KEY INSURANCE COMPANY LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

KEY INSURANCE
COMPANY LIMITED

KEY INSURANCE COMPANY LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

Index

Key Insurance Company Limited (KEY or the Company) presents its unaudited financial results for the six months ended 30 June 2023.

Main Highlights	**Unaudited Six Months Ended 30 June 2023**	**Unaudited Six Months Ended 30 June 2022**
	$Million	**$Million**
Insurance revenue	**1,289.8**	**1,050.9**
Insurance service result	**(46.7)**	**1.3**
Profit before taxation	**19.4**	**17.7**
Total Assets	**3,986.1**	**3,544.7**

Financial Performance

We are pleased to report that KEY recorded a 24.3% increase in Insurance revenue in the quarter ended 30 June 2023 compared to the corresponding period in 2022. KEY's sustained performance during the period, is evidenced by an increase in revenue of $238.8 million or 22.7% over prior year six months ended 30 June 2023. The non-motor segment showed significant strength, outpacing the six month prior year period in 2022 by 48.4% and, elevating its contribution to 36.3% of our insurance revenues, up from 30.0% in the prior year corresponding period. The motor segment remains the backbone of KEY's business, growing by 11.7% over the six month period ended 30 June 2022 and contributing 63.7% of our Insurance revenues.

Insurance service expenses increased by 11.6% in the quarter ended 30 June 2023 and 13.0% in the six-month period ended 30 June 2023 when compared to the respective prior year corresponding periods. The increase noted was largely attributable to the escalation in reinsurance costs as well as increased claims costs in certain segments. Notwithstanding these elevated costs, KEY reported increased Profit Before Tax (PBT) of 9.5% in the six month period ended 30 June 2023 when compared to the corresponding prior year period. The Company remains optimistic and is focused on driving profitable growth in the upcoming quarters.

Demonstrating the effectiveness of it's strategic initiatives, the Company's investment portfolio continues to perform strongly, recording a net investment income of $117.8 million. This represents a noteworthy 145.7% increase over the prior year six-month period. This substantial growth is attributable to the repositioning of our investment portfolio to take advantage of increased interest rates.

Adoption of New Accounting Standard

KEY adopted IFRS 17 'Insurance contracts' (IFRS 17) effective 1 January 2023, and consequently, these interim financial statements are IFRS 17 compliant. The impact of adopting IFRS 17 is discussed in Notes 6 and 7 of the interim financial statements.

Outlook

Looking forward, we anticipate the increases in property rates to continue to contribute positively to our future results. Targeted measures are being deployed to improve our claims results, and we expect these actions to positively impact our performance as the year progresses.

We would like to express our deep gratitude to our dedicated team and valued stakeholders for their ongoing support and commitment as Key strives to optimize performance and maintain strong momentum through the end of the year.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 30 JUNE 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	**Unaudited** Three Months ended 30 June 2023	**Unaudited** Three Months ended 30 June 2022	**Unaudited** Six Months ended 30 June 2023	**Unaudited** Six Months ended 30 June 2022
		$'000	$'000	$'000	$'000
Insurance revenue	4	704,749	566,591	1,289,763	1,050,941
Insurance service expenses		(450,844)	(403,930)	(881,236)	(780,136)
Net expenses from reinsurance contracts held		(280,226)	(171,342)	(455,274)	(269,494)
Insurance service result		**(26,321)**	**(8,681)**	**(46,747)**	**1,311**
Net investment income		62,169	28,632	117,776	47,934
Net insurance and investment result		**35,848**	**19,951**	**71,029**	**49,245**
Other operating income		-	15,135	-	15,135
Other operating expenses		(21,774)	(20,828)	(51,658)	(46,693)
Profit before taxation		14,074	14,258	19,371	17,687
Taxation		(4,691)	(4,296)	(6,457)	(5,439)
Profit after taxation		**9,383**	**9,962**	**12,914**	**12,248**
Other Comprehensive Income:					
Items that may be subsequently reclassified to profit or loss:					
Net loss on revaluation of investment securities		-	(30,163)	-	(37,113)
		-	(30,163)	-	(37,113)
Total Comprehensive Income for the		**9,383**	**(20,201)**	**12,914**	**(24,865)**
Earnings per stock unit	**5**	**$0.017**	**$0.018**	**$0.023**	**$0.022**

The notes on pages 8 to 12 are an integral part of these interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	Unaudited 30 June 2023 $'000	Unaudited 30 June 2022 $'000	Note 7 31 December 2022 $'000
ASSETS				
Cash and deposits		598,651	715,706	844,286
Investment securities		1,791,736	1,540,124	1,580,943
Due from brokers		367,559	306,404	296,627
Reinsurance contract assets		286,120	103,950	117,137
Taxation recoverable		274,865	244,388	253,799
Other receivables		5,904	13,326	647
Right-of-use asset		20,125	13,591	24,870
Intangible assets		990	2,240	1,819
Property, plant and equipment		268,687	224,958	256,903
Deferred taxation		371,512	380,047	371,512
		3,986,149	3,544,733	3,748,543
LIABILITIES				
Liabilities				
Other payables		182,760	207,049	145,554
Lease liability		21,413	15,771	24,407
Insurance contract liabilities		2,499,867	2,114,022	2,309,387
		2,704,040	2,336,842	2,479,348
Equity				
Share capital	3	903,300	903,300	903,300
Capital reserve		57,371	57,371	57,371
Fair value reserves		55,397	24,992	55,397
Retained earnings		266,041	222,228	253,127
		1,282,109	1,207,891	1,269,195
		3,986,149	3,544,733	3,748,543

Approved for issue on behalf of the Board of Directors on 08 August 2023 and signed on its behalf by:

Donald Wehby — Chairman

Linval Freeman — Director

The notes on pages 8 to 12 are an integral part of these interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 JUNE 2023
(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 2022	903,300	57,371	62,105	209,980	1,232,756
Total comprehensive income for the period	-	-	(37,113)	12,248	(24,865)
Balance as at 31 June 2022	903,300	57,371	24,992	222,228	1,207,891
Balance as at 01 January 2023	903,300	57,371	55,397	253,127	1,269,195
Total comprehensive income for the period	-	-	-	12,914	12,914
Balance as at 31 June 2023	903,300	57,371	55,397	266,041	1,282,109

The notes on pages 8 to 12 are an integral part of these interim financial statements.

KEY INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 30 JUNE 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Unaudited Six Months ended 30 June 2023 $'000	Unaudited Six Months ended 30 June 2022 $'000
Cash Flows from Operating Activities		
Net profit	12,914	12,248
Adjustment for items not affecting cash:		
Amortisation and depreciation	12,767	12,829
Expected credit losses	2,500	2,880
Net loss/(gain) on foreign exchange	2,568	(15,135)
Gain on sale of property, plant and equipment	(1,069)	-
Interest expense	483	420
Interest income	(91,465)	(47,934)
Taxation	6,457	5,439
	(54,845)	(29,253)
Changes in operating assets and liabilities		
Due from brokers	(70,932)	(61,095)
Insurance contract liabilities	190,479	108,736
Reinsurance contract assets	(168,982)	21,778
Other assets	(5,257)	(11,932)
Other liabilities	37,206	(6,156)
	(72,331)	22,078
Interest paid	(483)	-
Taxation paid	(21,066)	(11,980)
Net cash (used in)/provided by operating activities	(93,880)	10,098
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(23,722)	(12,949)
Proceeds from disposal of property, plant and equipment	2,652	-
Purchase of investment securities	(210,499)	(811,393)
Proceeds from disposal of investment securities	-	-
Interest and dividend received	85,376	45,367
Net cash used in investing activities	(146,193)	(778,975)
Cash Flows from Financing Activity		
Lease payments	(2,994)	(4,789)
Net cash used in financing activity	(2,994)	(4,789)
Net decrease in cash and cash equivalents	(243,067)	(773,666)
Effect of changes in exchange rate on cash and cash equivalents	(2,568)	15,135
Cash and cash equivalents at the beginning of the period	844,286	1,474,237
Cash and cash equivalents at the end of the period	**598,651**	**715,706**

The notes on pages 8 to 12 are an integral part of these 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 2022. The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2022, except for the adoption of new standard IFRS 17 ‘Insurance Contracts’. The impact of adopting this standard is shown in Notes 6 and 7.

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

IFRS 17, ‘Insurance contracts’

IFRS 17 ‘Insurance contracts’ (IFRS 17) was issued as replacement for IFRS 4 ‘Insurance contracts’ and introduces a current measurement model where estimates are re-measured each reporting period. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

The transition date of the company for IFRS 17 was 1 January 2022, and the company adopted IFRS 17 on 1 January 2023.

Contracts in scope

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Company does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary. The Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

2. Significant Accounting Policies

Basis of Preparation

IFRS 17, 'Insurance contracts'

Measurement

The Company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and profitability groups: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

Portfolios of reinsurance contracts held are assessed for aggregation at the line of business level and are separately identified from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into profitability groups: (i) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (ii) remaining contracts in the portfolio.

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company. The Company used the Premium Allocation Approach to measure all the insurance contracts issued and reinsurance contracts held, which is a simplified approach compared to the general model in IFRS 17. The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows will be allocated to groups of insurance contracts on a systematic and rational basis. Acquisition cash flows will be deferred and recognised over the coverage period of contracts in a group.

The Company will not adjust the Liability for Remaining Coverage for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For the Liabilities for Incurred Claims (LIC), the estimates of future cash flows will be adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

An explicit risk adjustment for non-financial risk will be estimated separately from the other estimates. It reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. Unless the contracts are onerous, the explicit risk adjustment for non-financial risk will only be estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

IFRS 17 provides the option to report changes in economic and financial assumptions through other comprehensive income (OCI). The Company did not apply the OCI option to disaggregate insurance finance income or expenses between profit or loss and OCI. The Company did not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Company will provide disaggregated qualitative and quantitative information in the notes of the annual financial statements about:

• Amounts recognised in its financial statements from insurance contracts

• Significant judgements, and changes in those judgements, when applying the standard

2. Significant Accounting Policies

Basis of Preparation

IFRS 17, 'Insurance contracts'

Transition

On transition date, 1 January 2023, the Company adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date. The Company: identified, recognised and measured each group of insurance contracts as if IFRS 17 has always applied; derecognised any existing balances that would not exist if IFRS 17 has always applied; and recognised any resulting net difference in equity.

Accounting estimates

In applying IFRS 17 measurement requirements, the following inputs and methods was used that include significant estimates.

Discount rates

The Company used a bottom-up approach to determine discount rates. Risk-free discount rates were determined using the most appropriate observable rates. An illiquidity premium was selected using a range of approaches including the review of observed Bid-Ask spreads. The Company's claims settlement period did not exceed the period over which observable market prices are available.

Risk adjustment for non-financial risk

Risk adjustments for non-financial risk was determined to reflect the compensation that the Company would require for bearing nonfinancial risk and its degree of risk aversion. The risk adjustments for non-financial risk was determined for the liabilities for incurred claims of all contracts using a confidence level technique. They were allocated to groups of contracts based on an analysis of the risk profiles of the groups.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applied these techniques both gross and net of reinsurance and derived the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Company estimated the probability distribution of the expected present value of the future cash flows from the contracts annually and calculated the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level was 75 percent.

3. Share Capital

	2023 \$'000	**2022 \$'000**
Authorised -		
700,000,000 ordinary stock units		
Issued and fully paid -		
559,323,101 (2022: 559,323,101) ordinary shares at no par value	903,300	903,300

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 insurance service result, as included in the internal management reports that are reviewed by the Company's General Manager.

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

	2023		
	Motor	Non-Motor	Total
	$'000	$'000	$'000
Insurance revenue	821,607	468,156	1,289,763
Insurance service expenses	(767,075)	(114,161)	(881,236)
Net expenses from reinsurance contract held net	(80,183)	(375,091)	(455,274)
Insurance service result	(25,651)	(21,096)	(46,747)

	2022		
	Motor	Non-Motor	Total
	$'000	$'000	$'000
Insurance revenue	735,414	315,527	1,050,941
Insurance service expenses	(668,563)	(111,573)	(780,136)
Net expenses from reinsurance contract held net	(41,104)	(228,390)	(269,494)
Insurance service result	25,747	(24,436)	1,311

5. Earnings per stock unit

	2023	**2022**
Net profit from operations ($'000)	12,914	12,248
Weighted average number of ordinary stock unit outstanding ('000)	559,323	559,323
Earnings per stock unit	$0.023	$0.022

6. Effect of IFRS 17

Upon adoption of IFRS 17, there were material changes to the presentation and disclosures in the financial statements.

For presentation in the statement of financial position, the Company aggregated insurance contract issued and reinsurance contracts held, respectively. These are presented separately as follows:

- Portfolios of insurance and reinsurance contracts issued that are assets or liabilities
- Portfolios of reinsurance contracts held that are assets or liabilities

For the presentation in the income statement, the Company reported the following new line items under IFRS 17:

- Insurance revenue
- Insurance service expenses
- Net expenses from reinsurance contracts held
- Insurance service result

Transition

On transition date 1 January 2022, the presentation of the statements of comprehensive income and financial position were adjusted to reflect the requirements of the standard.

The changes included the restatement of balances in the statement of financial position as at 30 June 2022 and 31 December 2022. The restatements resulted in an increase in retained earnings of $146.9 million primarily due to the deferral of acquisition costs over the life of the insurance policies to which they relate.

7. Impact of IFRS 17 on 31 December 2022 audited results

The Company's 2022 financial statements were audited in accordance with IFRS 4. The adoption and thereafter the effects of IFRS 17 standard, have resulted in changes to the presentation of the balances for said year which have not been audited.