

Key Insurance Company Limited

KEY INSURANCE COMPANY LIMITED

Unaudited Financial Statements

31 March 2019



Key Insurance Company Limited

Key Insurance Company Limited Unaudited Financial Statements

31 March 2019

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Key Insurance Company Limited

REPORT TO SHAREHOLDERS
For the First Quarter Ended March 31, 2019

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On behalf of the Board of Directors of Key Insurance Company Limited, I present our financial results for the first quarter, ended 31 March 2019.

The first quarter of 2019 featured the following:

Gross premium income showed a reduction of 5% over last year's first quarter results, which is consistent with our underwriting strategy to achieve our targeted risk profile. Premium income as at March 31, 2019 stood at \$368.7 million in contrast with the first quarter of 2018 which was \$387.7million.

The company's claims expense has remained at the same level as that at 31 March 2018 reversing the previous periods increasing trend. Notwithstanding, we remain committed to maintaining efficiency in the handling of claims by ensuring prudent reserving and settlement practices.

There was an overall increase of \$7.7 million in operating costs for the period, due to non-recurring professional fees in the 1st quarter of 2019 in comparison to that obtained in the 1st quarter of 2018. Cost containment remains a key strategic focus for the company.

The company's capital base remains strong and our Management Team remains committed to the company's profitability and growth.

Signed by:



Natalia Gobin-Gunter
Chairman
May 15, 2019

Key Insurance Company Limited

Statement of Comprehensive Income
 Three month period ended 31 March 2019
 (expressed in Jamaican dollars unless otherwise indicated)

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	Note	Unaudited		Unaudited
		Three Months ended March 31, 2019	Three Months ended March 31, 2018	Year ended December 31, 2018
		\$'000	\$'000	\$'000
Gross Premiums Written	6	368,706	388,271	1,791,567
Reinsurance Ceded		(96,343)	(126,058)	(611,963)
Net Premiums Written		272,363	262,213	1,179,604
Change in unearned premium reserve, net		26,673	(9,300)	(32,189)
Net Premiums Earned		299,036	252,913	1,147,416
Changes in insurance reserves		1,781	(826)	25,300
Commission on reinsurance ceded		15,446	22,512	117,124
Commission on premiums written		(32,524)	(35,002)	(167,313)
Claims expense		(279,063)	(278,396)	(1,123,981)
Reinsurance recoveries		47,772	74,131	119,174
Change in unexpired risk reserves		-	-	(33,303)
Administration and other expenses		(98,116)	(90,448)	(402,116)
Underwriting loss		(45,668)	(55,115)	(317,699)
Investment income		17,306	12,111	51,219
Gains on revaluation of investment properties		-	-	9,780
Other income		26	2,907	89,206
Loss before Taxation		(28,336)	(40,097)	(167,494)
Taxation		-	-	-
Net Loss after Taxation		(28,336)	(40,097)	(167,494)
<i>Item that may be subsequently classified to profit or loss:</i>				
Net gain on the revaluation of available for sale investment securities		-	(2,211)	(234)
Gains recycled to profit and loss		(8,984)	-	(32,910)
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Revaluation gains on property, plant and equipment		-	-	6,110
Deferred tax charge on revaluation of property, plant and equipment		-	-	(1,018)
Other Comprehensive Loss		(8,984)	(2,211)	(28,052)
Total Comprehensive Loss for the Period		(37,320)	(42,308)	(195,546)
Loss per Share	7	(0.08)	(0.11)	(0.45)

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Financial Position

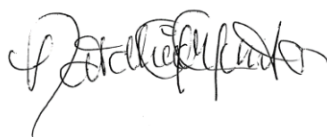
31 March 2019

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(expressed in Jamaican dollars unless otherwise indicated)

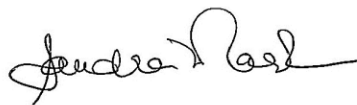
	Note	March 2019 \$'000	Unaudited 2018 \$'000	March 2018 \$'000
ASSETS				
Cash and deposits		106,224	664,672	413,760
Investment securities		1,188,702	559,538	773,974
Due from policyholders, brokers and agents		177,971	185,276	201,330
Due from reinsurers		181,184	234,593	297,180
Deferred policy acquisition costs		147,228	155,211	131,364
Taxation recoverable		212,626	210,429	201,114
Other receivables		19,671	9,898	12,871
Investment properties		341,150	341,150	331,370
Intangible assets		2,401	3,957	2,594
Property, plant and equipment		191,718	194,432	193,437
Deferred taxation		-	-	-
		<u>2,568,875</u>	<u>2,559,156</u>	<u>2,558,994</u>
LIABILITIES AND EQUITY				
Liabilities				
Bank overdraft		-	-	-
Other payables		66,421	53,531	39,834
Due to reinsurers		63,351	15,314	101,759
Deferred taxation		3,111	3,111	2,093
Insurance reserves		1,584,513	1,598,401	1,362,617
		<u>1,717,396</u>	<u>1,670,357</u>	<u>1,506,303</u>
Equity				
Share capital	4	235,282	235,282	235,282
Capital reserve		57,371	57,371	57,371
Fair value reserves		331,465	340,449	356,510
Retained earnings		227,361	255,697	403,528
		<u>851,479</u>	<u>888,799</u>	<u>1,052,691</u>
		<u>2,568,875</u>	<u>2,559,156</u>	<u>2,558,994</u>

Approved for issue on behalf of the Board of Directors on 15 May 2019 signed on its behalf by:



Natalia Gobin Gunter

Chairman



Sandra Masterton

Director

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Changes in Equity

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Three month period ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Capital Reserves \$'000	Fair Value Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 01 January 2018	235,282	57,371	358,721	443,656	1,095,030
Total comprehensive income for the period	-	-	(2,211)	(40,128)	(42,339)
Balance as at 31 March 2018	<u>235,282</u>	<u>57,371</u>	<u>356,510</u>	<u>403,528</u>	<u>1,052,692</u>
Balance as at 01 January 2019	235,282	57,371	340,449	255,697	888,799
Total comprehensive income for the period	-	-	(8,984)	(28,336)	(37,320)
Balance as at 31 March 2019	<u>235,282</u>	<u>57,371</u>	<u>331,465</u>	<u>227,361</u>	<u>851,479</u>

The notes on pages 6 to 8 are an integral part of these condensed interim financial statements.

Key Insurance Company Limited

Statement of Cash Flows

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Three month period ended 31 March 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities		
Net Loss	(28,336)	(40,128)
Adjustment for items not affecting cash:		
Amortisation and depreciation	4,511	3,686
Gain on sale of property, plant and equipment	-	(116)
Gain on revaluation of investment properties	-	(1,720)
Realised gain on sale of available-for-sale investment securities	(9,110)	-
Loss/(Gain) on foreign exchange	7,429	(2,092)
Dividend income	(828)	(689)
Interest income	(10,986)	(6,737)
Taxation	-	30
	<u>(37,320)</u>	<u>(47,766)</u>
Changes in operating assets and liabilities		
Due from policyholders, brokers and agents	7,305	25,432
Deferred policy acquisition costs	7,983	494
Insurance reserves	(13,888)	124,190
Due from reinsurers	53,409	(51,036)
Due to reinsurers	48,046	20,562
Other assets	(9,772)	(1,019)
Other liabilities	12,890	5,966
	<u>68,653</u>	<u>76,824</u>
Taxation paid	(2,196)	(8,975)
Net cash provided by operating activities	<u>66,457</u>	<u>67,849</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	-	(4,158)
Acquisition of intangible asset	(11)	(234)
Proceeds on disposal of property, plant and equipment	-	116
Purchase of investments	(745,743)	(141,550)
Disposal/maturity of investments	110,560	82,432
Interest and dividend received	10,033	5,994
Net cash used in investing activities	<u>(625,161)</u>	<u>(57,400)</u>
Cash Flows from Financing Activity		
Net cash provided by financing activity	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(558,704)	10,449
Effect of changes in exchange rate on cash and cash equivalents	256	254
Cash and cash equivalents at the beginning of the period	661,672	400,057
Cash and cash equivalents at the end of the period	<u>103,224</u>	<u>410,760</u>

Key Insurance Company Limited

Notes to the Financial Statements
31 March 2019

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(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

- (a) Key Insurance Company Limited 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

The principal accounting policies applied to the preparation of these unaudited financial statements are similar to those applied to the audited financial statements for year ended 31 December 2018.

These policies have been consistently applied to all the periods presented unless otherwise stated.

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 available-for-sale 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 statement and should be read in conjunction with the company's audited financial statements as at and for the year ended 31 December 2018. The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2018. The company has not early adopted any other standard, interpretations or amendments that had been issued and is not yet effective.

3. Standards issued but not yet adopted

- (a) The company is required to adopt IFRS 9 Financial Instruments from 1 January 2019. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and the characteristics of their cash flow. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Temporary exemption from IFRS 9

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The company has undertaken a detailed assessment of the classification and measurement of its financial assets in an effort to determine whether the eligibility criteria for temporary exemption from IFRS 9 have been met. In order to qualify for exemption, a company must not have previously implemented any element of IFRS 9 and company's activities must not have been predominantly connected with insurance. A company's activities are predominantly connected with insurance if, and only if its insurance activities are significant and if the predominance ratio (liabilities arising from insurance contracts within the scope of IFRS 4 at 31 December 2015 as a percentage of total liabilities at 31 December 2015) is:

- (i) Greater than 90 per cent; or
- (ii) Less than or equal to 90 per cent but greater than 80 per cent, and the company does not engage in a significant activity unconnected with insurance.

The predominance ratio to support the temporary exemption has been determined as followed:

	2015
Insurance contracts	930,707
Reinsurance payables	96,936
(A) Liabilities arising from activities related to insurance	1,027,643
(B) Total liabilities	1,068,288
Predominance Ratio(A/B)	96%

Key Insurance Company Limited

Notes to the Financial Statements

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31 March 2019

(expressed in Jamaican dollars unless otherwise)

3. Standards issued but not yet adopted (cont'd)

- (b) IFRS 15, Revenue From Contracts With Customers, effective for accounting periods beginning on or after 1 January 2018, replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfer of Assets from Customers and SIC -31 - Revenue - Barter Transactions involving Advertising Services. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step framework to determine when to recognise revenue, and at what amount. The framework specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer, or over time, in a manner that best reflects the entity's performance.

There will be qualitative and quantitative disclosure information to enable the users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The company has conducted an assessment in order to determine the qualitative and quantitative impacts of the implementation of this new revenue recognition standard. Based on this assessment, the company does not expect a material impact due to the transition to IFRS 15. However, the assessment is still ongoing and the final impact is not yet known.

4. Share capital

	2019	2018
	\$'000	\$'000
Authorised -		
496,000,000 ordinary shares		
Issued and fully paid -		
368,460,863 ordinary shares at no par value ordinary shares	<u>235,282</u>	<u>235,282</u>

A resolution was passed at a General Meeting on 21 March 2016 that each of the authorised and issued shares of Key Insurance Company Limited be sub-divided into 496 ordinary shares (496 to 1).

On 31 March 2016, the company issued 52,689,903 ordinary shares through an initial public offering at a value of \$119,606,079. Costs associated with the share issue amounted to \$11,651,079.

5. Capital Management

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT) which is used by the Financial Services Commission to determine the solvency of the company. The minimum standard stipulated by section 17(4) of the Insurance (Actuaries) (General Insurance Companies) regulations, 2011 is that a General Insurance Company shall have a minimum MCT percentage of 250% (2018 - 250%).

As at 31 March 2019, the company achieved the minimum level of capital based on MCT.

	March	December
	2019	2018
Actual MCT ratio	<u>251%</u>	<u>113%</u>
Minimum required MCT Ratio	<u>250%</u>	<u>250%</u>

Key Insurance Company Limited

Notes to the Financial Statements

31 March 2019

(expressed in Jamaican dollars unless otherwise)

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6. Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) 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.

	2019		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premiums written	287,003	81,703	368,706
Reinsurance ceded	(16,998)	(79,345)	(96,343)
Net premiums written	270,005	2,358	272,363
Change in insurance reserve, net	22,241	6,213	28,454
Net premiums earned	292,246	8,571	300,817
Underwriting expenses	(333,550)	(12,935)	(346,485)
Underwriting loss	(41,304)	(4,364)	(45,668)
Other Income			17,332
Segment results			(28,336)

	2018		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Gross premium written	277,944	110,327	388,271
Reinsurance ceded	(21,807)	(104,251)	(126,058)
Net premiums written	256,137	6,076	262,213
Change in insurance reserve, net	(8,906)	(1,220)	(10,126)
Net premiums earned	247,231	4,856	252,087
Underwriting expenses	(275,826)	(31,376)	(307,202)
Underwriting profit/(loss)	(28,595)	(26,520)	(55,115)
Other Income			15,019
Segment results			(40,097)

7. (Loss)/Earnings per Share

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

Key Insurance Company Limited

Shareholdings of Directors, Senior Managers and Connected Parties
Quarterly Reports as at 31 March 2019

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Directors	Holdings as at 31 March 2019
Sandra Masterton	92,014,444
William Masterton	86,304
Natalia Gobin-Gunter	75,219,838
Kala Abrahams	73,128,813
Keith Collister	60,970
Michael Fraser	-
Dennis Brown	-
Kisha Anderson	-
Neville Henry	-
Senior Managers	
Heather Bowie	5,590
Carlene Isaacs	5,000
Sandra Masterton	92,014,444
Treveen Little	93,374

Key Insurance Company Limited

List of Top Ten Shareholders
Quarterly Reports as at 31 March 2019

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Shareholders	Holdings as at 31 March 2019
Sandra Masterton	92,014,444
Natalia Gobin-Gunter	75,219,838.
Kala Abrahams	73,128,813
JMMB T1 Equity Fund	43,089,690
Jamaica Money Market Brokers Limited	36,846,000
Worldnet Financial Group Limited	24,589,250
World Net Investment Company Limited	11,785,254
M F & G Trust and Finance Limited	3,157,012
Charles Dunn	1,266,631
Karl P. Wright	1,000,000