



Key Insurance Company Limited(KEY)

Conflict of Interest Policy and Procedures

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1 PURPOSE

The aim of this document is to highlight the guidelines and procedures of the Company's Related Party Transactions and Conflict of Interest procedures to ensure its efficient operation and compliance with the applicable regulations.

2 DEFINITIONS:

A Related Party as defined by the 2001 Insurance Regulation section 82:

- (1) In this regulation- "related party" means a person who-
- a. is a director or officer of the insurance company or any of its affiliate;
 - b. is an employee of the insurance company or its affiliate and is a member of a prescribed class of employees;
 - c. owns directly 10% or more of the non-voting shares in the entity, not counting any non-equity shares in the case of a credit union;
 - d. owns or controls, directly or indirectly, 10% or more of any class of voting shares in the company or in its affiliate, but is not an affiliate of the company;
 - e. is an affiliate of the company and-
 - i) is not a wholly owned subsidiary corporation of the company; and
 - ii) is not an insurance company or extra-territorial corporation that is a holding company that wholly owns the insurance business;
 - f. is a corporation in which the insurance business or its affiliate owns or controls, directly or indirectly, 10% or more of any class of voting shares; owns or controls, directly or indirectly, a 10% or greater interest in
 - g. a joint venture in which the insurance business or its affiliate also owns or controls, directly or indirectly, a 10% or greater interest;
 - h. owns or controls, directly or indirectly, a 10% or greater interest in a partnership in which the entity or its affiliate also owns or controls, directly or indirectly, a 10% or greater interest;
 - i. is a sole practitioner who is an auditor of the insurance company;

- j. is actively engaged in auditing the insurance company and is a partner in a partnership that is an auditor of the insurance company;
- k. is a director, officer or member of a prescribed class of employees of a corporation that is a related party under sub-paragraph (c) or (d);
- l. is a spouse of an individual who is a related party under sub paragraph (a), (b), (c) or (d) and occupies the same home as that person;
- m. is a relative or an individual or the spouse of an individual who is a related party under sub-paragraph (a), (b), (c) or (4), and occupies the same home as that person;
- n. is a corporation in which a person who is a related party under any of sub-paragraphs (a) to (h) and (k) to (m) or under paragraph (2) has or controls, directly or indirectly, more than 50% of the votes that are attached to the outstanding voting shares of the corporation and that may be cast in the election of the directors.

2. **A related party** includes an individual who, having been a related party under sub-paragraph (1) (a), (b), (c), (d) or (e) of an insurance business, ceases to be one under that paragraph, nevertheless continues for the purposes of this Part to be a related party of the insurance business for the twelve months commencing on the date the individual ceases to be a related party under sub-paragraph (1).

Conflict of interest - A situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity whether it is actual, potential or perceived.

(See Glossary for definitions)

3. RELATED PARTY TRANSACTIONS

Related Party Transactions are considered as one of the following:

3.1 Operational Transactions which include the purchase and sale of goods and services between the Insurance Company and its related parties.

3.2 Investment Transactions where investments are made, loans granted or credit extended (accounts receivable) to a related party by the Insurance Company or by a related party to an Insurance Company.

****Regulations 82(8) and 82(9) prohibit these transactions unless the transactions are permissible transactions or unless the transactions have been approved by the Conduct Review Committee.**

4 LIST OF PERMITTED RELATED PARTIES' TRANSACTIONS

As per guidelines of the Insurance Regulation of 2001, section 83, there are three permitted transactions:

4.1 The payment of salaries and benefits to employees and directors of the insurance company is permitted without the review of the Conduct Review Committee on the grounds that these payments are clearly part of the normal course of any company's business.

4.2 The provision of services normally provided by the company to a related party at fair value is permitted without the review of the Conduct Review Committee. An obvious example for an insurance company is the selling of insurance policies to company directors, company employees or affiliated companies on the same terms and conditions that are made available to all customers of the insurance company.

A list of these entities are included in the KEY Related Party List document (See Appendix B)

4.3 The purchase (sale) of goods and services from (to) related parties where the fair value of the goods and services is a nominal amount is permitted without the review of the Conduct Review Committee on the grounds that such transactions are considered to be immaterial.

A list of these entities are included in the KEY Related Party List document (See Appendix B)

5. CONDITIONS WHICH MUST BE MET BEFORE THE CONDUCT REVIEW COMMITTEE CAN APPROVE A RELATED PARTY TRANSACTION

All company transactions with related parties, excluding permitted transactions, must be approved by the Company's Conduct Review Committee. Transactions must meet the following requirements before Conduct Review Committee approval can be granted.

- 5.1. The transaction must be for a consideration that is at fair value (Regulation 82(10) and Regulation 85);
- 5.2 The transaction must not involve the purchase or sale of land (Regulation 84(3));
- 5.3 The transaction must not involve the exchange of securities between the insurance company and a related party unless the securities are listed on a recognized stock exchange (Regulation 84(3));
- 5.4 The transaction must be consistent with the usual business of the insurance company (Regulation 84(3)); and
- 5.5 The transaction must be in the best interest of the insurance company (Regulation 84(3)).

The KEY Related Party List document outlines the various related parties and the classes of business which the company has been pre-authorized by the Conduct Review Committee to engage in. This document is reviewed and approved twice per year by the Conduct Review Committee.

6. OUTLINE THE ROLE OF THE KEY STAKEHOLDERS

6.1 Conduct Review Committee

The role of the Conduct Review Committee:

- a. To perform such duties with respect to the Company's transactions with its related parties as set out in the Act and Part VIII of the Regulations .
- b. To perform such duties concerning the monitoring of procedures to identify and resolve conflicts of interest as more fully described under the heading "Duties" below.
- c. To perform such other duties as are required by the Act or by the Financial Services Commission, or as may from time to time be assigned to the Conduct Review Committee by the Board.

6.2 Management of KEY

1. Establish a mechanism to manage and monitor related party transaction and conflict of interest to ensure the compliance with the regulations.
2. Report pre-approved related party transactions to the Conduct Review Committee
3. Present to the Conduct Review Committee requests for approval of new related party transactions that falls outside of the scope of the pre-approved list.

7. RESTRICTIONS ON THE AUTHORITY OF THE CONDUCT REVIEW COMMITTEE

The Conduct Review Committee has two main restrictions

7.1 Regulation 82(11) of the Insurance Regulation indicates that the Conduct Review Committee cannot approve any transaction if as a result of that transaction the total amount owing to the insurance company (including accounts receivable, loans, or other security instruments including assets subject to an agreement to repurchase) by all related parties, exceeds 5% of the total assets of the company. Regulation 82(12) requires that the insurance company obtain consent from the FSC before any such transaction can be approved.

7.2 Regulation 82(13) prohibits the Conduct Review Committee from approving a transaction or a series of transactions that would result in the disposal of in excess of 10% of the assets of the insurance company to related parties over a 12-month period. Regulation 82(14) requires that consent be granted by the FSC before such transactions can be approved by the Conduct Review Committee.

8. DISCLOSURES BY RELATED PARTIES TO THE CONDUCT REVIEW COMMITTEE

The related party must disclose in writing to the company's Board of Directors the nature and extent of the related party's interest in the transaction. The Board of Directors is required to record this disclosure in the minutes of the Board of Directors meeting. In addition, the related party must not participate in any discussion on the transaction, must not be present when the company's directors are dealing with the transaction or must not in any way attempt to influence the company's decision with respect to the transaction.

Where the related party becomes aware of any order, information, customer, product or other factor which could potentially create a conflict of interest between the parties, then that party shall be obliged to disclose such material facts to allow the company to decide whether they consider the related party's interest a potential, perceived or actual conflict. The Board of Directors/committee shall ensure arm's length consideration be given for those transactions with related parties.

1. Failure to disclose a conflict of interest,
 - Employees/ Senior officers: Failure to comply with this policy and procedure may result in disciplinary action or termination of employment. (Guided by the GraceKennedy Disciplinary Procedures).

- Non-Executive members :Failure to comply with this policy and procedure may result in disciplinary action as determined by the KEY's Board of Directors.

2. Privacy and confidentiality

- All conflict of interest disclosures will be managed in accordance with the Company's privacy/confidentiality procedures. Information held may be used for the Company's purposes including audit, reporting, compliance monitoring, and other purposes required by legislation and the FSC.

9. KEY DOCUMENTS IN THE MANAGEMENT OF RELATED PARTIES AND CONFLICT OF INTEREST

9.1 TOR OF CONDUCT REVIEW COMMITTEE

The Terms of Reference of the Conduct Review Committee outlines the rules and guidelines for the operation of the committee. This includes the constitution of the committee, its duties and scope of responsibilities. A copy of the TOR can be seen at Appendix A.

9.2 RELATED PARTY LIST

The KEY Related Party List document outlines the various related parties and the classes of business which the company has been pre-authorized by the Conduct Review Committee to engage in. This document is reviewed and approved twice per year by the Conduct Review Committee.

9.3 RELATED PARTY TRANSACTIONS

The related party transaction report outlines all the transactions pertaining to related parties within a given period that meets the established criteria by the Conduct Review Committee.

10. GLOSSARY

1. Conflict of Interest

- a) Actual Conflict –The conflict currently exists.
- b) Perceived – could reasonably be viewed that a conflict exists, or could arise, that may improperly influence the duties or obligations of the related party to a transaction, now or in the future.
- c) Potential- it does not currently exist but it may arise given the circumstances

2. Employees- An employee is an individual or person who is hired by the Company to do a specific job and paid wages or salary for work performed whether contractual, permanently or on a part time basis.

3. Senior Officers- This class of persons include the Chief Executive Officer, Chief Operating Officer, Financial Controller, Managing Director, the General Manager, Assistant General Managers, Supervisors, all individuals employed with a senior title.

4. Directors- Director includes any person occupying the position of Director by whatever name called.

5. Officer- in relation to a body corporate, includes a Director, Manager or Secretary.

11. POLICY REVIEW PERIOD

The Conflict of Interest Policy and Procedures shall be reviewed every three years and recommendations made to the Conduct Review Committee for any changes to be considered.

Appendix A

Appendix A – Conduct Review Committee Terms of Reference and Rules

APPENDIX B

Appendix B – Related Party List

Key Insurance Company Limited (KEY)
Classes of Related Party Transactions as at
October 19, 2021

2. GENERAL INSURANCE TRANSACTIONS - GRACEKENNEDY LTD, & FELLOW SUBSIDIARIES

KEY participates in the general insurance coverage of its ultimate parent company GraceKennedy Ltd (hereinafter ‘GraceKennedy’) and its subsidiaries. The coverage provided is in accordance with KEY’ s underwriting policy and standards, which applies to all policies written by KEY.

The majority of GraceKennedy and subsidiary policies are written through Allied Insurance Brokers Ltd. (also a subsidiary of GraceKennedy.)

All insurance coverage provided to GraceKennedy and its subsidiaries are at fair market value, issued in the normal course of business at arm’s length, and is in the best interest of KEY.

3. GENERAL INSURANCE TRANSACTIONS – OTHER RELATED PARTIES

KEY provides general insurance coverage to its Directors and Officers. The coverage provided is in accordance with KEY’ s underwriting policy and standards, which apply to all policies written by KEY.

Policies held by Directors and Officers are issued at a discount (currently 50%). The discount is treated as a benefit.

The practice of issuing discounted insurance policies to key officers is consistent with prevailing market practice and is considered to be in the best interest of KEY.

4. BROKER TRANSACTIONS – ALLIED INSURANCE BROKERS LTD,

Allied Insurance Brokers Ltd. (hereinafter ‘AIB’) is one of approximately eighteen local insurance brokers through which KEY underwrites general insurance business.

The broker relationship between KEY and AIB is governed by a broker contract that sets out the respective rights and duties of the parties. This contract does not vary materially from those in place with KEY’s other brokers.

AIB is the largest general insurance broker in Jamaica. By virtue of this (and KEY’s participation on GraceKennedy), AIB accounts for a relatively large percentage of KEY’s premium income (and, by extension, receivables and commission expense). KEY seeks to ensure that these items are not disproportionate to the level of business between KEY and AIB.

In addition, AIB acts as broker for the Group Life and Group Health policies for KEY staff. The full premium paid by KEY to AIB is paid on by AIB to insurers external to the KEY Group.

APPENDIX C

Appendix C – Related Party Transaction Report

