

**KEY INSURANCE COMPANY LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2022**



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## KEY INSURANCE COMPANY LIMITED

### Interim Report to Stockholders

For the First Quarter Ended 31 March 2022

Key Insurance Company Limited (KEY or the Company) presents its unaudited financial results for the quarter ended 31 March 2022.

Main Highlights	Q1 2022	Q1 2021
	\$Million	\$Million
Gross Premiums Written	499.7	414.8
Net Premiums Earned	346.7	247.1
Profit Before Tax	3.4	1.2
Total Assets	4,569.9	4,807.7

### Financial Performance

Key Insurance Company Limited (Key) continues to deliver strong financial results. For the three-month period ended 31 March 2022, Key reported Profit Before Tax (PBT) of \$3.43 million, which is a 196 percent increase or \$2.27 million over the corresponding period of 2021, which recorded PBT of \$1.16 million. When normalized for the effect of a \$22.6 million one-off gain on sale of investment property in 2021, the increase in PBT over 2021 would be \$24.92 million. Gross premiums written grew by a commendable 20.5 percent (or \$84.9 million) over the corresponding period of 2021. Net Premiums Earned also grew by \$99.6 million, or 40 percent, largely due to a reduction of \$57 million in the unearned premium charge.

For the period under review, Key placed greater focus on managing costs in an effort to improve the Company's earnings. There was a marginal reduction in the administration expense ratio, which moved from 30 percent in 2021 to 29 percent in the quarter ended 31 March 2022, notwithstanding the sharp increase in inflation.

Key continues to record growth in all streams of premiums written. Of the \$84.9 million increase in gross premiums written, \$44.7 million or 52.7 percent came from the non-motor portfolio. Additionally, non-motor premiums have seen a 53.5 percent increase quarter over quarter. The motor portfolio's underwriting result increased by 107.5 percent over the corresponding period in 2021. This performance was primarily due to a 12.2 percent increase in gross premiums written and a 75.6 percent reduction in unearned premiums.

Investment income continues to be a critical source of Key's total income and as such, we maintain our focus on strategically growing this income stream. Investment income grew by 88% during the quarter over the corresponding quarter ended 31 March 2021. The Company revised its Investment Policy in March 2022. One of the main objectives of the revised Policy is to obtain optimal risk adjusted return.

**KEY INSURANCE COMPANY LIMITED**  
**Interim Report to Stockholders (Continued)**  
For the First Quarter Ended 31 March 2022

**Outlook**

In response to a declining COVID-19 positivity rate, in the period under review the Government of Jamaica (GOJ), like many other governments around the world, has commenced relaxation of restrictions that were implemented to control spread of the virus. As we move into this new phase of the COVID-19 pandemic, we expect challenges as well as new opportunities.

The general insurance sector is expecting an increase in claims upon the re-opening of the economy and associated increase in commercial activity. Key's Management is cognizant of this expected increase in claims and has begun adjusting our underwriting practices and operations accordingly.

With rising global inflation, the Federal Reserve raised interest rate by 50 basis points the highest in over two decades. It is also expected that inflation will worsen in the near term primarily due to the Russia-Ukraine conflict and the Federal Reserve may again increase interest rates. The GOJ has also increased interest rate to contain inflation in the near to medium term. This will disrupt the Jamaican capital market with the prices of GOJ Bonds expected to be negatively impacted. As such, KEY is monitoring these developments with an aim to mitigate any negative impact the inflation and increased interest rates will have on the Company's operations.

Key remains focused on its strategic objectives of sustained growth and innovation, consumer centricity, improved business processes for greater efficiency, and a performance-driven culture. In addition the Company continues to ensure that it creates shareholder value through a sustained improvement in performance over 2021.

**KEY INSURANCE COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED 31 MARCH 2022**  
(Expressed in Jamaican Dollars unless otherwise indicated)

		<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
		Three Months ended	Three Months ended	Year ended
		31 March 2022	31 March 2021	31 December 2021
	Note	\$'000	\$'000	\$'000
Gross Premiums Written	4	499,743	414,769	1,914,966
Reinsurance Ceded		(137,603)	(95,261)	(599,099)
<b>Net Premiums Written</b>		<b>362,140</b>	<b>319,508</b>	<b>1,315,867</b>
Change in unearned premium		(15,393)	(72,392)	(164,873)
<b>Net Premiums Earned</b>		<b>346,747</b>	<b>247,116</b>	<b>1,150,994</b>
Commission on reinsurance ceded		28,986	20,557	96,606
Commission on premiums written		(47,320)	(34,651)	(160,395)
Claims expense		(197,712)	(146,725)	(589,773)
Change in unexpired risk reserves		-	-	84,587
Administration and other expenses		(146,573)	(123,411)	(502,886)
<b>Underwriting (loss)/surplus</b>		<b>(15,872)</b>	<b>(37,114)</b>	<b>79,133</b>
Investment income		18,586	9,709	59,744
Other income		716	28,560	98,761
Profit before taxation		3,430	1,155	237,638
Taxation		(1,143)	(385)	(77,249)
<b>Profit after taxation</b>		<b>2,287</b>	<b>770</b>	<b>160,389</b>
<b>Other Comprehensive Income:</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Net loss on revaluation of investment securities		(6,950)	(4,439)	(12,666)
		(6,950)	(4,439)	(12,666)
<b>Total Comprehensive Income for</b>		<b>(4,663)</b>	<b>(3,669)</b>	<b>147,723</b>
<b>Earnings per stock unit</b>	<b>5</b>	<b>\$0.004</b>	<b>\$0.002</b>	<b>\$0.300</b>

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 2022

(Expressed in Jamaican Dollars unless otherwise indicated)

	Unaudited 31 March 2022 \$'000	Unaudited 31 March 2021 \$'000	Audited 31 December 2021 \$'000
<b>ASSETS</b>			
Cash and deposits	1,575,876	1,724,541	1,474,237
Investment securities	773,099	246,398	780,049
Due from policyholders, brokers and agents	249,901	214,461	258,833
Due from reinsurers	1,046,193	1,629,690	1,059,554
Deferred policy acquisition costs	81,162	65,483	82,957
Taxation recoverable	203,510	226,688	202,549
Other receivables	21,583	22,601	1,354
Right-of-use asset	9,161	13,976	10,124
Intangible assets	2,447	2,662	3,016
Property, plant and equipment	228,111	233,019	227,529
Deferred taxation	378,904	428,158	380,047
	<u>4,569,947</u>	<u>4,807,677</u>	<u>4,480,289</u>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Other payables	256,217	137,149	213,205
Lease liability	9,470	15,828	10,982
Due to reinsurers	881,616	1,357,217	800,420
Insurance reserves	2,352,589	2,374,157	2,380,964
	<u>3,499,892</u>	<u>3,884,351</u>	<u>3,405,571</u>
<b>Equity</b>			
Share capital	903,300	903,300	903,300
Capital reserve	57,371	57,371	57,371
Fair value reserves	55,155	475,497	62,105
Retained earnings/(Accumulated losses)	54,229	(512,842)	51,942
	<u>1,070,055</u>	<u>923,326</u>	<u>1,074,718</u>
	<u>4,569,947</u>	<u>4,807,677</u>	<u>4,480,289</u>

Approved for issue on behalf of the Board of Directors on 11 May 2022 and signed on its behalf by:



Donald Wenby

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 2022**  
(Expressed in Jamaican Dollars unless otherwise indicated)

	<b>Share Capital \$'000</b>	<b>Capital Reserve \$'000</b>	<b>Fair Value Reserves \$'000</b>	<b>(Accumulated losses)/ Retained Earnings \$'000</b>	<b>Total \$'000</b>
Balance as at 01 January 2021	235,282	57,371	479,936	(513,612)	258,977
Issue of shares	668,018	-	-	-	668,018
Total comprehensive income for the period	-	-	(4,439)	770	(3,669)
Balance as at 31 March 2021	<u>903,300</u>	<u>57,371</u>	<u>475,497</u>	<u>(512,842)</u>	<u>923,326</u>
Balance as at 01 January 2022	<u>903,300</u>	<u>57,371</u>	<u>62,105</u>	<u>51,942</u>	<u>1,074,718</u>
Total comprehensive income for the period	-	-	(6,950)	2,287	(4,663)
Balance as at 31 March 2022	<u>903,300</u>	<u>57,371</u>	<u>55,155</u>	<u>54,229</u>	<u>1,070,055</u>

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 2022

(Expressed in Jamaican Dollars unless otherwise indicated)

	Unaudited Three Months ended 31 March 2022 \$'000	Unaudited Three Months ended 31 March 2021 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	2,287	770
Adjustment for items not affecting cash:		
Amortisation and depreciation	2,998	6,186
Expected credit losses	1,403	250
Net gain on foreign exchange	(716)	(3,168)
Dividend income	-	(84)
Interest expense	184	331
Interest income	(18,586)	(9,625)
Taxation	1,143	385
	<u>(11,287)</u>	<u>(27,598)</u>
Changes in operating assets and liabilities		
Due from policyholders, brokers and agents	11,584	(23,531)
Deferred policy acquisition costs	1,795	(2,861)
Insurance reserves	(28,375)	24,706
Due from reinsurers	13,361	(1,265,744)
Due to reinsurers	81,196	1,205,280
Other assets	(20,189)	7,255
Other liabilities	43,012	870
	<u>91,097</u>	<u>(81,623)</u>
Interest paid	(184)	(331)
Taxation paid	(961)	(5,918)
Net cash provided by/(used in) operating activities	<u>89,952</u>	<u>(87,872)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(2,048)	-
Proceeds from disposal of investment properties	-	249,377
Proceeds from disposal of investment securities	-	137,865
Interest and dividend received	14,715	9,647
Net cash provided by investing activities	<u>12,667</u>	<u>396,889</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from rights issue of ordinary shares	-	668,018
Lease payments	(1,696)	(845)
Net cash (used in)/provided by financing activities	<u>(1,696)</u>	<u>667,173</u>
Net increase in cash and cash equivalents	100,923	976,190
Effect of changes in exchange rate on cash and cash equivalents	716	3,168
Cash and cash equivalents at the beginning of the period	1,474,237	745,183
<b>Cash and cash equivalents at the end of the period</b>	<u><b>1,575,876</b></u>	<u><b>1,724,541</b></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 2022

(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 2021. The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2021.

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

**3. Share Capital**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Authorised - 700,000,000 ordinary stock units		
Issued and fully paid -		
559,323,101 (2021: 559,323,101) ordinary shares at no par value	<u>903,300</u>	<u>903,300</u>

**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 underwriting gain/(loss), as included in the internal management reports that are reviewed by the Company's General Manager.

**KEY INSURANCE COMPANY LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

THREE MONTHS ENDED 31 MARCH 2022

(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.

	<b>2022</b>		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premiums written	371,421	128,322	499,743
Reinsurance ceded	(22,263)	(115,340)	(137,603)
Net premiums written	349,158	12,982	362,140
Change in insurance reserve, net	(16,677)	1,284	(15,393)
Net premiums earned	332,481	14,266	346,747
Underwriting expenses	(330,769)	(31,850)	(362,619)
Underwriting surplus/(loss)	1,712	(17,584)	(15,872)
Other income			19,302
Segment results			<u>3,430</u>

	<b>2021</b>		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premium 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>

**5. Earnings per stock unit**

	<b>2022</b>	<b>2021</b>
Net profit from operations (\$'000)	2,287	770
Weighted average number of ordinary stock unit outstanding ('000)	559,323	474,495
Earnings per stock unit	\$0.004	\$0.002