KEY INSURANCE COMPANY LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

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COMPANY LIMITED

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KEY INSURANCE COMPANY LIMITED
Interim Report to Stockholders
For the Fourth Quarter Ended 31 December 2020

Key Insurance Company Limited (KICL) presents its unaudited financial results for the year ended 31 December 2020.

Financial Performance

We are pleased to report that KICL generated profit before tax of $88.5 million for the fourth quarter ended 31 December 2020, resulting from the Company's continued focus on customer centricity and improved underwriting practices. This represents a significant improvement over the loss of $267.5 million incurred in the fourth quarter of 2019. We also note that this quarter's results build further upon the $8.1 million of profit before tax which the Company generated in the third quarter. .

Despite the challenging economic environment stemming from the COVID-19 pandemic, the Company has again delivered a strong performance for the quarter, demonstrated by a 141% increase in net premiums earned for the quarter ended 31 December 2020 as compared to the corresponding period in 2019. For the fourth quarter ended 31 December 2020 KICL generated an underwriting profit of $34.2 million, as compared to an underwriting loss of $452.2 million in the prior year corresponding period.

Following the acquisition by GK Financial Group and the subsequent decision taken to terminate the Company's MQS policy, KICL recorded a one-off amortization of underwriting assets of $323.1 million in June 2020 which has materially impacted the Company's reported performance for the year ended 31 December 2020. When normalized for this non-recurring expense, the Company would have generated an underwriting loss of $211.8 million - a 73.3% improvement over the $793.5 million underwriting loss recorded for 2019. The total underwriting loss for 2020 was $534.9 million and consisted of losses incurred amounting to $566.6 million recorded for the months of January – June 2020 and an underwriting profit of $31.7 million for the months of July – December 2020.

We are encouraged by the improved underwriting results for 2020 and further highlight that we have seen a significant improvement in net premiums which have increased by 366% to $820.1 million from an incurred expense of $308.6 million in 2019. While loss before tax for the year ended 31 December 2020 decreased by $116.8 million to $449.5 million we note that the Company's net loss after tax increased by $32.2 million to $299.7 million in 2020, as it had lower net tax credits to offset its losses relative to 2019.

Key continues to make progress towards achieving profitability and has seen improved performance over the last three quarters. There has also been significant improvement in the Company's underwriting results, attributable to specific initiatives implemented by management, such as the issuing of a new motor rate guide, improvements in the Company's service standards and the restructuring of the underwriting team. Improvements in customer engagement has also been driven by an active marketing campaign and enhanced service offerings.

Innovation and Digital Strategy

In the coming year Key's customers stand to benefit significantly from the Company's push towards innovation in product design and delivery. Key's product development team continues to gather insights from customers while observing market trends. Customers have already started to benefit from Key's new digital strategy following the roll out of its new online platform which enables customers to get quotes through the Company's website. Additional features will become available online by the end of the first quarter in 2021.

Rights Issue

On 11 January 2021, the Company successfully raised $668 million through its rights issue, reflecting the continued confidence of the Company's shareholders in Key. The rights issue has raised fresh capital for Key, which will be used to improve the Company's profitability.

Outlook

Since the acquisition of 65 percent of the share capital of Key by the GraceKennedy Financial Group on 31 March 2020, the Company has recorded a pre-tax profit of $58.4 million (1 April to 31 December 2020). A series of strategic initiatives - investments in marketing, product innovation, enhanced customer service programs, improved internal controls, strengthened underwriting and risk management protocols - have been undertaken since the acquisition to maximize Key's full potential and increase shareholder value. Key's management team continues to execute turnaround initiatives to produce positive results. The Board of Directors and new management team are encouraged by Key's progress and excited about the Company's future.

The entire Key team is highly engaged and vested in the success of the Company, and remains committed to service delivery which surpasses expectations. We take this opportunity to express our sincere gratitude to all Key's stakeholders who have stood with us through these unprecedented times.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED 31 DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

		Unaudited	**Audited**	**Unaudited**	**Audited**
		Three Months ended 31 December 2020	Three Months ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
	Note	$'000	$'000	$'000	$'000
Gross Premiums Written	5	372,924	268,272	1,417,988	1,403,690
Reinsurance Ceded		(87,496)	(808,377)	(489,714)	(1,744,177)
Net Premiums Written		**285,428**	**(540,105)**	**928,274**	**(340,487)**
Change in unearned premium reserve, net		(64,537)	7,150	(108,184)	31,856
Net Premiums Earned		**220,891**	**(532,955)**	**820,090**	**(308,631)**
Change in insurance reserves		5,610	1,092	5,610	23
Commission on reinsurance ceded		104,738	52,134	166,103	139,202
Commission on premiums written		(93,926)	(66,461)	(183,117)	(173,485)
Claims expense		(72,719)	272,631	(563,187)	49,279
Change in unexpired risk reserves		31,710	(55,466)	31,710	(64,403)
Amortization of underwriting assets	6	-	-	(323,136)	-
Administration and other expenses		(162,101)	(123,190)	(488,997)	(435,477)
Underwriting profit/(loss)		**34,203**	**(452,215)**	**(534,924)**	**(793,492)**
Investment income		11,188	6,672	27,494	32,900
Gains on revaluation of investment properties		26,584	80,000	26,584	80,000
Other income		16,562	98,097	31,348	114,335
Profit/(loss) before Taxation		88,537	(267,446)	(449,498)	(566,257)
Taxation		(29,816)	298,778	149,833	298,778
Profit/(loss) after Taxation		**58,721**	**31,332**	**(299,665)**	**(267,479)**
Other Comprehensive Income:					
Items that may be subsequently reclassified to profit or loss:					
Net gain/(loss) on revaluation of investment securities		418	37,456	(23,391)	28,472
Gains recycled to profit and loss on disposal of investment securities		-	(9,331)	-	(9,331)
Items that will be subsequently reclassified to profit or loss:					
Revaluation gains on property, plant and equipment, net		12,834	19,879	12,834	19,879
		13,252	48,004	(10,557)	39,020
Total Comprehensive Income for the period		**71,973**	**79,336**	**(310,222)**	**(228,459)**
Earnings per stock unit	7	**$0.16**	**$0.17**	**($0.81)**	**($0.73)**

The notes on pages 8 to 15 are an integral part of these condensed interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	Unaudited 31 December 2020 $'000	Audited 31 December 2019 $'000
ASSETS			
Cash and deposits		864,223	937,029
Investment securities		246,398	241,937
Due from policyholders, brokers and agents		190,930	164,229
Due from reinsurers		1,728,573	2,037,052
Deferred policy acquisition costs		62,622	138,703
Taxation recoverable		220,770	219,117
Other receivables		19,962	50,475
Right-of-use asset		6,575	17,808
Investment properties		226,734	200,150
Intangible assets		2,910	3,637
Property, plant and equipment		231,934	221,513
Deferred taxation		428,158	278,325
		4,229,789	4,509,975
LIABILITIES			
Liabilities			
Other payables		100,975	64,961
Lease liability		8,648	18,950
Due to reinsurers		1,472,013	1,604,761
Insurance reserves		2,393,615	2,160,963
		3,975,251	3,849,635
Equity			
Share capital	4	235,282	235,282
Capital reserve		57,371	57,371
Fair value reserves		475,496	459,469
Accumulated losses		(513,611)	(91,782)
		254,538	660,340
		4,229,789	4,509,975

Approved for issue on behalf of the Board of Directors on 12 February 2021 and signed on its behalf by:

Donald Wehby Chairman

Linval Freeman Director

The notes on pages 8 to 15 are an integral part of these condensed interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
TWELVE MONTHS ENDED 31 DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	Share Capital $'000	Capital Reserves $'000	Fair Value Reserves $'000	Retained Earnings $'000	Total $'000
Balance as at 01 January 2019		235,282	57,371	340,449	255,697	888,799
Total comprehensive income for the period		-	-	39,020	(267,479)	(228,459)
Transfer between reserves: Gains on revaluation of investment properties, transferred from retained earnings		-	-	80,000	(80,000)	-
Balance as at 31 December 2019 as originally stated		235,282	57,371	459,469	(91,782)	660,340
Effect of adopting IFRS 9	3	-	-	-	(95,580)	(95,580)
Restated balance as at 01 January 2020		235,282	57,371	459,469	(187,362)	564,760
Total comprehensive income for the period		-	-	(10,557)	(299,665)	(310,222)
Transfer between reserves: Gains on revaluation of investment properties, transferred from retained earnings		-	-	26,584	(26,584)	-
Balance as at 31 December 2020		235,282	57,371	475,496	(513,611)	254,538

The notes on pages 8 to 15 are an integral part of these condensed interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED 31 DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Unaudited Year ended 31 December 2020 $'000	**Audited Year ended 31 December 2019 $'000**
Cash Flows from Operating Activities		
Net loss	(299,665)	(267,479)
Adjustment for items not affecting cash:		
Amortisation and depreciation	24,922	27,456
Gain on sale of available- for-sale investment securities	-	(9,111)
Gain on sale of property, plant and equipment	(7,668)	-
Gain on sale of investment properties	-	(82,991)
Gains on revaluation of investment properties	(26,584)	(80,000)
Gain on foreign exchange	(8,721)	(8,382)
Dividend income	(997)	(1,499)
Interest expense	-	2,203
Interest income	(26,497)	(31,401)
Provision for expected credit loss	5,591	-
Taxation	(149,833)	(298,778)
	(489,452)	(749,982)
Changes in operating assets and liabilities		
Due from policyholders, brokers and agents	(127,872)	21,047
Deferred policy acquisition costs	76,081	16,508
Insurance reserves	232,652	562,562
Due from reinsurers	308,479	(1,802,460)
Due to reinsurers	(132,748)	1,589,449
Other assets	30,513	(40,577)
Other liabilities	36,014	11,430
	(66,333)	(392,023)
Interest paid	-	(2,203)
Taxation paid	(1,653)	(8,688)
Net cash used in operating activities	(67,986)	(402,914)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(10,380)	(5,211)
Acquisition of intangible asset	(673)	(868)
Proceeds from disposal of property, plant and equipment	8,350	-
Proceeds from disposal of investment properties	-	303,991
Purchase/disposal of investments (net)	(28,790)	(84,285)
Disposal/maturity of investments	-	380,306
Interest and dividend received	26,356	35,093
Net cash (used in)/provided by investing activities	(5,137)	629,026
Cash Flows from Financing Activity		
IFRS 16 Lease payments	(10,302)	(11,583)
Net cash used in financing activities	(10,302)	(11,583)
Net (decrease)/increase in cash and cash equivalents	(83,425)	214,529
Effect of changes in exchange rate on cash and cash equivalents	10,619	8,382
Cash and cash equivalents at the beginning of the period	934,029	711,118
Cash and cash equivalents at the end of the period	**861,223**	**934,029**

The notes on pages 8 to 15 are an integral part of these condensed interim financial statements.

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

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 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. Except for the adoption of IFRS 9 – *Financial Instruments* as stated below, the accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2019.

New standard effective in the current year

(i) IFRS 9, 'Financial instruments',

The Company adopted IFRS 9 effective 01 January 2020 after exercising its right to a temporary exemption in the financial years ended 31 December 2018 and 2019.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. The adoption of IFRS 9 from 01 January 2020 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 [7.2.15], comparative figures have not been restated.

Classification

Effective 01 January 2020, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss)
- those to be measured at amortised cost.

The available for sale (AFS) category under IAS 39 is no longer applicable.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

2. Significant Accounting Policies (Continued)

New standard effective in the current year (Continued)

(i) IFRS 9, 'Financial instruments', (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Equity instruments held for trading are measured at fair value through profit or loss (FVPL).

The Company reclassifies debt investments only when its business model for managing those assets changes.

Measurement

Debt instruments
Measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments
The Company measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payments is established. The changes in the fair value of financial assets at FVPL are recognised in the income statement. The Company will strategically develop a trading equity portfolio which will see the gains and losses in the portfolio be recognized in profit and loss.

2. Significant Accounting Policies (Continued)

New standard effective in the current year (Continued)

(i) IFRS 9, 'Financial instruments', (continued)

Impairment

From 01 January 2020, the Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, debt instruments measured at FVOCI, trade and other receivables and due from reinsurers.

Application of the General Model
The Company has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the Company is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Company uses judgement when considering the following factors that affect the determination of impairment:

2. Significant Accounting Policies (Continued)

New standard effective in the current year (Continued)

(ii) IFRS 9, 'Financial instruments', (continued)

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios
The Company applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company uses three scenarios that are probability weighted to determine ECL.

Expected Life
When measuring ECL, the Company considers the maximum contractual period over which the Company is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

3. Effect of adoption of IFRS 9

The new standard has been applied from 01 January 2020 and the financial statements of the Company have been restated as of that date to reflect the effect of the adoption of IFRS 9 'Financial instruments'.

As noted in the accounting policies for the new standards, the transition provisions applied by the Company do not require comparative figures to be restated. The total impact of adoption is therefore recognised in the opening statement of financial position on 01 January 2020 as shown in Table 1 below:

Table 1 - Effect on statement of financial position as at 01 January 2020:

	31 December 2019 As originally presented $'000	Effects of IFRS 9 $'000	01 January 2020 As restated $'000
ASSETS			
Cash and deposits	937,029	-	937,029
Investment securities	241,937	(4,440)	237,497
Due from policyholders, brokers and agencies	164,229	(64,243)	99,986
Due from reinsurers	2,037,052	(14,928)	2,022,124
Deferred policy acquisition costs	138,703	-	138,703
Taxation recoverable	219,117	-	219,117
Other receivable	50,475	(11,969)	38,506
Right-of-use asset	17,808	-	17,808
Investment properties	200,150	-	200,150
Intangible assets	3,637	-	3,637
Property, plant and equipment	221,513	-	221,513
Deferred tax assets	278,325	-	278,325
Total Assets	**4,509,975**	**(95,580)**	**4,414,395**
LIABILITIES			
Other payables	64,961	-	64,961
Lease liability	18,950	-	18,950
Due to reinsurers	1,604,761	-	1,604,761
Insurance reserves	2,160,963	-	2,160,963
Total Liabilities	**3,849,635**	-	**3,849,635**
EQUITY			
Share capital	235,282	-	235,282
Capital reserve	57,371	-	57,371
Fair value reserves	459,469	-	459,469
Accumulated deficit	(91,782)	(95,580)	(187,362)
Total Equity	**660,340**	**(95,580)**	**564,760**
Total Liabilities and Equity	**4,509,975**	**(95,580)**	**4,414,395**

3. Effect of adoption of IFRS 9 (Continued)

The impact of these changes on the Company's equity is as follows:

Table 2 - Effect on equity components as at 01 January 2020:

	Share Capital $'000	Capital Reserve $'000	Fair Value Reserve $'000	Accumulated Deficit $'000
Closing equity components 31 December 2019 – IAS 39	235,282	57,371	459,469	(91,782)
IFRS 9 Impact				
Increase in provision for debt investments at FVOCI	-	-	-	(4,440)
Increase in provision for trade, other receivables and due from reinsurers	-	-	-	(91,140)
	-	-	-	(95,580)
Opening equity components 01 January 2020 – IFRS 9	235,282	57,371	459,469	(187,362)

(i) IFRS 9 – impact of adoption

On 01 January 2020 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows

The Company's investments securities that were previously classified as AFS have now been reclassified to amortised cost, FVOCI or FVPL.

(a) Certain debt instruments were reclassified from AFS to FVOCI as the Company's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

(b) The Company elected to present in OCI changes in the fair value of some of its equity investments previously classified as AFS because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(c) Equity instruments that are held for trading are required to be held as FVPL under IFRS 9. The classification for investments already held by the Company under this business model is unchanged.

(d) There was no impact on the amounts recognised in relation to the financial assets described in items (a) and (b) from the adoption of IFRS 9.

Impairment of financial assets

The Company has two types of financial assets that are subject to the new expected credit loss model under IFRS 9:

- Receivables
- Debt instruments carried at amortised cost

The Company revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Company's retained earnings is disclosed in Table 2 above.

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

4. Share Capital

	2020 $'000	2019 $'000
Authorised - 496,000,000 ordinary shares		
Issued and fully paid - 368,460,863 ordinary shares at no par value ordinary shares	235,282	235,282

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

5. 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 losses. Income and expenses that are directly related to segments are reported within those segments.

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

	2020		
	Motor $'000	Non-Motor $'000	Total $'000
Gross premiums written	975,324	442,664	1,417,988
Reinsurance ceded	(43,141)	(446,573)	(489,714)
Net premiums written	932,183	(3,909)	928,274
Change in insurance reserve, net	(107,113)	(1,071)	(108,184)
Net premiums earned	825,070	(4,980)	820,090
Amortization of underwriting assets	(300,266)	(22,870)	(323,136)
Underwriting expenses	(978,591)	(53,287)	(1,031,878)
Underwriting loss	(453,787)	(81,137)	(534,924)
Other Income			85,426
Segment results			(449,498)

5. Segment Information (Continued)

	2019		
	Motor	Non-Motor	Total
	$'000	$'000	$'000
Gross premium written	979,560	424,130	1,403,690
Reinsurance ceded	(1,326,237)	(417,940)	(1,744,177)
Net premiums written	(346,677)	6,190	(340,487)
Change in insurance reserve, net	31,312	544	31,856
Net premiums earned	(315,365)	6,734	(308,631)
Underwriting expenses	(177,381)	(307,480)	(484,861)
Underwriting loss	(492,746)	(300,746)	(793,492)
Other Income			227,235
Segment results			(566,257)

6. 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 06 April 2020 with an effective date of 01 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.

7. Earnings per stock unit

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

8. Subsequent Event

At the Company's Annual General Meeting held on 21 October 2020, the stockholders approved:

(i) an increase in the number of authorized shares in the Company from 496,000,000 ordinary shares to 700,000,000 ordinary shares; and
(ii) a renounceable rights issue for the purposes of raising capital for the benefit of the Company.

The renounceable rights issue was opened to the existing stockholders on 23 December 2020 and successfully closed on 11 January 2021.