

**Key Insurance Company Limited**  
**Unaudited Financial Statements**  
**31 March 2020**



**Key Insurance Company Limited**  
**Unaudited Financial Statements**

**31 March 2020**

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For the First Quarter Ended March 31, 2020

Key Insurance Company Limited (KICL) presents its financial results for the first quarter ended 31 March 2020. As with many organizations across the globe, our business has been affected by the impact of the Covid-19 pandemic. Our immediate focus is to protect the well-being of our team members, their families and our customers while ensuring the continuity of our business.

### **Acquisition by GraceKennedy Limited**

On 24 March 2020, GraceKennedy Limited, through its wholly owned subsidiary, GraceKennedy Financial Group Limited, acquired 65% of the share capital of the company. GraceKennedy Limited has over 39 years of experience in the insurance industry. KICL, as a subsidiary of GraceKennedy Financial Group Limited, is already benefitting from a culture of strong corporate governance and a robust risk management framework.

A new Board of Directors was installed on 31 March 2020 and has since 1 April 2020 been stewarding the business by supporting the development and implementation of strategic initiatives designed to increase shareholder value. Our four strategic drivers are clearly defined with measurable deliverables. They are sustained growth and innovation, consumer centricity, improved business processes for greater efficiency and a performance-driven culture, underpinned by strong change management principles. Changes have been made to the senior management team to support our strategic drivers. These changes have brought a wide cadre of expertise and talent in several functional areas. We are pleased that Tammara Graves-Hucey, a seasoned insurance executive with over 15 years in the industry, has assumed the role of General Manager.

### **Financial Performance**

The financial performance of the company was materially impacted primarily by two (2) strategic decisions taken by the board of directors, which are designed to enhance future long-term profitability and contributed significantly to the company reporting a net loss of \$339M.

- **Portfolio Realignment** - In the first quarter, the company experienced a reduction in gross premiums written relative to prior year of \$99M or 27% which is attributable to a deliberate strategy to align the risk profile of the insurance portfolio with our risk appetite.
- **Termination of Motor Quota Share Reinsurance Agreement** - In addition, KICL had entered into a Motor Quota Share Reinsurance Agreement (the MQS Agreement) in 2019. The MQS Agreement was reviewed by management and the board of directors and a strategic decision was taken to terminate effective 01 January 2020. The termination of the MQS Agreement is an integral part of the restructuring plan for the Company's operations and the streamlining of its underwriting business to make it more profitable on a go forward basis. Upon termination of the MQS Agreement, management decided to accelerate the amortization of certain underwriting assets resulting in a one-time charge of \$323M to the Statement of Comprehensive Income for the quarter ended 31 March 2020, comprising \$235M relating to the terminated MQS Agreement and the amount of \$88M relating to Deferred Policy Acquisition Costs.

**Key Insurance Company Limited**  
**Interim Report to Shareholders**

For the First Quarter Ended March 31, 2020

**Outlook**

The outlook for 2020 will be impacted by the effect on the Jamaican economy by the Covid-19 virus containment measures. We continue to monitor the developments with the virus and, notwithstanding the uncertainties, the board and management are focused on increasing shareholder value by effectively executing our strategic drivers.

We see significant opportunities in improving the use of technology, increasing our digital offerings, optimizing our branch network and cost containment. Over the course of the remainder of the year, the performance of KICL is expected to benefit from the restructuring of our insurance portfolio, restructuring of the reinsurance programs along with various growth opportunities identified as strategic areas of focus.

KICL is a strong well-respected Jamaican brand with a talented and committed team. We would like to take this opportunity to thank all our stakeholders for their continued support as we plot our course through these unprecedented times.

**Key Insurance Company Limited**

Statement of Comprehensive Income

Three-month period ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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		<b>Unaudited</b> Three Months ended March 31, 2020	<b>Unaudited</b> Three Months ended March 31, 2019	<b>Audited</b> Year ended December 31, 2019
	<b>Note</b>	\$'000	\$'000	\$'000
<b>Gross Premiums Written</b>	4	269,276	368,706	1,403,690
Reinsurance Ceded		(92,593)	(298,846)	(1,744,177)
<b>Net Premiums Written</b>		176,683	69,860	(340,487)
Change in unearned premium reserve, net		26,182	8,338	31,856
<b>Net Premiums Earned/(Incurred)</b>		202,865	78,198	(308,631)
Change in insurance reserves		152	3,435	23
Commission on reinsurance ceded		12,715	47,663	139,202
Commission on premiums written		(23,141)	(32,524)	(173,485)
Claims expense		(276,026)	(54,037)	49,279
Change in unexpired risk reserves		-	-	(64,403)
Amortization of underwriting assets	5	(323,136)	-	-
Administration and other expenses		(109,337)	(98,116)	(435,477)
<b>Underwriting loss</b>		(515,908)	(55,381)	(793,492)
Investment income		3,096	11,766	32,900
Gains on revaluation of investment properties		-	-	80,000
Other income		4,889	5,566	114,335
<b>Loss before Taxation</b>		(507,923)	(38,049)	(566,257)
Taxation		169,308	-	298,778
<b>Loss after Taxation</b>		(338,615)	(38,049)	(267,479)
<i>Item that may be subsequently classified to profit or loss:</i>				
Net (loss)/gain on the revaluation of available for sale investment securities		(13,938)	-	28,472
Gains recycled to profit and loss on disposal of available for sale investment securities		-	(8,984)	(9,331)
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Revaluation gains on property, plant and equipment		-	-	37,221
Deferred tax charge on revaluation of property, plant and equipment		-	-	(17,342)
<b>Other Comprehensive Income</b>		(13,938)	(8,984)	39,020
<b>Total Comprehensive Income for the Period</b>		(352,553)	(47,033)	(228,459)
<b>Loss per Share</b>	6	(0.919)	(0.10)	(0.73)

The notes on pages 7 to 9 are an integral part of these condensed interim financial statements.

**Key Insurance Company Limited**

Statement of Financial Position

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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	Note	Unaudited March 31 2020 \$'000	Unaudited March 31 2019 \$'000	Audited December 31 2019 \$'000
<b>ASSETS</b>				
Cash and deposits		898,122	793,818	937,029
Investment securities		227,999	501,108	241,937
Due from policyholders, brokers and agents		139,893	177,971	164,229
Due from reinsurers		1,777,483	390,655	2,037,052
Deferred policy acquisition costs		44,124	147,228	138,703
Taxation recoverable		219,117	212,626	219,117
Other receivables		26,369	19,671	50,475
Right-of-use asset		14,625	-	17,808
Investment properties		200,150	341,150	200,150
Intangible assets		3,013	2,401	3,637
Property, plant and equipment		218,309	191,718	221,513
Deferred taxation		447,543	-	278,325
		<u>4,216,747</u>	<u>2,778,346</u>	<u>4,509,975</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Other payables		67,376	66,421	64,961
Lease liability		15,434	-	18,950
Due to reinsurers		1,624,146	282,535	1,604,761
Deferred taxation		-	3,111	-
Insurance reserves		2,202,004	1,584,513	2,160,963
		<u>3,908,960</u>	<u>1,936,580</u>	<u>3,849,635</u>
<b>Equity</b>				
Share capital	3	235,282	235,282	235,282
Capital reserve		57,371	57,371	57,371
Fair value reserves		445,531	331,465	459,469
(Accumulated losses)/Retained Earnings		(430,397)	217,648	(91,782)
		<u>307,787</u>	<u>841,766</u>	<u>660,340</u>
		<u>4,216,747</u>	<u>2,778,346</u>	<u>4,509,975</u>

Approved for issue on behalf of the Board of Directors on 28 May 2020 signed on its behalf by:



Natalia Gobin-Gunter

Director



Sandra Masterton

Director

The notes on pages 7 to 9 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 2020  
(expressed in Jamaican dollars unless otherwise indicated)

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	<b>Share Capital \$'000</b>	<b>Capital Reserves \$'000</b>	<b>Fair Value Reserves \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
Balance as at 01 January 2019	235,282	57,371	340,449	255,697	888,799
Total comprehensive income for the period	-	-	(8,984)	(38,049)	(47,033)
Balance as at 31 March 2019	<u>235,282</u>	<u>57,371</u>	<u>331,465</u>	<u>217,648</u>	<u>841,766</u>
Balance as at 01 January 2020	235,282	57,371	459,469	(91,782)	660,340
Total comprehensive income for the period	-	-	(13,938)	(338,615)	(352,553)
Balance as at 31 March 2020	<u>235,282</u>	<u>57,371</u>	<u>445,531</u>	<u>(430,397)</u>	<u>307,787</u>

The notes on pages 7 to 9 are an integral part of these condensed interim financial statements.

## Key Insurance Company Limited

Statement of Cash Flows  
Three-month period ended 31 March 2020  
(expressed in Jamaican dollars unless otherwise indicated)

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	<b>Unaudited</b>	<b>Unaudited</b>
	<b>Mar-20</b>	<b>Mar-19</b>
	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
Net loss	(338,615)	(38,049)
Adjustment for items not affecting cash:		
Amortisation and depreciation	7,634	4,511
Gain on sale of available-for-sale investment securities	-	(8,984)
(Gain)/Loss on foreign exchange	(3,894)	7,429
Dividend income	-	(828)
Interest income	(3,096)	(10,986)
Taxation	(169,308)	-
	<u>(507,279)</u>	<u>(46,907)</u>
Changes in operating assets and liabilities		
Due from policyholders, brokers and agents	24,336	7,305
Change in deferred policy acquisition costs	94,579	7,983
Change in insurance reserves	41,041	(13,888)
Due from reinsurers	259,569	(156,062)
Due to reinsurers	19,385	267,229
Other assets	24,106	(9,772)
Other liabilities	2,415	12,891
	<u>(41,848)</u>	<u>68,779</u>
Interest paid	-	-
Taxation paid	-	(2,196)
Net cash (used in)/provided by operating activities	<u>(41,848)</u>	<u>66,583</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(1,566)	-
Acquisition of intangible asset	-	(11)
Interest and dividend received	4,466	12,998
Net cash provided by investing activities	<u>2,900</u>	<u>12,987</u>
Net (decrease)/increase in cash and cash equivalents	(38,948)	79,570
Effect of changes in exchange rate on cash and cash equivalents	41	130
Cash and cash equivalents at the beginning of the period	934,029	711,118
<b>Cash and cash equivalents at the end of the period</b>	<u><u>895,122</u></u>	<u><u>790,818</u></u>

The notes on pages 7 to 9 are an integral part of these condensed interim financial statements.



# Key Insurance Company Limited

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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## 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 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 2019.

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 statements and should be read in conjunction with the company's audited financial statements as at and for the year ended 31 December 2019. The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2019.

The Company has not early adopted any other standard interpretations or amendments that had been issued and is not yet effective.

## 3. Share capital

	2020	2019
	\$'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>

On 24 March 2020, GraceKennedy Financial Group Limited a wholly owned subsidiary of GraceKennedy Limited acquired 65% of the share capital of the Company.

The Company's application to graduate from the Junior Market of the Jamaica Stock Exchange (JSE), to the Main Market was approved by the JSE on 7 April 2020. The graduation took effect on 9 April 2020.

## Key Insurance Company Limited

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

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### 4. Segment Information

Management has determined the operating segments based on the reports reviewed by the General Manager 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 measured based on segment profit/(loss) before income tax, not including non-recurring gains and losses. Income and expenses that are directly

Head office income and expenses are allocated to segments based on gross premium written.

	2020		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premiums written	199,197	70,079	269,276
Reinsurance ceded	(22,320)	(70,273)	(92,593)
Net premiums written	176,877	(194)	176,683
Change in insurance reserve, net	21,760	4,574	26,334
Net premiums earned	198,637	4,380	203,017
Amortization of underwriting assets	(300,266)	(22,870)	(323,136)
Underwriting expenses	(360,168)	(35,621)	(395,789)
Underwriting profit/(loss)	(461,797)	(54,111)	(515,908)
Other Income			7,985
Segment results			(507,923)

	2019		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premium written	287,002	81,703	368,705
Reinsurance ceded	(219,501)	(79,345)	(298,846)
Net premiums written	67,501	2,358	69,859
Change in insurance reserve, net	5,560	6,213	11,773
Net premiums earned	73,061	8,571	81,632
Underwriting expenses	(124,550)	(12,463)	(137,013)
Underwriting profit/(loss)	(51,489)	(3,892)	(55,381)
Other Income			17,332
Segment results			(38,049)

## **Key Insurance Company Limited**

Notes to the Financial Statements

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31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

### **5. Amortization of Underwriting Assets**

Following the acquisition in March 2020 of the majority shareholding in the Company by GraceKennedy Financial Group Limited and the appointment of a new Board of Directors and Senior Management effective 31 March 2020, the Motor Quota Share Reinsurance Agreement (the MQS Agreement) was reviewed and terminated on 6 April 2020 with an effective date of 1 January 2020. The Agreement made no provision for the payment of cash or the settlement of outstanding balances upon termination and hence was terminated without recourse by either party to the Agreement. The review and termination of this Agreement were completed as part of the restructuring plan for the Company's operations and the streamlining of its underwriting business to make it more profitable on a go forward basis. Upon termination of the Agreement, Management decided to accelerate the amortization of certain underwriting assets resulting in a one-time charge of \$323M to the Statement of Comprehensive Income for the quarter ended 31 March 2020, comprising \$235M relating to the terminated Agreement and the amount \$88M relating to Deferred Policy Acquisition Costs.

### **6. Loss per Share**

The calculation of loss 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.