

**KEY INSURANCE COMPANY LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2021**



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KEY INSURANCE COMPANY LIMITED

Interim Report to Stockholders

For the First Quarter Ended 31 March 2021

Key Insurance Company Limited (KEY or the Company) presents its unaudited financial results for the quarter ended 31 March 2021.

Main Highlights	Q1 2021	Q1 2020
	\$Million	\$Million
Gross Premium Written	414.8	269.3
Net Premiums Earned	247.1	202.9
Profit/(loss) before tax	1.2	(507.9)
Total Assets	4,807.7	4,216.7

Financial Performance

KEY is reporting a profit before tax of \$1.2 million which is a significant improvement over the corresponding period of 2020, where losses amounted to \$507.9 million. This is the third consecutive quarter KEY is reporting a profit, demonstrating the benefits being realised from the continued execution of the Company's turnaround plan.

The Company grew its gross written premium by 54% (or \$145.5 million) over the corresponding period of 2020, while increasing reinsurance ceded by only 3% (or \$2.7 million). This resulted in an 81% (or \$142.8 million) growth in net premiums written. Most importantly, the Company showed improved underwriting performance during the quarter, reporting an increase of 93% (or \$478.8 million), which was largely due to better underwriting practices being employed since last year resulting in reduced loss ratios when compared to the prior year corresponding period.

During the quarter, KEY sold its investment property realising a gain on the sale of \$22.6 million which contributed to the Company's ability to better meet its capital adequacy requirements. The investment income earned during the quarter was \$9.7 million, compared to \$3.1 million in the corresponding quarter in 2020. This was due to restructuring of the investment portfolio as well as additional investments obtained using the proceeds of the investment property. Through KEY's investment committee the Company's management will continue to restructure the investment portfolio and place greater emphasis on its performance.

Capital Adequacy

Vital to the ongoing operation of the Company is its compliance with the local regulatory framework, that is, passing the Financial Services Commission (FSC) Minimum Capital Test (MCT) requirement of 250%. This ratio had deteriorated as a result of the continued losses incurred by the Company over the past several years. An integral part of the Company's turnaround plan involved addressing the capital adequacy requirement of the Company. As such, the following critical measures were executed in the first quarter to bring the Company in compliance with the regulatory framework:

1. Raising capital via a rights issue
2. Selling of the investment property
3. Increasing our reinsurance arrangement in the form of a Funds Withheld Loss Portfolio Transfer.

KEY's minimum capital test ratio stood at 257% as at 31 March 2021 surpassing the FSC's minimum requirement of 250%.

KEY INSURANCE COMPANY LIMITED
Interim Report to Stockholders (Continued)
For the First Quarter Ended 31 March 2021

Outlook

The GraceKennedy Financial Group acquired 65% of the share capital of KEY on 24 March 2020. Following the acquisition, the Company has reported three consecutive quarters of profits since September 2020. The vision for the Company is beginning to be realized and management is now focused on generating continued value for the Company's stockholders.

Several critical areas have exceeded or are in line with management's expectations for this quarter's results and the outlook for KEY remains positive.

Considering our risk management practices, the COVID-19 pandemic brought both challenges and opportunities. While management continues to actively address the COVID-19 challenges, opportunities presented by the pandemic are also being capitalized on, particularly the introduction of digital offerings. Our new online platform allows our customers to renew their policies, notify the Company in the event of claim and provide quotations to new and existing customers.

The management and Board of KEY would like to again take this opportunity to express our sincere gratitude to all our stockholders and clients as we continue to create value for you during these challenging times.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
THREE MONTHS ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

		Unaudited	Unaudited	Audited
		Three Months ended	Three Months ended	Year ended
		31 March 2021	31 March 2020	31 December 2020
	Note	\$'000	\$'000	\$'000
Gross Premiums Written	4	414,769	269,276	1,432,083
Reinsurance Ceded		(95,261)	(92,593)	(489,715)
Net Premiums Written		319,508	176,683	942,368
Change in unearned premium		(72,392)	26,182	(108,184)
Net Premiums Earned		247,116	202,865	834,184
Change in insurance reserves		-	152	-
Commission on reinsurance ceded		20,557	12,715	159,925
Commission on premiums written		(34,651)	(23,141)	(171,328)
Claims expense		(146,725)	(276,026)	(563,187)
Change in unexpired risk reserves		-	-	31,709
Amortization of underwriting assets	4	-	(323,136)	(323,136)
Administration and other expenses		(123,411)	(109,337)	(489,400)
Underwriting loss		(37,114)	(515,908)	(521,233)
Investment income		9,709	3,096	27,494
Gains on revaluation of investment		-	-	26,584
Other income		28,560	4,889	17,656
Profit/(loss) before taxation		1,155	(507,923)	(449,499)
Taxation		(385)	169,308	149,833
Profit/(loss) after taxation		770	(338,615)	(299,666)
Other Comprehensive Income:				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Net loss on revaluation of investment securities		(4,439)	(13,938)	(23,393)
<i>Items that will be subsequently reclassified to profit or loss:</i>				
Revaluation gains on property, plant and equipment, net of taxes		-	-	12,836
		(4,439)	(13,938)	(10,557)
Total Comprehensive Income for		(3,669)	(352,553)	(310,223)
Earnings/(loss) per stock unit	5	\$0.002	(\$0.919)	(\$0.813)

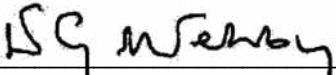
The notes on pages 8 to 9 are an integral part of these condensed interim financial statements.


KEY INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	Unaudited 31 March 2021 \$'000	Unaudited 31 March 2020 \$'000	Audited 31 December 2020 \$'000
ASSETS				
Cash and deposits		1,724,541	898,122	745,183
Investment securities		246,398	227,999	395,674
Due from policyholders, brokers and agents		214,461	139,893	190,930
Due from reinsurers		1,629,690	1,777,483	363,946
Deferred policy acquisition costs		65,483	44,124	62,622
Taxation recoverable		226,688	219,117	220,770
Other receivables		22,601	26,369	29,856
Right-of-use asset		13,976	14,625	6,575
Investment properties		-	200,150	226,734
Intangible assets		2,662	3,013	2,910
Property, plant and equipment		233,019	218,309	231,934
Deferred taxation		428,158	447,543	428,158
		<u>4,807,677</u>	<u>4,216,747</u>	<u>2,905,292</u>
LIABILITIES				
Liabilities				
Other payables		137,149	67,376	136,279
Lease liability		15,828	15,434	8,648
Due to reinsurers		1,357,217	1,624,146	151,937
Insurance reserves		2,374,157	2,202,004	2,349,451
		3,884,351	3,908,960	2,646,315
Equity				
Share capital	3	903,300	235,282	235,282
Capital reserve		57,371	57,371	57,371
Fair value reserves		475,497	445,531	479,936
Accumulated losses		(512,842)	(430,397)	(513,612)
		<u>923,326</u>	<u>307,787</u>	<u>258,977</u>
		<u>4,807,677</u>	<u>4,216,747</u>	<u>2,905,292</u>

Approved for issue on behalf of the Board of Directors on 06 May 2021 and signed on its behalf by:


 Donald Wehby Chairman


 Linval Freeman Director

The notes on pages 8 to 9 are an integral part of these condensed interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
THREE MONTHS ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserves \$'000	Retained Earnings \$'000	Total \$'000
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	235,282	57,371	445,531	(430,397)	307,787
Balance as at 01 January 2021	235,282	57,371	479,936	(513,612)	258,977
Issue of shares (Note 3)	668,018	-	-	-	668,018
Total comprehensive income for the period	-	-	(4,439)	770	(3,669)
Balance as at 31 March 2021	903,300	57,371	475,497	(512,842)	923,326

The notes on pages 8 to 9 are an integral part of these condensed interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Unaudited Three Months ended 31 March 2021 \$'000	Unaudited Three Months ended 31 March 2020 \$'000
Cash Flows from Operating Activities		
Profit/(loss) after taxation	770	(338,615)
Adjustment for items not affecting cash:		
Amortisation and depreciation	6,186	7,634
Gain on sale of investment properties	(22,643)	-
Gain on foreign exchange	(3,168)	(3,894)
Dividend income	(84)	-
Interest expense	331	-
Interest income	(9,625)	(3,096)
Provision for expected credit loss	250	-
Taxation	385	(169,308)
	<u>(27,598)</u>	<u>(507,279)</u>
Changes in operating assets and liabilities		
Due from policyholders, brokers and agents	(23,531)	24,336
Deferred policy acquisition costs	(2,861)	94,579
Insurance reserves	24,706	41,041
Due from reinsurers	(1,265,744)	259,569
Due to reinsurers	1,205,280	19,385
Other assets	7,255	24,106
Other liabilities	870	2,415
	<u>(81,623)</u>	<u>(41,848)</u>
Interest paid	(331)	-
Taxation paid	(5,918)	-
Net cash used in operating activities	<u>(87,872)</u>	<u>(41,848)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	-	(1,566)
Proceeds from disposal of investment securities	137,865	-
Proceeds from disposal of investment properties	249,377	-
Interest and dividend received	9,647	4,466
Net cash provided by/(used in) investing activities	<u>396,889</u>	<u>2,900</u>
Cash Flows from Financing Activity		
Proceeds from rights issue of ordinary shares	668,018	-
Lease payments	(845)	-
Net cash provided by/(used in) financing activities	<u>667,173</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	976,190	(38,948)
Effect of changes in exchange rate on cash and cash equivalents	3,168	41
Cash and cash equivalents at the beginning of the period	745,183	934,029
Cash and cash equivalents at the end of the period	<u>1,724,541</u>	<u>895,122</u>

The notes on pages 8 to 9 are an integral part of these condensed interim financial statements.

KEY INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

THREE MONTHS ENDED 31 MARCH 2021

(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 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 2020. The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2020.

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

3. Share Capital

	2021 \$'000	2020 \$'000
Authorised - 700,000,000 ordinary shares		
Issued and fully paid - 559,323,101 (2020:368,460,691) ordinary shares at no par value ordinary shares	<u>903,300</u>	<u>235,282</u>

In January 2021, the Company raised \$668 million by way of a rights issue whereby an additional 190,862,410 ordinary shares were issued to new and existing stockholders.

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

KEY INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

THREE MONTHS ENDED 31 MARCH 2021

(Expressed in Jamaican dollars unless otherwise indicated)

4. Segment Information (Continued)

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

	2021		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premiums written	331,152	83,617	414,769
Reinsurance ceded	(17,941)	(77,320)	(95,261)
Net premiums written	313,211	6,297	319,508
Change in insurance reserve, net	(68,276)	(4,116)	(72,392)
Net premiums earned	244,935	2,181	247,116
Underwriting expenses	(267,615)	(16,615)	(284,230)
Underwriting loss	(22,680)	(14,434)	(37,114)
Other income			38,269
Segment results			<u>1,155</u>

	2020		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premium 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 loss	(461,797)	(54,111)	(515,908)
Other income			7,985
Segment results			<u>(507,923)</u>

5. Earnings per stock unit

	2021	2020
Net profit(loss) from operations (\$'000)	770	(338,615)
Weighted average number of ordinary stock unit outstanding ('000)	472,375	368,461
Earnings/(loss) per stock unit	\$0.002	(\$0.919)