

**KEY INSURANCE COMPANY LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023**



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**KEY INSURANCE COMPANY LIMITED**  
**Interim Report to Stockholders**  
For the Nine Months Ended 30 September 2023

KEY Insurance Company Limited (KEY or the Company) presents its unaudited financial results for the quarter and nine months ended 30 September 2023.

<b>Main Highlights</b>	<b>Unaudited Nine Months Ended 30 September 2023</b>	<b>Unaudited Nine Months Ended 30 September 2022</b>
	<b>\$Million</b>	<b>\$Million</b>
Insurance Revenue	<b>1,978.5</b>	<b>1,616.9</b>
Insurance Service Result	<b>(35.5)</b>	<b>(23.2)</b>
Profit Before Tax	<b>60.5</b>	<b>40.0</b>
Total Assets	<b>4,161.0</b>	<b>3,640.1</b>

**Financial Performance**

KEY is pleased to report its financial results for the nine months ended September 30, 2023. During this period, Key achieved a noteworthy 51.3% increase in profit before tax compared to the said period in 2022. Our profit before tax grew from \$40 million in 2022 to \$60.5 million, showcasing our commitment to sustainable financial growth. For the quarter ended 30 September 2023, the Company achieved a substantial 84.5% increase in profit before tax compared to the same period in 2022, growing significantly from \$22.3 million to \$41.1 million.

KEY boosted its insurance revenue by \$361.6 million, marking a solid 22.4% increase during the nine months ending on September 30, 2023, compared to the same period in 2022. A significant contributor to this growth was the steady expansion of premiums in the non-motor portfolio, accounting for 61.7% or \$223.2 million of our insurance revenue growth. This sustained growth in insurance revenue underscores our commitment to strategic initiatives aimed at enhancing our financial performance.

Insurance services expenses increased by \$119.9 million, representing a 9.7% rise, primarily due to a \$72.8 million or 10% increase in claims during the nine months ended September 30, 2023.

**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.

**KEY INSURANCE COMPANY LIMITED**  
**Interim Report to Stockholders (Continued)**  
For the Nine Months Ended 30 September 2023

**Outlook**

KEY's outlook remains highly optimistic, even in the face of a challenging economic climate. We are steadfast in our pursuit of expanding our market share. Our unwavering commitment to executing a well-defined strategic plan is underlined by our clear focus on bolstering revenue and enhancing profitability. We continue to proactively address market challenges, rigorously assess both the non-motor and motor portfolios, and remain vigilant in identifying opportunities to enhance our operational efficiency and ultimately boost our bottom line.

Customer engagement and strategic relationships continue to be our top priorities. We are dedicated to providing innovative and customer-centric solutions. Leveraging the strength of our strategic partnerships, we aim to deliver exceptional value to all our stakeholders.

Our performance underscores the sterling capabilities of our management team, and our dedicated team members. KEY is committed to not only meet but exceed the needs and expectations of our customers, shareholders, and the communities we proudly serve.

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

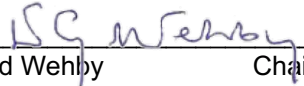
		<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
		Three Months ended	Three Months ended	Nine Months ended	Nine Months ended
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
	Note	\$'000	\$'000	\$'000	\$'000
Insurance revenue	4	688,702	566,001	1,978,465	1,616,942
Insurance service expenses		(472,814)	(454,036)	(1,354,050)	(1,234,172)
Net expenses from reinsurance contracts held		(204,659)	(136,492)	(659,933)	(405,986)
<b>Insurance service result</b>		<b>11,229</b>	<b>(24,527)</b>	<b>(35,518)</b>	<b>(23,216)</b>
Net investment income		49,873	45,977	141,339	93,911
<b>Net insurance and investment result</b>		<b>61,102</b>	<b>21,450</b>	<b>105,821</b>	<b>70,695</b>
Other operating income		5,060	21,482	31,370	36,617
Other operating expenses		(25,033)	(20,646)	(76,691)	(67,339)
<b>Profit before taxation</b>		<b>41,129</b>	<b>22,286</b>	<b>60,500</b>	<b>39,973</b>
Taxation		(13,645)	(7,059)	(20,102)	(12,498)
<b>Profit after taxation</b>		<b>27,484</b>	<b>15,227</b>	<b>40,398</b>	<b>27,475</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		-	(2,549)	-	(39,662)
		-	(2,549)	-	(39,662)
<b>Total Comprehensive Income for the</b>		<b>27,484</b>	<b>12,678</b>	<b>40,398</b>	<b>(12,187)</b>
<b>Earnings per stock unit</b>	<b>5</b>	<b>\$0.049</b>	<b>\$0.027</b>	<b>\$0.072</b>	<b>\$0.049</b>

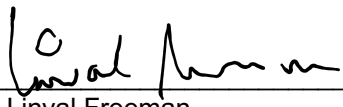
The notes on pages 8 to 12 are an integral part of these interim financial statements.

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

	Note	Unaudited 30 September 2023 \$'000	Unaudited 30 September 2022 \$'000	Note 7 31 December 2022 \$'000
<b>ASSETS</b>				
Cash and deposits		1,582,013	1,141,006	844,286
Investment securities		1,068,434	1,305,761	1,580,943
Due from brokers		434,787	316,151	296,627
Reinsurance contract assets		156,554	13,069	117,137
Taxation recoverable		267,413	239,124	253,799
Other receivables		2,028	8,135	647
Right-of-use asset		11,179	10,354	24,870
Intangible assets		3,265	1,826	1,819
Property, plant and equipment		263,862	224,592	256,903
Deferred taxation		371,512	380,047	371,512
		<u>4,161,047</u>	<u>3,640,065</u>	<u>3,748,543</u>
<b>LIABILITIES</b>				
<b>Liabilities</b>				
Other payables		259,769	242,989	145,554
Lease liability		19,199	13,258	24,407
Insurance contract liabilities		2,572,486	2,163,249	2,309,387
		2,851,454	2,419,496	2,479,348
<b>Equity</b>				
Share capital	3	903,300	903,300	903,300
Capital reserve		57,371	57,371	57,371
Fair value reserves		55,397	22,443	55,397
Retained earnings		293,525	237,455	253,127
		<u>1,309,593</u>	<u>1,220,569</u>	<u>1,269,195</u>
		<u>4,161,047</u>	<u>3,640,065</u>	<u>3,748,543</u>

Approved for issue on behalf of the Board of Directors on 14 November 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**  
**NINE MONTHS ENDED 30 SEPTEMBER 2023**  
(Expressed in Jamaican Dollars unless otherwise indicated)

	<b>Share Capital \$'000</b>	<b>Capital Reserve \$'000</b>	<b>Fair Value Reserves \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
Balance as at 01 January 2022	903,300	57,371	62,105	209,980	1,232,756
Total comprehensive income for the period	-	-	(39,662)	27,475	(12,187)
Balance as at 30 September 2022	<u>903,300</u>	<u>57,371</u>	<u>22,443</u>	<u>237,455</u>	<u>1,220,569</u>
Balance as at 01 January 2023	903,300	57,371	55,397	253,127	1,269,195
Total comprehensive income for the period	-	-	-	40,398	40,398
Balance as at 30 September 2023	<u>903,300</u>	<u>57,371</u>	<u>55,397</u>	<u>293,525</u>	<u>1,309,593</u>

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

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

	<b>Unaudited Nine Months ended 30 September 2023 \$'000</b>	<b>Unaudited Nine Months ended 30 September 2022 \$'000</b>
<b>Cash Flows from Operating Activities</b>		
Net profit	40,398	27,475
Adjustment for items not affecting cash:		
Amortisation and depreciation	25,816	11,117
Expected credit losses	2,658	2,880
Net gain on foreign exchange	(10,077)	(9,230)
Gain on sale of property, plant and equipment	(1,069)	-
Interest expense	1,296	647
Interest income	(141,339)	(93,911)
Taxation	20,102	12,498
	<u>(62,215)</u>	<u>(48,524)</u>
Changes in operating assets and liabilities		
Due from brokers	(138,160)	(70,842)
Insurance contract liabilities	263,099	137,553
Insurance contract assets	(39,417)	112,658
Other assets	(1,381)	(6,741)
Other liabilities	114,215	29,784
	<u>136,141</u>	<u>153,888</u>
Interest paid	(1,296)	(647)
Taxation paid	(13,614)	(36,575)
Net cash provided by operating activities	<u>121,231</u>	<u>116,666</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(19,524)	(5,990)
Proceeds from disposal of property, plant and equipment	2,652	-
Proceeds from disposal of investment securities	445,631	658,826
Purchase of disposal of investment securities	-	(1,184,538)
Interest and dividend received	184,164	76,378
Net cash provided by/(used in) investing activities	<u>612,923</u>	<u>(455,324)</u>
<b>Cash Flows from Financing Activity</b>		
Lease payments	(6,504)	(3,803)
Net cash used in financing activity	<u>(6,504)</u>	<u>(3,803)</u>
Net increase/(decrease) in cash and cash equivalents	727,650	(342,461)
Effect of changes in exchange rate on cash and cash equivalents	10,077	9,230
Cash and cash equivalents at the beginning of the period	844,286	1,474,237
<b>Cash and cash equivalents at the end of the period</b>	<u><b>1,582,013</b></u>	<u><b>1,141,006</b></u>

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 fulfills 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**

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

**KEY INSURANCE COMPANY LIMITED**  
NOTES TO THE FINANCIAL STATEMENTS  
NINE MONTHS ENDED 30 SEPTEMBER 2023  
(Expressed in Jamaican dollars unless otherwise indicated)

**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.

	<b>2023</b>		
	Motor \$'000	Non-Motor \$'000	Total \$'000
Insurance revenue	1,262,395	716,070	1,978,465
Insurance service expenses	(1,145,690)	(208,360)	(1,354,050)
Net expenses from reinsurance contract held net	(120,549)	(539,384)	(659,933)
Insurance service result	(3,843)	(31,676)	(35,518)

	<b>2022</b>		
	Motor \$'000	Non-Motor \$'000	Total \$'000
Insurance revenue	1,124,096	492,846	1,616,942
Insurance service expenses	(1,049,287)	(184,885)	(1,234,172)
Net expenses from reinsurance contract held net	(74,974)	(331,012)	(405,986)
Insurance service result	(165)	(23,051)	(23,216)

**5. Earnings per stock unit**

	<b>2023</b>	<b>2022</b>
Net profit from operations (\$'000)	40,398	27,475
Weighted average number of ordinary stock unit outstanding ('000)	559,323	559,323
Earnings per stock unit	\$0.072	\$0.049

**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 September 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.