently mitigated, thanks to sound reinsurance arrangements made by our Claims and Reinsurance team members.

Key Insurance Company Limited has, to date, had the benefit of being backed by some of the world's largest and financially stable reinsurers. Our reinsurers are rated BBB to A++ by AM Best and are committed to supporting our reinsurance programme.

While our motor portfolio again performed well in 2016, showing steep growth, our claims and administrative costs grew proportionately in response. The Company's Management team is committed to lowering operating costs and has already implemented strategies to reduce both administrative and claims expenses.

Despite the challenges in 2016, the Company remains in excellent financial health with a strong asset base, as evidenced by our Minimum Capital Test (MCT) ratio of 306 percent.

Key Insurance Company Limited is committed to executing the highest protocols and best practice standards as recommended by its financial regulators and the Private Sector Organization of Jamaica (PSOJ), in safeguarding the interests of all our stakeholders.

We are committed to good, sound corporate governance principles and are dedicated to ensuring profitability and improving shareholder equity. The Company has already implemented strategies to control both costs and claims and is anticipating 2017 to be a productive and profitable year.

On behalf of the Board of Directors, I wish to commend our team members for their hard work, long hours and unsurpassed level of commitment and dedication.

Tribute to Late Founder Sonny B. Gobin



In a tribute to the late founder of Key Insurance Company Limited, Jerry Narace, nephew, former minister of health and ambassador in Trinidad and Tobago said, "From a very early age, Sonny showed a great talent for business and a drive for success. His legal training as an articled clerk coupled with his highly successful agency for Motor & General Insurance Company, established the perfect platform for his entry to Jamaica."

His career in Jamaica began in 1963 as an officer manager and four years later, he founded Jamaica Motor Corporation. In 1983, he established the well respected Key Insurance Company Limited, serving as chairman and managing director.

Sonny Gobin 1938 - 2011

On Monday, December 19, 2011, Key Insurance was saddened by the loss of its founder, Mr. Sonny Gobin.

Mr. Gobin registered Key Insurance Company Limited in 1982, and under his guidance, the Company grew from strength to strength.

A conservative and shrewd businessman, he always had time to listen to the concerns of all his employees, associates and friends. He was well-known to lend an ear or offer advice to all young fledgling businessmen with whom he came into contact. Mr. Gobin was a mentor to all at Team Key and many of us are grateful for the professional and personal growth he afforded us.

He was often known by his employees to support many charities and causes. Mr. Gobin was always ready to help anyone in need but was reluctant to advertise his good works, never being one for the limelight. His reward was found in the act of giving and not that of acknowledgement.

We, the employees of Key Insurance, will remember him fondly as the company's driving force, founding father, chairman, managing director, humanitarian, mentor, dedicated family man and loyal friend.

There will never be anyone to match his integrity, strong work ethic, wisdom, strength and sense of purpose.

Report of Directors

The Board of Directors is collectively accountable to shareholders for the strategic direction and performance of the Company. Among the key objectives of the Board is to guide and initiate transparent systems of governance that meet regulatory requirements and best practice.

The Company has established systems in place that set and maintain standards for the manner in which it conducts business and treats with stakeholders.

We present our inaugural report to members, as a listed Company on the Junior Market of the Jamaica Stock Exchange (JSE). The listing process in March 2016 was a commendable achievement and we are inspired by the confidence placed in the Company by the investing public.

Our Annual General Meeting is scheduled for Wednesday, June 14, 2017 at The Valencia Suites, Spanish Court Hotel, 6 Worthington Avenue, Kingston 5. We anticipate that shareholders will attend the event and participate in the proceedings of the Company.

The Company posted creditable performance for the year under review, with the historic achievement of \$1 billion in premium income.

The Board took a decision not to pay a dividend.

There were regularly scheduled Board as well as the Audit and Loans and Investments Committees meetings throughout the year:

There were regularly scheduled Board as well as the Audit and Loans and Investments Committees meetings throughout the year:

2016 Board Meetings **Number of Meetings**
10

March 20 IPO	June 22	November 14
March 21	July 19	December 16
April 19	September 12	
May 24	September 19 - (the Board had the Audit Committee and PWC in attendance)	

COMMITTEES
Investments and Loans **9**

Jan 14	April 24	August 28
Jan 26	May 24	October 26
March 10	June 20	December 16

Conduct Review **1**
February

Audit **8**

May 19	August 19	November 11
July 4	September 19	December 15
July 18	October 18	

Directors retiring are Sandra Masterton, Natalia Gobin-Gunter, Kala Abrahams, Keith Collister, Stephen Allen, Michael Fraser, Kisha Anderson and Dennis Brown.

We wish to thank the staff and Executive Management team and all other stakeholders for their support and commitment to the well-being of the Company.

ADDENDUM: Charlton Hylton resigned in 2016

Profile of Board of Directors



Natalia Gobin-Gunter BA, PAD
Chairman

Mrs. Gobin-Gunter has been the Chairman of the Board of Directors since March 2016 and a shareholder and member of the Board of the Directors since 1990. Her experience in the industry spans more than 23 years during which she has held many positions. She was Deputy Managing Director from September 2015; served in the position of Compliance Officer for 4 years and previously, Director of Administration and Operations.

At present, she is a Trustee of the Company's Pension Plan and sits on several of the company's statutory committees including, the Company's Conduct Review Committee since 2002 and Loans and Investment since 2006. For many years, Mrs. Gobin-Gunter represented the company on the Insurance Association of Jamaica's (IAJ) Fraud Committee.

She considers herself a lifelong student and recently added the Designation Professional Director (PAD) to her portfolio of achievements.



Sandra Masterton, FCIP
Managing Director

Sandra Masterton was appointed Managing Director in August, 2012 subsequent to serving as the Company's Deputy Managing Director. Her Insurance Career started post Hurricane Gilbert in 1988 when she returned from completing her Insurance studies and joined the claims department as a claims associate. Since then she has attained over 29 years in the General Insurance Industry. In 1990 she achieved the designation of Associate of the Insurance Institute of Canada (AIIC). In 1996 she continued her studies while working in the Claims Department at Key and attained the designation Fellow of the Insurance Institute of Canada (FIIC) in 1999 having completed her studies through the University of Toronto. Directly after completing her Fellowship, Sandra trained for six months with the Munich Re of Canada in Ontario, Canada and then participated in their Property Insurance and Reinsurance Training Program in Munich Germany. Mrs. Masterton has been a Fellow Chartered Insurance Professional of the Insurance Institute of Canada since October 2000. Sandra presently holds the designation Fellow, Chartered Insurance Professional (FCIP) and is a member of the Insurance Institute of Ontario. Mrs. Masterton is a member of the Company's Loans & Investments and Audit Committees and also serves as the Broker Liaison at the Insurance Institute of Jamaica (IAJ)



Keith Collister MA (Econ) Cantab, MBA
Independent Non Executive Director

Keith Collister has been an Independent Non-Executive Director of the Company since August 2012. He also serves the Board in the capacity of Chairman of the Loans and Investments Committee and Conduct Review Committee. He is currently the Director for Special Projects in the Finance and Planning Division of the Sandals Group and Chairman of the Appliance Traders Limited Pension Fund. He is also a Director of the Jamaica Chamber of Commerce and a member of the Private Sector Organization of Jamaica's (PSOJ) Economic Policy Committee.

Mr. Collister has previously acted as consultant to the Inter-American Development Bank (IDB) and the Economic Commission for Latin America and the Caribbean (ECLAC). He is also a financial journalist who has contributed to various publications including the Jamaica Observer, the Daily Gleaner, Latin Trade, LatinFinance, and the Financial Times' Banker Magazine.

Mr. Collister holds an M.A. in Economics from Cambridge University, a Diploma in Accounting and Finance from the London School of Economics and an M.B.A. in International Banking and Finance from Birmingham Business School.

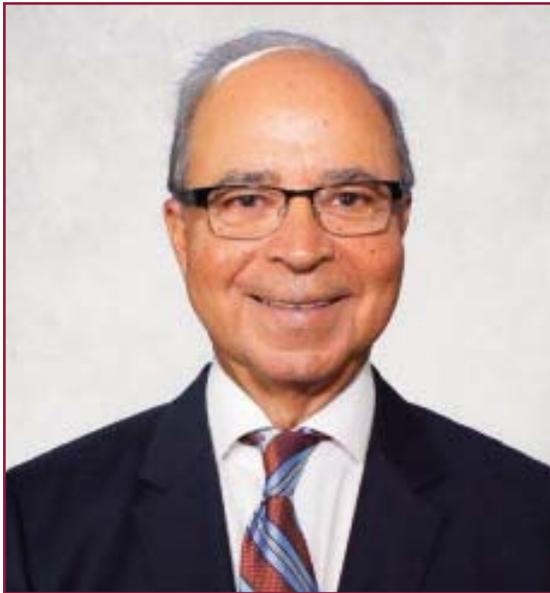


Stephen Allen, FCCA, FCA
Independent Non-Executive Director

Stephen Allen, an Independent Non-Executive Director of the Company since June 2007, serves on the Company's Audit Committee. He previously worked as the Financial Controller of the Company from 1986 to 1988 before establishing his own accounting practice, James Allen & Company. He has over 35 years experience in auditing.

Mr. Allen, a Wolmers' High School "old boy", is a member of the Institute of Chartered Accountants of Jamaica (ICAJ). He earned his ACCA designation through the Association of Certified and Corporate Accountants in the U.K. before registering with the Institute of Chartered Accountants, where he earned the designation of Fellow of Chartered Accountants. He has lectured on Taxation for the Institute of Chartered Accountants of Jamaica.

Profile of Board of Directors Cont'd



Michael Fraser J.P., C.L.U.
Mentor

Michael Fraser serves as Mentor to the Board supporting the Directors and the Company in the maintenance of strong corporate governance and regulatory compliance practices. He is a Chartered Life Underwriter (C.L.U.) who has worked in the insurance industry in Jamaica for over 30 years. He served as President and Chief Executive Officer of Island Life Insurance Company Limited and Deputy Chief Executive Officer and Chief Marketing Officer of Sagicor Life Jamaica Limited.

Mr. Fraser is currently the President and Chief Executive Officer of Sagicor Life of the Cayman Islands Limited and a Director of Sagicor Insurance Brokers Limited and Sagicor X Fund. He is a past President of the Life Underwriters' Association of Jamaica and, in 1999, was voted "Insurance Man of the Year" by the Association. In 2005, he was inducted into the Caribbean Insurance Hall of Fame.

He also presently holds the position of Vice Chairman of the Jamaica Cancer Society, and sits on the Board of Directors of AMG Paper & Packaging Limited where he is also the Mentor to the Board.



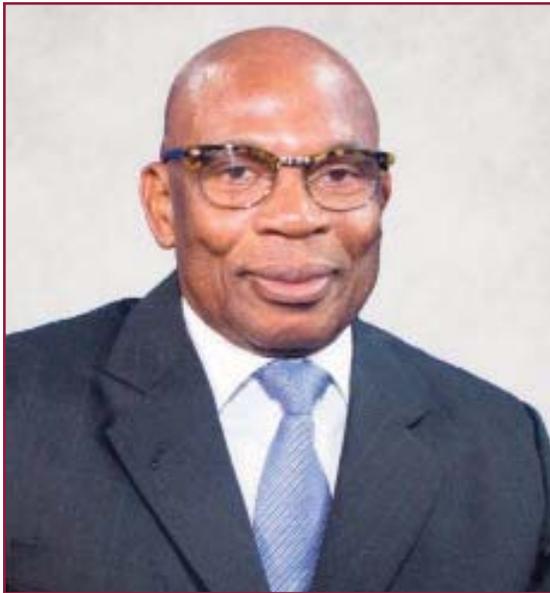
Kisha Anderson, BSc
Independent Non Executive Director

Kisha Anderson serves as Chairman of the Compensation Committee. She began her tenure with JMMB Ltd. in 1996, and has since worked in several areas of the company's operations. Kisha currently serves as Country Manager of JMMB's Jamaican-based subsidiaries: Jamaica Money Market Brokers (JMMB) Limited, JMMB Merchant Bank Limited, JMMB Insurance Brokers Limited, JMMB Fund Managers Limited and JMMB Securities Limited (Jamaica).

She also sits as a Director on the Boards of JMMB Insurance Brokers Ltd., JMMB Fund Managers Ltd., JMMB Securities Limited, JMMB Money Transfer Limited., JMMB Ltd., JMMB Investments (T&T) and JMMB Securities (T&T).

Kisha has gained an in-depth knowledge and understanding of the financial sector through her extensive experience as a member of the JMMB team and through her participation in a range of professional development courses. Mrs. Anderson holds a degree in Environmental Sciences from the U.W.I, Mona. In November 2015, she completed and graduated from a 4-month Harvard Business School General Management Programme, where she gained invaluable knowledge and exposure to new paradigms and techniques to support her strategic and leadership capabilities.

With her innovative ideas, solution oriented work ethic and drive for excellence in performance, she continues to play a key role in leading her team's contribution towards the realization of the integrated financial services model for the JMMB Group in Jamaica. She is a Justice of the Peace for Kingston.



Dennis Brown MBA, FCCA, FCA
Director, Audit Committee Chair

Dennis Brown serves the Company in the capacity of Director and Audit Committee Chair. He brings to the table his vast expertise gained over 34 years serving the firm PricewaterhouseCoopers and a partner for 28 years with a wide range of portfolio responsibilities. As a partner at PricewaterhouseCoopers, he was responsible for the overall planning and execution of audit strategies and as client service partner on a number of engagements.

His extensive experience in the accounting field, audit management, financial management, risk management, and the development of operational procedures and policies, to name a few, led to him serving a number of local and international entities in various capacities. He has served as Chairman of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica (ICAJ), as Director of Caribbean Corporate Governance Institute (CCGI), and a member of the Consultative Group appointed by the United Nations Conference on Trade and Developments (UNCTAD). He was also lead partner on Indefinite Quality Contracts with USAID, the EU, the World Bank and IDB funded engagements.

His present undertakings include Director and Chair of the Audit and Finance Committee of Andrews Memorial Hospital, Treasurer of the ICAJ and member of the Implementation Oversight Committee for corporate Governance of the Ministry of Finance.



Kala Abrahams
Executive Director, Purchasing Manager/
Web Operations

Kala Abrahams, Executive Director, holds the position of Purchasing Manager with responsibility for all commodity items across the various locations. Ms. Abrahams joined the Company in 1997 and worked her way up the ranks in various posts including Clerical Officer, Underwriting Clerk, Purchasing Officer and Management Trainee.

Ms. Abrahams studied at George Brown College in Toronto, Canada before coming to Jamaica and joining the Company.



Managing Director's Report



The Financial year ended December 31, 2016 was one of opportunities and challenges for the Company.

Although our island was under the threat of Hurricane Matthew in October, the country was spared and the year ended without any major catastrophe losses. The Company however, suffered three major claims in 2016 affecting its Fire and Engineering Treaties. These were: BBNH Collapse of Hotel under the construction, affecting the Engineering Treaty, the Wisynco Fire under the Fire Surplus Treaty and the St. Catherine Parish Council Fire under the Fire Surplus Treaty. Notwithstanding, the Company's exposure was minimal, due to prudent underwriting and reinsurance. The losses were on average about 96.5 percent reinsured.

Gross premiums written last year was in excess of \$1 billion, which was a remarkable achievement for the Company and a fulfillment of Management's strategic objectives.

Motor business premiums increased by 40 percent over 2015 and non motor business premiums were reduced by 13 percent, due mainly to reducing rates in the non motor segment.

The Company is committed to providing great value for money and excellent service.

For the underwriting year 2016, combined loss ratio, which is the loss ratio for all classes of business written, was at 62 percent. The Insurance and Reinsurance Industry has been experiencing a soft market worldwide with rates steadily declining year over year.

Nevertheless, we remain optimistic that with the strengthening of our relationships with our intermediaries, the introduction of new product offerings and growth in automobile sales, the Company will continue to grow the business and increase its market share.

Executive Senior Management Team



Patrick Reid
Systems Manager

Patrick Reid, an I.T. consultant with a decade of experience in the software industry both locally and regionally, serves as the Company's Systems Manger. Prior to his employment, he worked in a consultancy capacity on numerous projects at his previous employer, EPIC Technologies, a major regional software firm based in Kingston, Jamaica.

His portfolio included the development of a Pedagogy Administration software named Agoge , which is currently being used by the College of Insurance Professional (CIPS), a Hotel Claims Management package installed at a major Insurance Brokerage firm and the design of analytic modules for various packages including IVIS and HRMNexttm. Along with his role as a consultant, he also supported software packages for Brokers/Agents (BrokerOnetm) and Insurers (Underwritertm).

Armed with a Master Certificate from Villanova University in Business Intelligence, his recent focus has been primarily on Business Analysis/Analytics and Data Science using quantitative methods along with expanding his networking expertise.



Jacqueline Johnson, BSc, MSc
Finance Director

Jacqueline Johnson is an accomplished Executive Manager and a Management Consultant with over 20 years' experience in financial and internal controls, general management, risk management, cost reduction, due diligence, accounting and corporate turnaround management.

As an avid believer in philanthropy and humanitarianism, she served as the Executive Director of charity organization, Food For The Poor (FFP), from 2012 - 2014, with direct responsibility to oversee the operation with a staff of approximately 115 dedicated employees. She executed this role with the utmost attention to effectiveness, efficiency, equity, transparency and brand protection.

Prior to joining the FFP team, Mrs. Johnson devoted three years with the Lasco Group of Companies as Chief Financial Officer of Lasco Affiliated Companies and General Manager for the Pharmaceutical Division. Additionally, She served as the Chief Financial Officer at Hardware and Lumber for two years. Before that position, she spent nine years as the Chief Internal Auditor

and Group Internal Audit Manager at GraceKennedy Group Limited. As a Revenue Agent she was one of the authors of the General Consumption Tax Act thereafter she remained with the department for three years.

As a devout Christian and with her strong leadership and team building skills, Mrs. Johnson is currently a Board Member of the New Life Foundation. She currently sits on the Audit Committee of the University Hospital of the West Indies.

She is currently pursuing her Doctorate in Business Administration and has a Masters of Science in Computer Based Management Information Systems (with Distinction)and a Bachelor of Sciences in Accounting (with Honours)from University of the West Indies. She is a Chartered Accountant, Certified Information Systems Auditor and Certified Internal Auditor.



Heather Bowie FCII, CIP, MBA
Manager of Claims Operations

Mrs. Heather Bowie, a trained teacher, joined the Insurance Industry in 1980. Her insurance career began at the Insurance Company of the West Indies (ICWI) and Key Insurance Company Limited, where she is presently the Manager of Claims Operations.

She is a Fellow of Chartered Insurance Institute (FCII); a Chartered Insurance Professional (CIP); and she also holds a Masters in Business Administration (MBA) from the Manchester Business School, University of Manchester.

Mrs. Bowie is currently a board member of the College of Insurance & Professional Studies (CIPS) and the Jamaica Society of Insurance Professional & Technicians (JSIPT). She remains committed to the Insurance Industry and also functions as a part time Lecturer.



Sophia Philipps BA, CIP
Underwriting Manager

In 2009, Sophia Philipps rejoined the Company as Underwriting Manager. Under her guidance and leadership, the underwriting results have grown steadily to a 68 percent increase in premiums written from 2009 to 2015, with some of the lowest loss ratios in the local industry.

Sophia Philipps boasts a track record of 21 years of underwriting and claims experience in the General Insurance industry. She first began her career at Key Insurance Company Limited in 1994 and was soon promoted to the position of Manager at the Ocho Rios branch, a position she held for 2 years before migrating to Toronto, Canada.

She continued her work in the insurance industry in Canada at TD Insurance- Meloche Monnex, as team leader in the Claims Department for 10 years. During that period, she worked on various Customer Service Projects, which was implemented across the country.

On her return to Jamaica, Miss Phillipps accepted a position as a Management Trainee at CGM Gallagher Insurance Brokers reporting to several Vice Presidents. Her portfolio covered several projects, which included company expansion into Western Jamaica, marketing new products, tender teams, as well as handling client accounts.

She holds a Bachelor of Arts (BA) in Political Science and Philosophy from Concordia University, Montreal Canada, and a Chartered Insurance Professional (CIP).

Executive Senior Management Team Cont'd



Carlene Isaacs, BSc, Dip Insurance
Reinsurance Manager

Carlene Isaacs, Reinsurance Manager, has over 25 years of experience in Underwriting and Reinsurance. She joined the Company in 2009 as a Reinsurance Technician and was later promoted to Reinsurance Manager.

Miss Isaacs began her career in the industry as a Property Underwriter at JN General Insurance Company (formerly NEM Insurance Company) after several years in the Property and Accident Department. She received Reinsurance training at Heath Fielding Reinsurance Broking and also completed the Mercantile and General International Reinsurance Course held in the U.K.

After her training in the U.K, she was transferred to the Reinsurance Department as Reinsurance Technician where she continued her training, gaining valuable work experience and was promoted after two years.

Miss Isaacs left the industry to pursue her first degree and on completion, she joined the staff of United General Insurance

Company (now Advantage General Insurance Company Limited) for 4 years as Underwriting Superintendent before rejoining the staff of JN General Insurance Company as Assistant Reinsurance Manager in 2005.

She holds a B.Sc. in Management and Accounting from the University of the West Indies, Diploma in Business Administration from the University of Technology and Diploma in Insurance from the College of Insurance and Professional Studies.



Treveen Little BA,LLB,LLM,PAD

General Legal Counsel, Company Secretary and Compliance Officer

Treveen Little, General Legal Counsel, oversees the Claims Department in managing claims and negotiating settlements, and is accountable for much of the Company's legal affairs. She also holds the position of Corporate Secretary & Compliance Officer, with the responsibility of ensuring that the Board and the Company remain astute in executing its statutory obligations in a manner that aligns with best corporate governance practices and statutory regulations.

Formerly, she spent 3 years working as a Legal Officer for GK General Insurance Company (then Jamaica International Insurance Company) and later founded her own general legal practice to nurture competencies in other areas of law, before joining the Company in January 2014. Shortly thereafter, Treveen completed her Post-Graduate studies in Commercial & Corporate Law so as to enhance her knowledge base and create greater value for her employers.

Treveen, a 2010 graduate of the Norman Manley Law School, has entered her sixth year of legal practice in the General Insurance Industry. She holds a Bachelors of Arts (BA) in History and Criminology, and is a certified Corporate Secretary, certified Director and a Supreme Court Mediator. She is currently pursuing a Diploma in Financial Management with the Junior Stock Exchange-E-Campus.



Management Discussion & Analysis

The Management Discussion and Analysis (MD&A) facilitates an assessment of the Company's Results of Operations for the financial year ended December 31, 2016 and plans for future periods, by providing insight into some of the information contained in our 2016 Audited Financial Statements and accompanying notes.

Key Insurance Company Limited, an independent entity, commenced underwriting in 1983 and was founded by the late Sonny Gobin. The Company is now managed by the next generation of his family members, with the support of a professional team and the Non Executive Board members.

The Company has grown over the years to be recognised as a meaningful player in the industry. Presently, the head office is situated at a strategic location in Cross Roads with adequate space to better service a growing customer base.

Over a span of some thirty-four (34) years, the Company opened five additional branches that are located in Ocho Rios, Mandeville, Montego Bay, Portmore and the most recent, May Pen, which was opened in 2013. By expanding to these busy urban centres, the Company is better able to identify and exploit potential business opportunities.

Management is pleased to report that this strategy produced the desired result of a steady increase in premium income over the years, allowing the Company, for the first time, to achieve the milestone of \$1 billion in premium income in 2016.

Key took the decision to access the Capital Market to enhance its capital and thus create a strong financial base for future growth. In March 2016, the Company successfully staged an Initial Public Offer (IPO) and is now listed on the Junior Market of the Jamaica Stock Exchange (JSE). In that same year, the role of Chairman/Managing Director was split with Mrs. Sandra Masterton retaining the role of Managing Director and Mrs. Natalia Gobin-Gunter assuming the role of Chairman of the Board of Directors.

The Company is currently licensed by the Financial Services Commission of Jamaica (FSC) to provide insurance. Some of the policy written by the Company are:

- Motor Vehicle
- Fire & Allied Perils/Commercial All Risks
- Business Interruption
- Professional Indemnity
- All Risks
- Money
- Employer's Liability & Public Liability
- Goods in Transit

- Fidelity Guarantee
- Engineering
- Burglary
- Travel
- Personal Accident

The Company strives to consistently apply prudent underwriting practices, including careful risk selection and technical pricing. It also aims to manage its exposure to capital intensive long term liability insurance lines.

Benefits of Listing

As a listed Company, Key Insurance now enjoys tax-free status for the initial 5 years after listing, which will help to build capital at a faster rate than would have been possible, while providing additional capital for improved efficiency and service. In addition, the profile of the Company has been elevated and the ongoing publicity emanating from the trading of shares augurs well for the long term.

Corporate Governance

In keeping with industry regulatory requirements and as a listed Company, the Board of Directors has maintained a consistent schedule of meetings. The Board is supported by four (4) Sub Committees, (i) Audit- chaired by Mr. Dennis Brown, members are, Mr. Stephen Allen, Mr. Keith Collister, Mrs. Jacqueline Somers-King, Ms. Vintoria Bernard and Mr. Alastair Macbeath, (ii) Loans and Investment chaired by Mr. Keith Collister, members - Mrs. Natalia Gobin-Gunter, Ms. Blossom Hanchard, Mr. Peter Thompson and Mrs. Sandra Masterton (iii) Compensation chaired by Mrs. Kisha Anderson, members - Mrs. Natalia Gobin-Gunter, Mr. Michael Fraser and Mr. Dennis Brown and (iv) Conduct Review chaired by Mr. Keith Collister, members - Mr. Stephen Allen and Mrs. Natalia Gobin-Gunter. The Committees conduct detailed reviews of the respective portfolios under their purview.

Developments in the Insurance Industry

Competition in the industry has increased, resulting in a soft market and declining premium rates. This development is the norm as the industry swings from low to high rates from time to time. Key deals with these fluctuations by careful cost management, increasing insurance business and prudent investment management.

The Company had three major claims during the year; however, the impact was mitigated by prudent reinsurance coverage. The fortunes of the insurance industry are somewhat unpredictable, as there is no control over global events that can impact the industry. In the absence of major disasters, the market in reinsurance has been soft overall. A

soft market is characterized by low rates, flexible contracts and a high availability of coverage, which can be termed as a buyers' market.

The local insurance industry has been impacted by a global soft market and in practical terms, this has led to a continual decline in premiums, mainly commercial and home owner properties. Even with this downward spiral, the Company is still challenged to grow premiums in this area of the business.

In order to produce growth, Key Insurance has endeavoured to retain existing clients, as well as write new business to bridge the gap in the reduction of premiums rates. In addition, the general public has seized the advantages of the soft market and are now demanding premium reductions.

Product and price can be easily replicated, resulting in a short-lived competitive advantage and as such, the Company believes that the way to sustain advantage is through full disclosure and customer satisfaction. Industry experts are predicting that the soft market cycle will continue for some time.

Key Insurance has been fortunate to have reinsurance partners who have been loyal and committed to helping us achieve our goals over the years. Our reinsurance negotiations for 2016 and 2017 were seamless, despite the very soft insurance market conditions both locally and internationally.

We are confident that with the continued backing of some of the world's largest and financial stable reinsurers, we will continue to grow and transition into a company that is quick to adapt to the changing insurance needs.

2016 Underwriting Report

New Business Partners

In 2016, the Company signed a new Agency Agreement with Jamaica Co-operative Insurance Agency Limited.

Brokers are an important component of our business and account for 70 percent of our premium income. The number of brokers registered with the Company now totals twenty-four (24).

New Products

The Company is committed to expanding its business to better serve its clientele, and to provide quality products at competitive prices to meet the needs of existing and prospective customers. In 2016, four (4) new products were introduced: NPG Ladies Motor Scheme – Woman's Auto Pak

and the JMMB - Smart Lady Motor Scheme. The Company continues to develop products for 2017.

Reducing Underwriting Expenses

Upgrading and improvement of our systems and operations is an ongoing exercise, and among the Company's latest initiatives is a move towards going paperless. Technology drives our business to a large extent and it is Management's long term objective to remain in the vanguard of advances in the 21st Century.

Sales Training and Development

Branch Managers and senior team members completed year-long sales training with Think Grow Lead, a training and development company offering programmes to optimize sales performance, business leaderships and staff engagement. Other training and education were also undertaken with College of Insurance, Financial Services Commission and Jamaica Stock Exchange.

Revenues and Profitability

The Company wrote a fair amount of insurance business during the year under review, with gross premium income growing 12.6 percent to \$1.08 billion in 2016 versus \$961.0 million in 2015. This comes against the backdrop of inflation of less than 2 percent for 2016 and premium rates falling by as high as 45 percent for property and 30 percent for motor. Reinsurance Ceded in 2016 was \$435.9 million compared to \$480.0 million in 2015.

Net premiums grew 36.5 percent to \$645.9 million in 2016 over \$473.0 million in 2015. Net premium for the last quarter stood at \$195.2 million compared to \$123.5 million, \$161.79 million and \$165.5 million in quarters 1, 2 and 3 respectively. For the similar period in 2015, net premium was \$106.6 million, \$112.5 million, \$132.07 and \$121.9 million in quarters 1, 2, 3 and respectively.

Management Discussion & Analysis Cont'd

	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Premium	123,353	106,552	161,795	112,470	165,505	132,077	195,212	121,915
Change in Net Premium Written	16%		44%		25%		60%	
Reinsurance Test	62%	59%	56%	37%	55%	48%	66%	63%
Net Insurance Reserves	(5,374)	73,269	(18,847)	(7,413)	(25,164)	(22,918)	(46,515)	(28,306)
Commission Income/(Expense)	(2,525)	2,842	(4,914)	3,840	(5,163)	(5,033)	(11,014)	(5,267)
Claims Incurred	(41,831)	(57,065)	(100,438)	(58,075)	30,991	(50,043)	(130,153)	(68,029)
Profit before Admin & Expenses	73,623	125,598	37,596	50,822	166,169	54,083	7,530	20,313
Profit after Admin Expenses & Before Tax	(12,257)	59,233	(57,145)	(25,539)	65,910	(22,751)	(121,686)	(78,527)

Currency Movements

Currency fluctuations and unrealised investment losses negatively impacted reinsurance capital in 2016, which was offset by stable operating earnings and a year with no catastrophe activities.

Underwriting Operations

Underwriting operations ended with a loss of \$125.18 million in 2016 compared to \$67.38 million in the prior year. This was partially covered by investments and other income.

FINANCIAL STATUS

Liquidity and Capital Resources

Financial

Investment and Liquid Assets are comprised of Cash and Deposits and Investment Securities. These are liquid and are based on our ability to meet claims promptly. In addition, funds generally flow from policyholders and brokers.

Insurance Reserves is the amount set aside for known and probable claims, based on management and actuarial assessment. Insurance reserves stood at \$1.3 billion in 2016 as against \$930.7 billion in the prior year.

Equity

The Company's finances were strengthened with the public issue of shares, which saw Shareholders Equity rising from \$880.6 million in 2015 to \$930 million in 2016.

Outlook

The results for the first quarter of 2017 show growth in gross premium of 49 percent or \$97 million when compared to similar period in 2016. Similarly, net premium of \$199 million shows a 61 percent increase over the similar period in 2016.

With lower premiums and the background of an improving economy, we expect this trend to continue.



With lower premiums and the background of an improving economy, we expect this trend to continue.

KEY INSURANCE INTERNSHIP PROGRAMME

Key Insurance Company Limited is committed to sensitizing Jamaica's youth to a career in the Insurance Industry. The Company's Internship programme, now in its twelfth year, began as an in-house training programme, designed to expose young academics and recent graduates to the Insurance (Financial Services) Industry.

The programme serves to promote Key Insurance Company Limited's culture of Technical Excellence, Teamwork and Team Spirit, and accomplish the Company's ultimate goal of achieving a superior level of customer service. In addition, it seeks to instill good work habits and ethical behaviour in each young intern.

New Interns may initially be placed in any one of the Company's departments—File Maintenance and Archiving, Underwriting, Claims and Legal, Accounting and Finance, Information Technology, Operations: Human Resources/Marketing, Administration and Compliance, the latter being open to legal students only. Those who master a particular area are often moved to another department so as to broaden their scope of knowledge in as many areas as possible.

Successful summer interns are given preference in programmes in subsequent years and the first option for placement as a Year Intern. Interest, course of study and the availability of openings determine where individuals may be placed. There are two different types of interns—summer/periodic interns and year interns.

CUSTOMER SERVICE

At Key Insurance, our aim is to have a sustainable competitive advantage through speedy claims and settlements while emphasizing good customer service. The Company has extended its hours of operation to include Saturdays at most of our branches. We are also mindful of the importance of on-going training and have invested in our team to strengthen our service to our stakeholders.

The Company is committed to providing excellent service in all aspects of general insurance, fully recognising that early claim settlement ensures peace of mind.

Management Discussion & Analysis Cont'd

COMMUNITY OUTREACH PROGRAMMES

Key is a proactive Corporate Citizen and has contributed widely at the community level to the youth and the elderly

Super Sonic Table Tennis Club

The Company has provided support and sponsorship to the Supersonic Table Tennis Club through donations. SSTTC has nurtured National champions in the Under 9,11,13 and 15 age groups and plays an important role in fostering excellence in the sport. The Club's Captain, Shenique Clare, earned the title of National Female Champion in 2016. In July 2015, a team was sent to enter the US Open warm-up, in Dana Beach Florida, and Club members ended up on the Medals Podium. Similarly, in 2016, a team went to Guyana and performed creditably.

Among other groups supported by the Company are:

- Lucas Summer Camp
- The Caledonian Society of JA in support of the Wortley Home
- Best Care Foundation in support of the Best Care Children's Home
- UWI Development & Endowment Fund (Mona)
- Mt. Plenty Farm Fresh in support of the Boy's Town Infant and Primary School
- Caribbean Community of Retired person
- United Nation's Women's Group





(l-r) Sisters Natalia Gobin-Gunter, Sandra Masterton and Kala Abrahams beam with pride at Key Insurance Company Limited's JSE Listing Ceremony.



A woman's touch is key to a successful business. The ladies of Key Insurance Company Limited pose for the lens at The Company's Listing Ceremony held at the JSE. (l-r) Kala Abrahams, Director, Natalia Gobin-Gunter, Chairman, Heather Bowie, Claims Manager, Treveen Little, Legal Officer & Company Secretary, Sophia Phillpps, Underwriting Manager, and Sandra Masterton, Managing Director.

Five Year Historical Financial Data

BALANCE SHEET	2016	2015	2014	2013	2012
'000					
No. of Shares Issued	368,461	315,771	315,771	315,771	315,771
Shareholders equity	994,497	880,623	828,990	757,285	768,549
Fixed Asset	313,753	281,089	287,228	161,788	153,427
Investment Properties	185,150	173,100	152,020	138,020	129,015
Total Assets	2,398,853	1,948,911	1,847,684	1,928,962	1,968,628
Insurance Reserves	1,337,404	930,707	868,560	987,732	1,088,732
Payables	65,289	123,355	109,630	96,591	71,057
Receivables	641,767	291,942	237,088	373,099	434,971
Cash on Hand & Bank	451,265	185,923	191,073	23,167	24,390
Investments	507,479	773,382	734,380	1,006,269	1,015,900
PROFIT & LOSS					
Revenues					
Gross Premium	1,081,746	960,973	728,230	677,889	710,839
Reinsurance recovery	803,396	54,262	48,688	122,609	57,855
Commision Income	78,292	85,579	65,191	58,786	67,731
Investment Income	42,288	58,457	55,007	72,061	111,704
Other Income	20,280	14,917	30,019	57,735	33,455
Total Revenues	1,222,606	1,119,926	878,447	866,471	923,729
Change versus prior year	9.17%	27.49%	1.38%	-6.20%	7.69%
Reinsurance ceded	435,881	487,959	386,769	382,126	416,872
Insurance Claims	1,044,827	287,473	177,955	292,237	179,881
Commision Expense	101,908	90,113	62,862	55,827	67,266
Administrative Expenses	410,096	318,400	297,428	297,080	283,830
Pretax Profit	(50,560)	26,871	27,869	(32,282)	24,047
Change versus prior year	-288.16%	-3.58%	186.33%	-234.25%	283.86%
Aftertax Profit	(42,234)	23,084	25,086	(15,568)	14,599
Change versus prior year	-282.96%	-7.98%	261.14%	-206.64%	270.57%
IMPORTANT RATIOS					
Return on equity	(4.50)	2.70	3.16	(2.04)	1.93
Return on Assets	-2%	1%	1%	-1%	1%
Sales To Receivables	1.91	3.84	3.71	2.32	2.12
Pretax Profit Margin	-6%	4%	6%	-7%	5%
Insurance Ceded	40%	51%	53%	56%	59%
Net Claims to Premium	22%	24%	18%	25%	17%
Price Sales Ratio	(7.61)	na	na	na	na
Price Book Ratio	1.11	na	na	na	na
Cash Per Share	1.22	0.59	0.61	0.07	0.08
Net Book Val Per Share	2.70	2.79	2.63	2.40	2.43
Earnings Per Share	(0.12)	0.07	0.28	0.28	0.28
Closing Stock Price	3.00	na	na	na	na
P.E .Ratio	(25.24)	na	na	na	na

Disclosure of Shareholdings

Top 10 Shareholders - 31 December 2016

Shareholders	Holdings as at 31 December 2016
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
Rezworth Burchenson & Valerie Burchenson	591,216
Marathon Insurance Brokers Limited	591,216
Sameer Younis	591,216

Shareholdings and Directors and Connected Parties- 31 December 2016

Directors	Holdings as at 31 December 2016
Sandra Masterton	88,409,444
William Masterton	86,304
Natalia Gobin-Gunter	88,409,444
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 Issacs	5,000



Audited Financial Statements

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31 December 2016

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Statement of cash flows	39
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Audited Financial Statements Cont'd

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SECTION 3 EXPRESSION OF OPINION

The author's opinion relates to the values of the premium and claim liabilities as summarized in Sections 3.2 and 3.3 of this report. The financial condition of the Company referenced in Section 3.1 below refers to the financial state reflected by the amount, nature and composition of its assets, liabilities and equity, all at a particular point in time.

3.1 Report of the Appointed Actuary

I have examined the financial condition and valued the premium and claim liabilities of Key Insurance Company Limited for its balance sheet as at 31 December 2016 and the corresponding change in the premium and claim liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica.

In my opinion:

- i) the methods and procedures used in the verification of the data are sufficient and reliable and fulfil acceptable standards of care;
- ii) the valuation of premium and claim liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Financial Services Commission;
- iii) the methods and assumptions used to calculate the premium and claim liabilities are appropriate to the circumstances of the Company and of the said policies and claims;
- iv) the amount of the premium and claim liabilities represented in the balance sheet of Key Insurance Company Limited makes proper provision for the future payments under the Company's policies and meets the requirements of *The Insurance Act, 2001* and other appropriate regulations of Jamaica;
- v) a proper charge on account of these liabilities has been made in the statement of operations;
- vi) there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.



Xavier Bénarosch
Fellow, Canadian Institute of Actuaries

Kingston, Jamaica
28 March 2017



Independent auditor's report

The Shareholders of Key Insurance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Key Insurance Company Limited (the 'Company') as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

Key Insurance Company Limited's financial statements comprise:

- ☒ the balance sheet as at 31 December 2016;
 - ☒ the statement of comprehensive income for the year then ended;
 - ☒ the statement of changes in equity for the year ended;
 - ☒ the statement of cash flows for the year then ended; and
 - ☒ the notes to the financial statements, which include a summary of significant accounting policies.
-

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters for consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: 876 922 6230 / 876 952 5065, F: 876 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom D.D. Dodd G.K. Moore

Audited Financial Statements Cont'd



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.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation of incurred but not reported claims for property & casualty contracts</i></p> <p><i>See notes 2, 3 and 24 of the financial statements for management's disclosures of related accounting policies, judgements and estimates.</i></p> <p>As at 31 December 2016, total incurred but not reported reserves amount to \$174.5 million.</p> <p>The methodologies and assumptions utilized to develop incurred but not reported reserves involve a significant degree of judgement. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods, may be used to determine these provisions.</p> <p>Management engaged an independent actuarial expert to assist in determining the value of claims incurred but not reported.</p> <p>We focused on this area because, underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are subject to complex calculations.</p>	<p>We tested the completeness, accuracy and reliability of the underlying data utilized by management, and its external actuarial experts, to support the actuarial valuation. Our tests did not identify any exceptions.</p> <p>We evaluated the work of management's actuarial expert, including their independence, experience and objectivity.</p> <p>We were assisted by our own actuarial experts considering industry and component specific facts and circumstances, to evaluate the methodologies and assumptions utilized by management's actuarial experts. In evaluating management's valuation, the actuarial specialist challenged the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year.</p> <p>The assumptions used by management were found to be reasonable and the methodologies appropriate and consistent with the prior year.</p>



Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which 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 do not and 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Audited Financial Statements Cont'd



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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ☒ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ☒ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ☒ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ☒ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ☒ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

Chartered Accountants
30 March 2017
Kingston, Jamaica

Audited Financial Statements Cont'd

Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

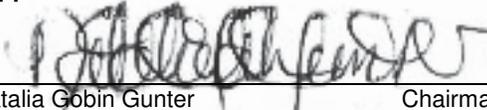
	Note	2016 \$'000	2015 \$'000
Gross Premiums Written		1,081,746	960,973
Reinsurance ceded		<u>(435,881)</u>	<u>(487,959)</u>
Net premiums written		645,865	473,014
Change in unearned premium reserve, net		<u>(111,830)</u>	<u>13,023</u>
Net Premiums Earned		534,035	486,037
Change in insurance reserves		42,957	(18,737)
Commission on reinsurance ceded		78,292	85,579
Commission on premium written	8	(101,908)	(90,113)
Claims expense	8	(1,044,827)	(287,473)
Reinsurance recoveries	4(b), 8	803,396	54,262
Change in unexpired risk reserves		(27,027)	21,262
Administration and other expenses	8	<u>(410,096)</u>	<u>(318,400)</u>
Underwriting Loss		(125,178)	(67,583)
Investment income	10	42,288	58,457
Gains on revaluation of investment properties	19	12,050	21,080
Other income	11	<u>20,280</u>	<u>14,917</u>
(Loss)/Profit Before Taxation		(50,560)	26,871
Taxation	12	<u>8,326</u>	<u>(3,787)</u>
Net (Loss)/Profit		<u>(42,234)</u>	<u>23,084</u>
Other Comprehensive Income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Net gain on the revaluation of available-for sale investment securities		24,539	16,326
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Revaluation gains on property, plant and equipment		16,998	13,030
Deferred tax credit/(charge) on revaluation of property, plant and equipment		<u>6,616</u>	<u>(807)</u>
Other Comprehensive Income		<u>48,153</u>	<u>28,549</u>
Total Comprehensive Income for the Year		<u>5,919</u>	<u>51,633</u>
(Loss)/Earnings per Share	29	<u>(0.12) cents</u>	<u>0.07 cents</u>

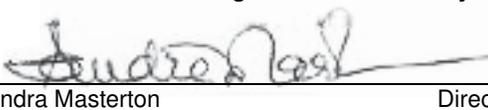
Balance Sheet
31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
ASSETS			
Cash and deposits	13	451,265	185,923
Investment securities	14	507,479	773,382
Due from policyholders, brokers and agents	15	139,284	76,870
Due from reinsurers	16	502,203	211,371
Deferred policy acquisition costs		112,401	70,778
Taxation recoverable		185,023	171,599
Other receivables	17	280	3,701
Investment properties	19	185,150	173,100
Intangible assets	20	1,149	1,098
Property, plant and equipment	21	313,753	281,089
Deferred taxation	23	866	-
		<u>2,398,853</u>	<u>1,948,911</u>
LIABILITIES AND EQUITY			
Liabilities			
Bank overdraft	13	1,663	150
Other payables	22	25,795	26,419
Due to reinsurers		39,494	96,936
Deferred taxation	23	-	14,076
Insurance reserves	24	1,337,404	930,707
		<u>1,404,356</u>	<u>1,068,288</u>
Equity			
Share capital	25	235,282	127,327
Capital reserve	26	57,371	57,371
Fair value reserves	27	304,153	243,950
Retained earnings		397,691	451,975
		<u>994,497</u>	<u>880,623</u>
		<u>2,398,853</u>	<u>1,948,911</u>

Approved for issue on behalf of the Board of Directors on 21 March 2017 and signed on its behalf by:


 Natalia Gobin Gunter Chairman


 Sandra Masterton Director

Audited Financial Statements Cont'd

Statement of Changes in Equity

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2015	127,327	57,371	194,321	449,971	828,990
Total comprehensive income for the year	-	-	28,549	23,084	51,633
Transfer between reserves:					
Gains on revaluation of investment properties, transferred from retained earnings	-	-	21,080	(21,080)	-
Balance at 31 December 2015	127,327	57,371	243,950	451,975	880,623
Total comprehensive income for the year	-	-	48,153	(42,234)	5,919
Shares issued during the year	107,955	-	-	-	107,955
Transfer between reserves:					
Gains on revaluation of investment properties, transferred from retained earnings	-	-	12,050	(12,050)	-
Balance at 31 December 2016	235,282	57,371	304,153	397,691	994,497

Statement of Cash Flows
Year ended 31 December 2016
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Net (loss)/profit		(42,234)	23,084
Adjustments for:			
Amortisation and depreciation	20, 21	12,197	10,092
(Gain)/loss on sale of property, plant and equipment		(150)	6,130
Gains on revaluation of investment properties	19	(12,050)	(21,080)
Gain on foreign exchange	11	(9,900)	(4,806)
Dividend income	10	(2,536)	(1,053)
Interest income	10	(39,753)	(57,404)
Taxation	12	(8,326)	3,787
		<u>(102,752)</u>	<u>(41,250)</u>
Changes in operating assets and liabilities			
Due from policyholders, brokers and agents		(62,414)	(7,050)
Change in deferred policy acquisition costs		(41,623)	13,843
Change in insurance reserves		406,697	62,147
Due from reinsurers		(290,832)	(45,486)
Due to reinsurers		(66,198)	2,262
Other assets		3,421	(574)
Other liabilities		(624)	7,252
		<u>(154,325)</u>	<u>(8,856)</u>
Taxation paid		<u>(13,424)</u>	<u>(13,916)</u>
Net cash used in operating activities		<u>(167,749)</u>	<u>(22,772)</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	21	(27,757)	(12,425)
Acquisition of intangible asset		(157)	(1,197)
Proceeds on disposal of property, plant and equipment		150	15,468
Purchase of investments		(891,216)	(44,476)
Disposal/maturity of investments		590,381	28,972
Interest and dividend received		49,914	58,457
Net cash provided by investing activities		<u>322,984</u>	<u>44,803</u>
Cash Flows from Financing Activity			
Net proceeds from the issue of shares		107,955	-
Net cash provided by financing activity		<u>107,955</u>	<u>-</u>
Net increase in cash and cash equivalents		263,190	22,031
Effect of changes in exchange rate on cash and cash equivalents		135	203
Cash and cash equivalents at beginning of year		182,580	160,346
Cash and Cash Equivalents at the End of the Year	13	<u><u>445,905</u></u>	<u><u>182,580</u></u>

Audited Financial Statements Cont'd

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

- (a) Key Insurance Company Limited (the company) is registered and domiciled in Jamaica. Its registered office is located at 6c Half Way Tree Road, Kingston 5, Jamaica.
- (b) The company is licensed 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 listed on the Junior Market of the Jamaica Stock Exchange as at 1 April 2016.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Accounting pronouncements effective in 2016 which are relevant to the company's operations

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. Management has reviewed these new standards, amendments and interpretations to existing standards and has determined that none is relevant to its operations.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the balance sheet date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations and has concluded as follows:

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). In July 2015, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective IFRS 9, 'Financial Instruments', (continued)

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in the company's own credit risk of financial liabilities designated at fair value through profit or loss, in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The company is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect.

The company has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect. This includes amendments resulting from the IASB's ongoing 'Improvements to IFRS project'.

Audited Financial Statements Cont'd

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendments to IAS 7, 'Statement of Cash Flows', (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The future adoption of these amendments will result in additional disclosure in the financial statements.

Amendment to IAS 40, Investment property' relating to transfers of investment property, (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The company is considering the implications of the standard, the impact on the company and the timing of its adoption.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

Translations and balances

Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies during the year are converted at the rates of exchange ruling on the dates of those transactions. Gains and losses arising from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the statement of comprehensive income.

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Foreign currency translation (continued)

Translations and balances (continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value gain or loss recognised in other comprehensive income.

(c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

The company's financial assets comprise investment securities, insurance receivables and cash and short term investments.

Investment securities

The company classifies its investment securities as available-for-sale. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Purchases and sales of investments are recognised on the trade date - the date that the company commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss in the statement of comprehensive income, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of both monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in income as 'gains and losses on investment securities'. Interest on available-for-sale securities, calculated using the effective interest method, is recognised in profit or loss in the statement of comprehensive income.

Audited Financial Statements Cont'd

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Investment securities (continued)

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset may be considered to be impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market rate for a similar financial asset. The recoverable amount of a financial asset carried at amortised cost is the present value of expected future cash flows discounted at the original rate of interest of the financial asset.

Premiums receivable

Premiums receivable are carried at the original negotiated invoice amount less provision made for impairment of these receivables. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. Debts that are known to be uncollectible are written off during the year in which they are identified.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank, short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transactions costs and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date the following items were classified as financial liabilities: payables, bank overdraft, short term loans and amounts due to reinsurers, and claims outstanding.

The fair value of the company's financial instruments is discussed in Note 6.

(d) Securities purchased under agreements to resell

Securities purchased under agreement to resell (reverse repurchase agreements) are treated as loan assets and they mature within twelve months. The difference between the purchase and resale price is treated as interest and accrued over the life of the arrangements using the effective yield method.

(e) Reinsurance ceded

The company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from longer exposures. Reinsurance does not relieve the originating insurer of its liability. Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses, loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the balance sheet unless the right of offset exists.

(f) Deferred policy acquisition costs

The cost of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subject to recoverability testing.

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Investment property

Investment property comprises land owned by the company, which is held for long-term capital appreciation and is not used in the provision of services. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in profit or loss.

(h) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on annual valuations by external independent valuers, less subsequent depreciation of buildings. All other property, plant and equipment are carried at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial period in which they are incurred.

Increases in carrying amounts arising on revaluation are credited to other comprehensive income and shown in fair value reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against fair value reserves directly in equity; all other decreases are charged to profit or loss.

Depreciation is calculated on the straight-line basis by reference to costs, at rates estimated to write off the relevant assets, net of estimated salvage value, over their estimated useful lives.

Annual depreciation rates are as follows:

Buildings	2½%
Computer equipment	20%
Motor vehicles	20%
Furniture and fixtures	10%

Land is not depreciated.

Leasehold improvements are amortised over the period of the lease.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.