ANNUAL REPORT 2020

KEY INSURANCE
COMPANY LIMITED

TEAM KEY:
STRONGER THAN YESTERDAY,
ONE SPIRIT, ONE GOAL

MOTOR INSURANCE

We cover your motor vehicle for Private, Commercial and General Haulage/Public Commercial use.
Coverages Available:
- Comprehensive
- Third Party Fire & Theft
- Third Party

GO

PROPERTY INSURANCE

Protect your assets against loss or damage caused by Hurricane, Fire, Windstorm, Earthquake, Flood and many more. We also give key and lock replacement, title deed replacement, accidental death coverage for the insured and or spouse.

LIVE

MOTORCYCLE INSURANCE

Ride with Comprehensive or Third-Party Coverage.

RIDE

TAXI & BUS INSURANCE

Whether you own and drive your PPV Taxi or Bus or you own and hire a driver, you can :
- Get Comprehensive or Third-Party coverage at competitive rates and terms
- Get a discount just because you have a careful driver.
- Get an even bigger discount if you own and drive your vehicle accident free.

DRIVE

KEY
KEY INSURANCE
COMPANY LIMITED

***UP TO 65% DISCOUNT AVAILABLE**

*Terms and Conditions apply.

888-CALL KEY (225-5539)
WWW.KEYINSURANCEJM.COM

Locations:
| Mandeville | May Pen | Cross Rds.
| Montego Bay | Ocho Rios | Portmore

KEY INSURANCE
COMPANY LIMITED

KeyBiz Protect

PROTECT YOUR BUSINESS AND SECURE YOUR FUTURE

Premium Financing Available

Request Quote Now

888-CALL KEY (225-5539) www.keyinsurancejm.com

Our Vision

To satisfy our customers by providing the best possible insurance protection of assets in Jamaica.

Our Mission

Key Insurance Company Limited is committed to protecting its Policyholders by providing quality products, excellent service and security of assets, through constant product and technological improvement by a highly motivated and competent staff.

Table of Contents

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of KEY INSURANCE COMPANY LIMITED (hereinafter referred to as the Company) will be held virtually on Wednesday, 8 September 2021 at 2:30 p.m., pursuant to an Order of the Supreme Court of Jamaica dated 21 October 2020 for the following purposes:

1. **To receive the report of the Board of Directors and the Audited Financial Statements for the year ended 31 December 2020 circulated herewith.**

To consider and (if thought fit) pass the following resolution:

RESOLUTION NO. 1
"THAT the Audited Financial Statements for the year ended 31 December 2020 and the reports of the Directors and Auditors circulated with the Notice convening the meeting, be and are hereby adopted."

2. **To elect Directors**

To consider and (if thought fit) pass the following resolution:

RESOLUTION NO. 2
"THAT the following Directors who retire by rotation in accordance with Section 97 of the Amended Articles of Incorporation and who being eligible, offer themselves for reappointment, be hereby reappointed."

(a) Herma McRae
(b) Don Wehby
(c) Linval Freeman

3. **To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.**

To consider and (if thought fit) pass the following resolutions:

RESOLUTION NO. 3
"THAT PricewaterhouseCoopers, Chartered Accountants, having signified their willingness to serve, continue in the office as Auditors of the Company, pursuant to Section 154 of the Companies Act, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

4. **To fix the fees of the Directors**

To consider and (if thought fit) pass the following resolution:

RESOLUTION NO. 4
"THAT the amount shown in the Accounts of the Company for the year ended 31 December 2020 as fees of the Directors for their services as Directors, be and is hereby approved."

By Order of the Board

Kerry-Ann Heavens
Company Secretary
Key Insurance Company Limited
25 March 2021

Corporate Data

AUDITORS

PricewaterhouseCoopers
Scotiabank Centre, Duke Street
Kingston, Jamaica

BANKERS

First Global Bank Limited

Sagicor Bank Jamaica Limited

National Commercial Bank Limited

COMPANY SECRETARY

Kerry-Ann Heavens

REGISTERED OFFICE

6C Half Way Tree Road
Kingston 5

REGISTRAR

Jamaica Central Securities Depository
40 Harbour Street
Kingston

WEBSITE

www.keyinsurancejm.com

Chairman's Message

GraceKennedy Limited (GK) acquired a majority stake in Key Insurance Company Limited through our GK Financial Group, in March 2020. We knew achieving our profitability targets for the newest addition to the GK Family would not be without its challenges, but we recognised the significant potential in the business, as well as in the management and staff of Key. For any business, periods of transition are difficult, and for the past year, our Key team has also experienced the added difficulty of adjusting to the 'new normal' of the COVID-19 pandemic. I am, therefore, extremely proud of Key's leadership team, who made the necessary changes to their operations, while ensuring that the needs of their clients were being served. I am also happy to report that we are well on our way to achieving profitability for Key.

DON WEHBY

During 2020, the newly installed Board of Directors developed four strategic drivers to position the Company for success: sustained growth and innovation, consumer centricity, improved business processes for greater efficiency, and a performance driven culture. The Company's leadership also took immediate steps to transform Key's corporate governance framework and institute robust risk management protocols, guided by GraceKennedy's long-standing expertise in these areas.

I am pleased to report that, to date, our chosen strategy has been working. This is evidenced by Key's 2020 financial results, particularly the fourth quarter, which reflects an underwriting profit of $34.2 million and profit before tax of $88.5 million. This demonstrates a marked improvement over the loss recorded for the same period in 2019, and I must congratulate the entire Key team, led by Tammara Glaves-Hucey, General Manager, and Steven Whittingham, Chief Operating Officer, GKFG, on successfully executing on this remarkable turnaround before year end.

Towards the end of 2020, Key's Board of Directors also sought and received approval from the Company's shareholders to bolster its capital base with a Rights Issue, which offered existing stockholders New Ordinary Shares in Key. The Rights Issue was very successful and closed in January 2021 after raising $668 million, which will be used to strengthen Key's

Chairman's Message (Continued)

financial position, facilitate regulatory compliance, and contribute towards the achievement of profitability targets and sustainable long-term growth.

The Board and Management of Key is encouraged by the confidence displayed by our stockholders in the Company, and we especially thank our team members, customers and all of our stakeholders for their unwavering support during this challenging period in our history. I remain extremely optimistic about Key's future as the Company moves steadily towards a profitable position.

I wish you all a healthy and safe 2021.

Annual General Meeting
(Left to Right) General Manager, Tammara Glaves-Hucey, Chairman, Don Wehby, Corporate Secretary, Kerry-Ann Heavens and Chief Financial Officer, Stuart Andrade demonstrate the essence of One Spirit, One Goal at Key's virtual AGM in 2020.

Corporate Governance

Corporate Governance provides an organised framework through which the Company establishes, manages and monitors its objectives and is supported by skilled personnel including the Company's Board of Directors, Senior Executives and its advisors. The structure, role and responsibility of the Board are outlined in the Company's Corporate Governance Code, which can be accessed via the Company's website. The Corporate Governance Code is reviewed every two (2) years.

The Board of Key Insurance Company Limited (KICL) is supported by four Committees, namely: the Corporate Governance Nomination and Compensation Committee (CGNCC), the Audit Committee, the Conduct Review Committee (CRC), and the Investment & Loan Committee. In keeping with good governance principles, the decisions of the Committees are reported directly, or ultimately, to the Board for approval or ratification. The Terms of References for each Committee have been approved by the Board and are reviewed and revised, at least annually, by the respective Committee and then by the Board.

The responsibility for the Company's day-to-day operations is that of the General Manager, Tammara Glaves-Hucey, who is supported by Senior Executives including the Chief Financial Officer, Stuart Andrade, Operations Manager, Andrew Dunkley, Claims Manager, Heather Bowie and Reinsurance & Non-Motor Manager, Carlene Isaacs.

The Board provides guidance and oversight and monitors Management's execution of the Company's strategic objectives. The members of the Management Team have a wealth of academic training and extensive work experience in the insurance industry and their expertise help to facilitate the decision-making process. Management is readily accessible to the Board and Committees to make presentations and clarify details, to ensure that directives and matters of importance to the Company and its shareholders are executed efficiently.

BOARD COMPOSITION & DIVERSITY

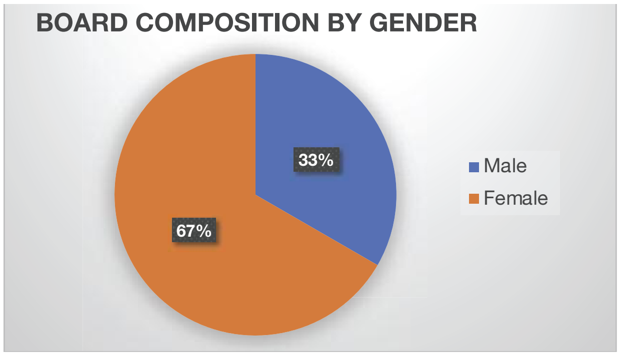
The Board is comprised of all non-executive Directors; four of whom are also considered to be independent. The size and competency of the Board is sufficient to address the current and emerging trends affecting the Company in an efficient and effective manner. The Board provides strategic guidance to the Company, oversees the implementation of strategic objectives and monitors Management's performance.

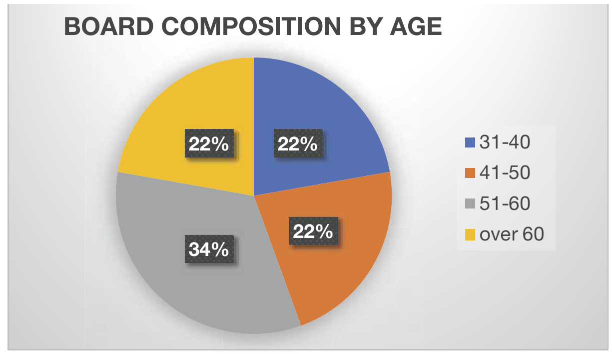
Each Director is required to and must act in the best interests of the Company, consistent with his or her statutory duties while exercising independent judgment. The Directors are required to disclose to the Board their business interests and any potential areas of conflict between his/her interests and his/her duty to the Company. Directors are expected to challenge Management's proposals on strategy and monitor the agreed indicators necessary to achieve the objectives of the Company.

The Board of KICL recognises the importance of diversity and strives for the right mix of skills and competencies along with an appropriate balance in respect of age and gender.

Corporate Governance (Continued)

Our current gender and age mix are below:





The following table sets out the current composition of the Board including each Directors' status vis-à-vis the Company, academic qualifications and relevant expertise.

DIRECTORS	STATUS	ACADEMIC QUALIFICATIONS	EXPERTISE
Don Wehby	Non-Executive	M.Sc. (Hons) Accounting B.Sc. (Hons) Accounting Institute of Chartered Accountants (FCA)	Accounting, Finance
Herma McRae	Independent/ Non-Executive	MBA Finance B.Sc. Management Studies Bachelor of Laws (LLB) Certificate of Legal Education (CLE)	Banking, Finance, Legal
Linval Freeman	Independent/ Non-Executive	Chartered Certified Accountant (FCCA) Diploma Business Administration	Accounting, Finance
Mariame McIntosh Robinson	Non-Executive	MBA M.Phil. Economics B.Sc. Electrical Engineering and Economics (Minor)	Banking, Finance
Kareem Tomlinson	Independent/ Non-Executive	B.Sc. (Hons) Mathematics (Major), Economics (Major) Chartered Financial Analyst (CFA) Programme Financial Risk Manager (FRM) Programme	Banking, Finance, Financial Risk
Sandra Masterton	Non-Executive	Fellow, Chartered Insurance Professional	Insurance
Rochelle Cameron	Independent/ Non-Executive	MBA International Business Bachelor of Laws (LLB) Certificate of Legal Education (CLE)	Legal, Corporate Governance, Human Resources
Natalia Gobin-Gunter*	Non-Executive	University of London, LLB B.A. Arts	Insurance
Kerry-Ann Heavens	Non-Executive	Master of Corporate Law (Hons) Bachelor of Laws (LLB) (Hons) Certificate of Legal Education (CLE) B.Sc. (Hons) International Relations and Public Sector Management	Legal, Corporate Governance, Compliance
*Natalia Gobin-Gunter resigned from the Board on 1 November 2020			

Independent Director - a member of the Company's Board of Directors who does not have a material relationship with the Company and is neither part of its executive team nor involved in the day-to-day operations of the Company.

Executive Director - a member of the Company's Board of Directors who is also a part of the Company's executive team.

Non-Executive Director - a member of the Company's Board of Directors who is not part of the executive team and typically does not engage in the day-to-day management of the Company.

Corporate Governance (Continued)

BOARD SUB-COMMITTEES

Committee	Members	
Audit Committee	• Chair - Linval Freeman • Kareem Tomlinson • Herma McRae	This Committee is tasked with ensuring the integrity of the Company's financial statements and systems of internal control. The Audit Committee also selects and monitors the performance of the Company's internal and external auditors.
Investment and Loan Committee	• Chair – Mariame McIntosh Robinson • Kareem Tomlinson • Linval Freeman	This Committee is established in accordance with Regulation 75 of the Insurance Regulations, 2001, which is issued pursuant to the Insurance Act, 2001. It has general oversight of the Company's investment and funding activities and the management of the risks associated therewith. To this end, it is mandated to perform such duties as may be stipulated by law and by the Financial Services Commission.
Conduct Review Committee	• Chair – Rochelle Cameron • Herma McRae • Linval Freeman	This Committee is established in accordance with Regulation 74(1) of the Insurance Regulations, 2001, which is issued pursuant to the Insurance Act. It is mandated to establish written procedures that are geared towards identifying situations that create potential conflicts of interest and preventing such conflicts. During the period under review, the CRC actively monitored, reviewed and approved all Related Party transactions to ensure application of arm's length considerations.
Corporate Governance Nominations and Compensation Committee	• Chair – Don Wehby • Rochelle Cameron • Kareem Tomlinson • Kerry-Ann Heavens	This Committee is tasked with ensuring the implementation of and adherence to corporate governance best practices. It also has oversight of matters relating to the appointment, training, composition and tenure of Directors of the Board. The CGNCC reviews the setting of performance criteria and evaluation of senior management as well as succession plans for senior roles. The Committee also oversees the annual Board evaluation and monitors implementation of any recommendations arising therefrom.

Corporate Governance (Continued)

BOARD ATTENDANCE

DIRECTORS	BOARD	CORPORATE GOVERNANCE, NOMINATIONS & COMPENSATION COMMITTEE	AUDIT COMMITTEE	CONDUCT REVIEW COMMITTEE	INVESTMENT & LOAN COMMITTEE	DATE OF APPOINTMENT TO THE BOARD
Don Wehby	10/10	1/1	n/a	n/a	n/a	31-Mar-2020
Herma McRae	9/10	n/a	8/8	1/1	n/a	31-Mar-2020
Linval Freeman	10/10	n/a	8/8	0/1	2/2	31-Mar-2020
Mariame McIntosh Robinson	10/10	n/a	n/a	n/a	2/2	31-Mar-2020
Kareem Tomlinson	9/10	1/1	8/8	n/a	2/2	31-Mar-2020
Sandra Masterton	10/10	n/a	n/a	n/a	n/a	20-Jul-1990
Rochelle Cameron	9/10	1/1	n/a	1/1	n/a	31-Mar-2020
Natalia Gobin-Gunter*	8/10	n/a	n/a	n/a	n/a	20-Jul-1990
Kerry-Ann Heavens	10/10	1/1	n/a	n/a	n/a	31-Mar-2020

*Natalia Gobin-Gunter resigned from the Board on 1 November 2020

DIRECTORS' COMPENSATION

For the period under review, the Directors were compensated as follows:

1	Annual Retainer payable to Directors	$450,000 per annum
2	Additional Retainer for Chairman	$90,000 per annum
3	Additional Retainer for Committee Chair	$54,000 per annum
4	Attendance fee per Committee meeting	$18,000

Directors who are otherwise employed within the GK Group are not eligible to receive Directors' fees.

Corporate Governance (Continued)

BOARD DEVELOPMENT

The Company supports the ongoing development of its Board of Directors in the execution of their responsibilities. Throughout 2020, the Directors participated in four (4) training sessions which are outlined in the table.

	Topic	Presenters	Date
1	• The Data Protection Regime and the Director's Remit	Grace Lindo, Attorney-at-Law, Carter Lindo & Andrew Nooks	6-Oct-2020
	• Oversight, Accountability, Transparency and the Role of the Audit Committee	Allison Peart Managing Director, A Peart Advisory Services Limited	
2	Reinsurance	Willis Re Team: Cameron Roe Scott Butler Ella Passingham	15-Jul-20
3	• Recent and Emerging Trends in Corporate Governance	Suzanne Ffolkes-Goldson Attorney-at-Law & Senior Lecturer The Faculty of Law, University of the West Indies	9-Jun-20
	• COVID-19 - The next normal and implications for Financial and Foods services	McKinsey & Company	
4	AML Training: Flexibility or Compromise? Balancing Organizational & Regulatory Expectations	Caroline P. Hay QC, FCIArb Attorney-at-Law	4-Feb-20

BOARD EVALUATION

In keeping with best practices, the Board has committed to an annual Board evaluation. Having been in office for approximately a year, the current Board will undertake an evaluation of its performance for the period March 2020 to March 2021. The findings will be used to strengthen the Board's performance and improve Corporate Governance.

REGULATORY RESPONSIBILITIES

The Company strives to comply with its various regulatory obligations, and maintains good relations with regulators and shareholders. The shareholders are able to access the Company's website for quarterly and annual reports as well as information on Directors and Senior Executives.

NOMINATION AND APPOINTMENT OF NEW DIRECTORS

From time to time, the CGNCC assesses the range of qualifications, skills and experience of the Board and has sought to identify competencies that will increase the Board's strength. This assists the CGNCC in identifying potential appointees to the Board of Directors, if necessary.

There is a formal process that governs the nomination, selection and appointment of new Directors. Once a potential candidate is identified, the CGNCC compiles a list of candidates for interviews. Discussions with the potential candidate include a review of any area of potential conflict of interest, considerations that may impact the independence of the candidate, and whether the candidate is able to devote the necessary time and commitment to prepare for and attend meetings and discharge duties fully, as a Director.

As required and appropriate, background checks are made before the CGNCC makes a recommendation to the Board. New non-executive Directors are given a formal letter of appointment, which sets out the key terms and conditions of their appointment, including their duties, rights and responsibilities, required commitment and the Board's expectations regarding involvement with Committee work. Directors' Liability Insurance is also currently in place for the Company through the GK Group.

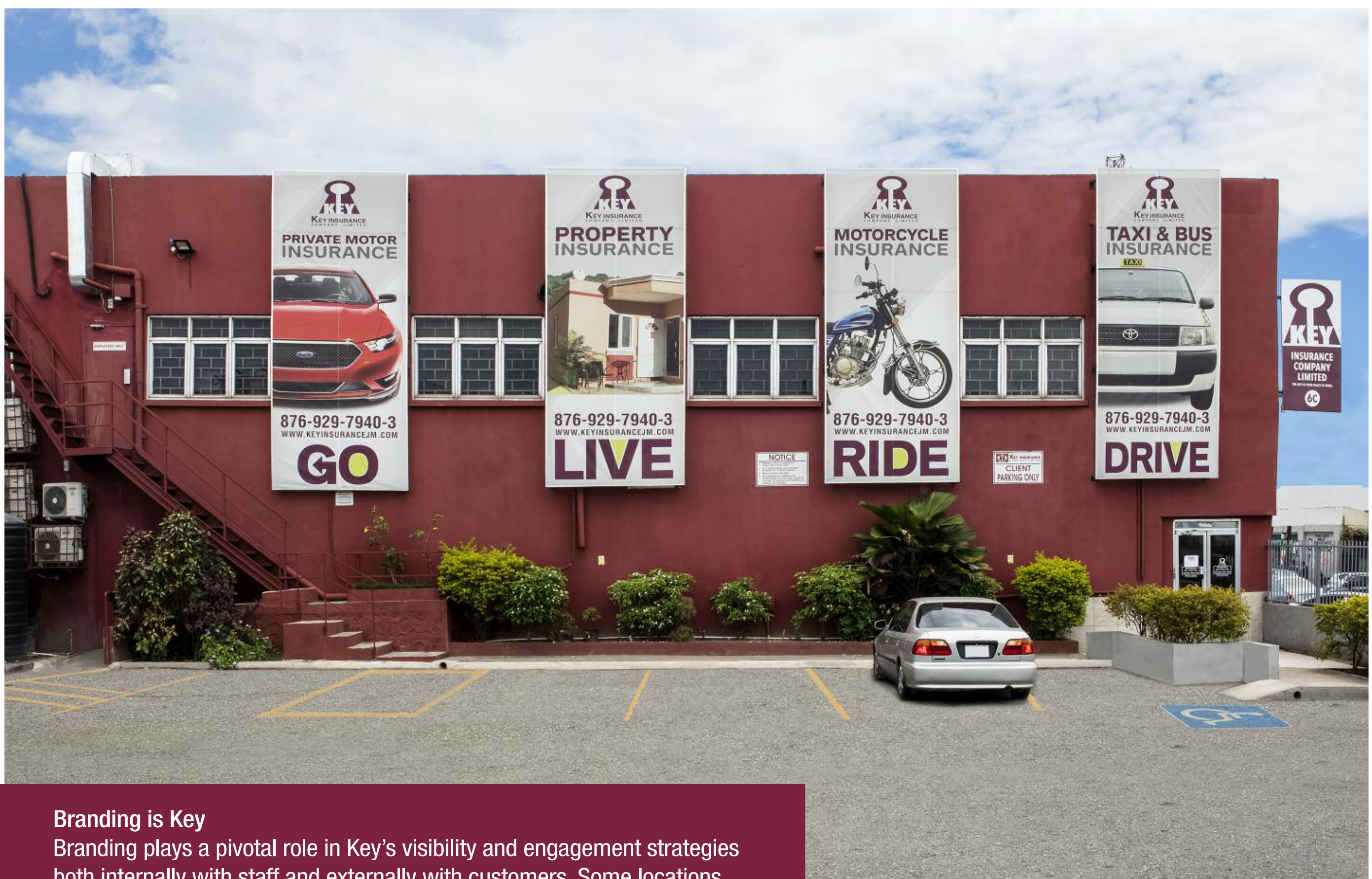
Corporate Governance (Continued)

COMPANY SECRETARY

The Company Secretary is accountable directly to the Board and is charged with giving advice to the Board through the Chairman on matters concerning governance and general compliance with legislative and codified regulations. The Company Secretary is Kerry-Ann Heavens.

The Secretary ensures that communications with regulatory bodies and the Jamaica Stock Exchange, as well as other filings, are completed in a timely manner, in accordance with applicable regulatory guidelines and the Company's Code of Ethics.

The Secretary sits on the Company's CGNCC and is charged with assisting the Board Chairman with the on boarding process of new appointees to the main Board and Board Committees.



Branding is Key
Branding plays a pivotal role in Key's visibility and engagement strategies both internally with staff and externally with customers. Some locations have been rebranded, eliciting positive feedback from the market-place.


KEY
KEY INSURANCE
COMPANY LIMITED
Earning Made
EA$Y
IT'S YOU & ME!
I REFER YOU
& WE BOTH
EARN WITH KEY
Kickback & Earn With Key
Earn $2500 or a Gift Voucher for each referral
Get 5% off insurance premium
CONDITIONS APPLY

Directors' Report

Year Ended 31 December 2020

The Directors are pleased to present their report for the year ended 31 December 2020 and submit herewith the financial position for Key Insurance Company Limited as at that date.

OPERATING RESULTS

	$'000
Revenue	1,432,083
Loss Before Taxation	449,499
Net Loss After Tax Attributable to Stockholders	299,666

No dividends were declared or paid during the year.

DIRECTORS

The Directors as at 31 December 2020 were as follows:

- Don Wehby (Chairman)
- Herma McRae
- Rochelle Cameron
- Kareem Tomlinson
- Linval Freeman
- Sandra Masterton
- Mariame McIntosh Robinson
- Kerry-Ann Heavens (Director & Company Secretary)

During the year, the following changes to the Board occurred:

- Natalia Gobin-Gunter resigned from the Board on 1 November 2020.

AUDITORS

Messrs. PricewaterhouseCoopers, the present Auditors, have signified their willingness to continue in office pursuant to the Companies Act, 2004.

The Directors wish to express their appreciation to the management and staff for their achievements during the year.

By Order of the Board
Key Insurance Company Limited
26 April 2021

Don Wehby
Chairman

Board of Directors

Don Wehby Chairman

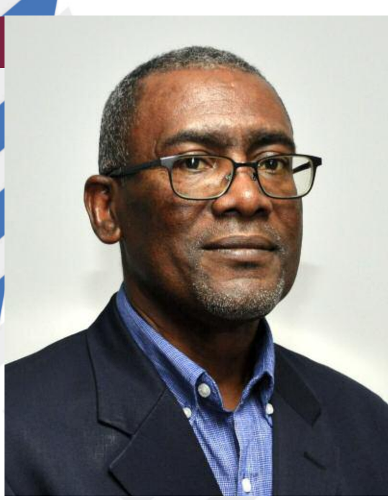
Don was appointed Group Chief Executive Officer of GraceKennedy Limited on 1 July 2011. Prior to this appointment, he held the position of Group Chief Operating Officer from 5 October 2009.

Don first joined GraceKennedy Ltd. in 1995 as Group Finance Manager. He was appointed Deputy Finance Director in 1997 and in that same year, was appointed to the Board of Directors of GraceKennedy Ltd. He has held several positions throughout the years including Chief Operating Officer of the Financial Services Division in 1999. During his tenure, the division's pre-tax profit rose from $280 million in 2000 to $1.417 billion in 2005, an increase of 406%.

In September 2007, he resigned from his positions at GraceKennedy Ltd. and its Board of Directors to serve for two years as Government Senator and Minister without Portfolio in the Ministry of Finance and the Public Service. Following his two-year stint in public service, he was reappointed to the Board of Directors of GraceKennedy Ltd. in October 2009 and to other Boards throughout the Group. He currently serves as Chairman of First Global Holdings Limited, GK Foods & Services Limited, GraceKennedy Money Services SRL and the newest member of the GK family, Key Insurance Company Limited.

A Fellow Chartered Accountant, Don holds both a Bachelor of Science (Hons.) and a Master of Science degree in Accounting from The University of the West Indies and has completed an Advanced Management College certificate course at Stanford University.

Don is currently New Zealand's Honorary Consul to Jamaica, following his appointment in September 2015. In March 2016, he was appointed by Jamaica's Prime Minister, The Most Honourable Andrew Holness, as a Senator, which will once again allow him to offer his services by giving an independent, non-aligned voice in critical national matters. He is also the Chairman of JAMPRO following his appointment in April 2016. On 16 October 2017, he received the Order of Distinction (Commander Class) in recognition of his sterling contribution to both the public and private sectors.



LINVAL FREEMAN

Linval is a Chartered Certified Accountant and Fellow of the Institute of Chartered Accountants of Jamaica (FCA) and Fellow of the Association of Chartered Certified Accountants (FCCA). He also holds a Diploma in Business Administration from the University of Technology (UTECH).

Between 2003 and 2018, he served as Director and Assurance Partner in the Jamaica office of Ernst & Young. In his first 10 years of practice, he was instrumental in the establishment of the Advisory Service Line and the growth and development of the Assurance Service Line. He retired from the partnership at end July 2018.

Prior to his tenure at Ernst & Young, he served 21 years at PricewaterhouseCoopers.

Linval has been Director and Chairman of the Audit Committees of Canopy Insurance Limited, Sygnus Real Estate Finance Limited and Sygnus Credit Investments Limited since 2019.

He is the Chairman of the Audit Committee.

Board of Directors (Continued)

MARIAME MCINTOSH ROBINSON

Mariame McIntosh Robinson joined First Global Bank Limited in 2016 as President and Chief Executive, prior to which she was a partner at Portland Private Equity in the position of private equity investor for 7 years. She was also a Strategy Consultant for 8 years at McKinsey & Company's Atlanta office and a Manager at Bain & Company, New York.

At present, she serves as Vice President of the Private Sector Organization of Jamaica (PSOJ), and Board Chair of TEACH Caribbean, an educational NGO she co-founded in 2006 with seed financing from Rhodes Trust to provide access to quality education for economically disadvantaged youth.

She holds a B.Sc. in Electrical Engineering from MIT, an MBA from Harvard Business School and a M.Phil. in Economics from Oxford University where she attended as a Rhodes Scholar.

Mariame McIntosh Robinson chairs the Investment & Loan Committee.

KERRY-ANN HEAVENS

Kerry-Ann Heavens is an attorney-at-law, specializing in corporate finance. She has acted as counsel in various private equity deals, debt financing arrangements as well as mergers & acquisitions, since being called to the Jamaican Bar in 2010.

She joined the GraceKennedy team in 2017, providing legal advice and oversight for the companies in the GraceKennedy Financial Group, which includes First Global Bank Limited and the recently acquired Key Insurance Company Limited. She previously worked in the commercial department at Myers, Fletcher & Gordon, one of Jamaica's leading law firms.

Kerry-Ann is a graduate of the University of Cambridge, where she obtained a Master of Corporate Law degree as a Chevening Scholar. She also holds a Certificate of Legal Education from the Norman Manley Law School; a Bachelor of Laws Degree as well as a Bachelor of Science Degree in International Relations and Public Sector Management (both with first class honours) from the University of the West Indies.

Board of Directors (Continued)

ROCHELLE CAMERON

Rochelle Cameron is an Attorney-at-Law with over 20 years at the Jamaican Bar and a former Crown Counsel with the Office of the Director of Public Prosecutions. She has served as the Caribbean Vice President of Legal and Regulatory for a telecommunications multinational, Cable & Wireless Communications and Company Secretary of Cable & Wireless Jamaica Limited and its subsidiaries.

She is the founder and Chief Executive of Prescient Consulting Services Limited, a firm which supports organisations in the development and execution of impactful legal, people and communications strategies.

Rochelle holds an MBA in International Business from the Mona School of Business and Management, where she was a former lecturer. She is also a John Maxwell certified Coach, Trainer and Speaker. As a keynote speaker at local and international conferences, her inimitable “Adrenaline Roch” style of passion, high energy and sense of humour shapes her delivery of serious topics in an interesting and entertaining manner.

Rochelle chairs the Conduct Review Committee.

HERMA MCRAE

Herma McRae is an Attorney-at-Law and a former banker. Her professional career began in banking at the National Commercial Bank Jamaica Limited (NCB) where she worked for over 30 years.

Subsequent to her tenure at the bank, Herma pursued her lifelong desire to study law and was called to the Jamaican Bar in 2008. Thereafter, she served as Crown Counsel in the Commercial Affairs Division of the Attorney General’s Chambers (AGC) in Jamaica. In 2012, she left the AGC to start a civil practice specializing in commercial law.

Herma holds the Legal Education Certificate from the Norman Manley Law School, LLB from the University of London, B.Sc. Management Studies, an MBA in Finance from the University of the West Indies and ACIB from the Institute of Bankers (London).

Board of Directors (Continued)

KAREEM TOMLINSON

Kareem Tomlinson is General Manager of JMMB Securities Limited. Over his 12-year tenure with the JMMB Group, he has served in various capacities and has amassed wide-ranging experience in areas such as private equity, investment banking, portfolio management, mergers and acquisitions, risk management, accounting and customer service.

Kareem holds a B.Sc. in Mathematics and Economics from the University of the West Indies, and has attained the prestigious Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM) designations, which have equipped him with strong technical and analytical skills. He has attended various professional training courses in venture capital, credit risk management, equity and fixed income products.

SANDRA MASTERTON

Sandra Masterton is a Senior General Insurance Professional with over 31 years' experience in Claims, Underwriting, and Reinsurance.

She has a long history with Key Insurance Company, which began in late September 1988 post Hurricane Gilbert, after completing her Associateship Designation from the Insurance Institute of Canada.

She achieved the designation Fellow of the Insurance Institute of Canada in May 1999, with a major in Underwriting from the University of Toronto, Canada. Directly following, she completed six months of training with the Munich Reinsurance Company of Canada in Treaty and Facultative Reinsurance.

Sandra served as a Director of the Board of Key Insurance Company from July 1990 to May 2007 and was appointed Deputy Managing Director in June 2007. In August 2012, she was appointed Managing Director by the Board of Directors and remained in that capacity until March 2020.

General Manager's Report

TAMMARA GLAVES-HUCEY

The start of the Company's 2020 financial year coincided with two significant events, both of which resulted in major changes to our operations during the reporting period. The first of these was the confirmation of the first case of COVID-19 in Jamaica; the second was the acquisition of 65% of Key Insurance's ordinary share capital by GraceKennedy Limited (GKL), through its wholly owned subsidiary GraceKennedy Financial Group Limited (GKFG). Both events impacted our Company in different ways. The GraceKennedy acquisition brought about a wide range of opportunities for improvement in the performance of Key Insurance, while the COVID-19 pandemic resulted in a great amount of uncertainty for our business.

Notwithstanding the challenges associated with transitioning to new management and adjusting to operating our business in the midst of the COVID-19 pandemic, Key Insurance managed to successfully grow gross premiums by 2%, and improved our under-writing performance. Had it not been for a one-off amortisation of underwriting assets, our results would have been even more encouraging.

The improvements in our underwriting results were due to enhanced underwriting discipline, and the following initiatives:

- Improved gross written premium and a reduction in our loss ratio
- Refreshed product offerings in line with Key's renewed direction
- Successful roll out of payment plan options to our direct customers
- Successful restructuring of the departments for efficiency
- Launch of our Marketing Campaign - Go Live Ride Drive.

Information technology was also an area of focus for Key during the year under review, and we successfully executed the following:

- Upgrade and launch of the Company's website
- Upgrade of Core Insurance Applications
- Launch of Online Quote Engine.

Key recognises that we need to meet our customers and other stakeholders where they are, and as technology evolves, we must adapt accordingly. We will continue to enhance our digital capabilities to better serve our customers, which will help them to make better insurance decisions, and allow us to be more focused on our product offerings.

Customer Service was also another focal point for our Company this year; some of our most notable successes included:

- 78% customer retention rate in 2020, compared to 51% in 2019

General Manager's Report (Continued)

- 12% increase in the number of customers served during the year
- Customer Service Survey results highlighting a Client Satisfaction Index (CSI) of 82% and a Net Promoter Score of 15.

We are dedicated to providing our customers with economical insurance solutions delivered with the highest level of customer service. With this in mind, we will continue to use a combination of agility, with the right people, training, and technology to create and refresh our customers' experience.

Staying connected with our customers is paramount. Since the launch of our Marketing Campaign in June 2020, we have increased our visibility and engagement with both existing and prospective customers on all social media platforms, through radio and television advertisements, and by rebranding some of our locations. Our customers are pleased with our efforts and have been giving us positive feedback.

None of these results would have been possible without the support of our outstanding team. As expected, initially our staff members were anxious about the direction of the Company under new management. Various strategic engagement initiatives were executed, and the team quickly adapted to the changes with enthusiasm, embracing GraceKennedy's core values and culture. As a team, we decided that we would be Stronger than Yesterday. This was our rallying cry throughout the year, supported by the belief that Key Insurance operates with one spirit, one goal.

Overall, our Company enjoyed several successes during the year under review that we believe will have significant impact on future performance. We remain optimistic despite the challenges ahead. We are stronger together and our strength will help to create and maintain value for all our stakeholders.

Staying Connected is Key
Key proactively engages customers on all social media platforms, through radio and television advertisements.

Executive Management Team

Senior Managers (L-R) :
Tammara Glaves-Hucey, General Manager (front)
Heather Bowie, Claims Manager
Carlene Isaacs, Reinsurance & Non-Motor Manager
Stuart Andrade, Chief Financial Officer

Executive Management Team

Managers(L-R) :
Andrew Dunkley, Operations Manager.
Napair McLeary, Business Development Manager
Kaydene DeSilva, Senior HR Officer

Executive Management Team

SENIOR MANAGERS

TAMMARA GLAVES-HUCEY
GENERAL MANAGER

Tammara Glaves-Hucey is an Attorney-at-Law and Chartered Insurer with over 15 years in the general insurance industry.

Her insurance experience began in 2002 at GK General Insurance Company Limited, (formerly JIIC) (GK Insurance), as an Executive Assistant. In 2005, she joined the Claims team as an Associate and thereafter, a management trainee from 2006 to 2007.

Tammara moved to Allied Insurance Brokers within the GraceKennedy Group, before joining General Accident Insurance Company. After which, her career path led her to Globe Insurance Company in 2011 in the capacity of Claims Manager before her return to GK Insurance in 2013 as Claims Manager. She later assumed responsibility for the regional portfolio in 2014.

In 2015, she was promoted to Assistant General Manager (AGM), Personal Lines, Claims & Legal Operations and in April 2019, to General Manager for GK Insurance (Eastern Caribbean) Ltd. while retaining her AGM role at GK Insurance in Jamaica. On 1 March 2020, Tammara was appointed to the position of General Manager for Key Insurance.

Tammara holds a B.Sc. in Management Studies from the University of the West Indies, B.Sc. in Law from the University of London, and a Legal Education Certificate from the Norman Manley Law School.

STUART ANDRADE
CHIEF FINANCIAL OFFICER

Stuart is a Chartered Accountant and member of the Institute of Chartered Accountants of Jamaica with over 20 years' experience in finance and accounting.

He was appointed to the position of Chief Financial Officer (CFO) on 1 July 2020. Prior to his appointment, Stuart worked in various capacities within the GraceKennedy Financial Group for more than 14 years. His former years of work were spent at PricewaterhouseCoopers and Chambers Henry and Partners as an auditor, which exposed him to several industries including manufacturing, finance and insurance.

Stuart currently serves as a Commissioner at the Fair Trading Commission and has rendered service to other boards, including the Consumer Affairs Commission.

CARLENE ISAACS
REINSURANCE & NON-MOTOR MANAGER

Carlene Isaacs is the Reinsurance Manager with over 25 years of experience in underwriting and reinsurance. She began her career in the industry as a Property Underwriter at JN General Insurance Company (formerly NEM Insurance Company).

She left the industry to pursue her first degree and upon completion, she joined the staff of United General Insurance Company (now Advantage General Insurance Company Limited) before rejoining JN General Insurance Company as Assistant Reinsurance Manager in 2005.

In 2009, she joined Key Insurance as Reinsurance Technician and was later promoted to Reinsurance Manager.

She holds a B.Sc. in Management and Accounting from the University of the West Indies, a Diploma in Business Administration from the University of Technology and a Diploma in Insurance from the College of Insurance and Professional Studies. She received training in Reinsurance at Heath Fielding Reinsurance Broking for three months and also completed the Mercantile and General International Reinsurance Course held in the U.K.

HEATHER BOWIE
CLAIMS MANAGER

Heather Bowie, a trained teacher, entered the insurance industry in 1980. Her insurance career began at the Insurance Company of the West Indies (ICWI), and then Key Insurance, where she is the Claims Operations Manager.

She is a Fellow of the Chartered Insurance Institute (FCII), and a Chartered Insurance Practitioner (CIP). She also holds an MBA from the Manchester Business School, University of Manchester.

Heather is currently a board member of the College of Insurance & Professional Studies (CIPS) and the Jamaica Society of Insurance Professional & Technicians (JSIPT). She remains committed to the insurance industry and is a part time lecturer.

MANAGERS

ANDREW DUNKLEY
OPERATIONS MANAGER

Andrew Dunkley began his professional career as a Risk & Reinsurance Associate with GK Insurance. He then became a candidate for the Accelerated Development Programme for the GraceKennedy Group, which exposed him to the operations at Allied Insurance Brokers, First Global Bank, Grace Foods and GraceKennedy Group Risk Department where he was a Project Officer for each of the entities involved.

In 2019, Andrew became the Head of Digital Transformation at GK Insurance and was appointed Operations Manager at Key Insurance in April 2020.

Andrew has a B.Sc. in Banking and Finance from the University of Technology and an MBA from the Edinburgh Business School at the Heriot-Watt University in Scotland.

NAPAIR MCLEARY
BUSINESS DEVELOPMENT MANAGER

Napair McLeary has over 13 years' experience in the Financial Services Industry, 7 years of which is in the general insurance industry. He is responsible for the Company's Revenue Growth, Channel, and Intermediary Relationship Management.

Over the years, he acquired specialist experience in Personal Banking, Commercial Insurance, Personal Lines Insurance, Corporate, Broker and Independent Agent Portfolio and Relationship Management. His general insurance experience began at British Caribbean Insurance Company where he held various positions in Business Development, and Portfolio and Relationship Management. He is licensed in all 6 classes of General Insurance by the Financial Services Commission.

Napair holds a Bachelor of Science in Marketing from the University of the Commonwealth Caribbean, Certificate in Project Management (Hons) from the University of the West Indies, Certificate in Supervisory Management (Hons) from the University of the West Indies, an Associate of Science in Marketing from the Excelsior Community College, Certificate in Property Insurance from the College of Insurance and Professional Studies, among other certifications.

KAYDENE DESILVA
SENIOR HR OFFICER

Kaydene DeSilva, is a young Human Resource guru with over 6 years' experience in the Human Resource Field. Her ability to break down a complex issue to granular pieces and then solving each efficiently and effectively, highlights the depth and magnitude of her skills in the Human Resource field.

She started her career in 2013 as one of ten interns in GraceKennedy Limited's inaugural Internship Programme as a Human Resource Intern, where she learnt the basics of the Human Resources profession and the different focus areas within the field.

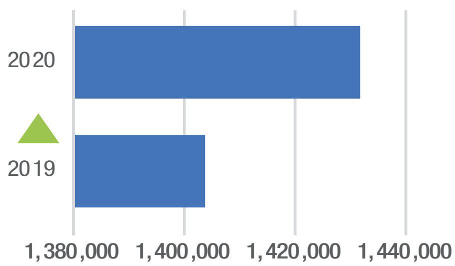
Upon completion of the Programme in 2014, she was appointed Human Resources Associate and later promoted to Human Resources Officer in 2016. In 2017, Kaydene was appointed to the post of Talent Development Officer for GraceKennedy Limited. In 2019, she acted as Senior HR Officer at GK's insurance subsidiary, GK General and through the role was introduced to the insurance industry, which prepared her for the position of Senior HR Officer for Key Insurance Company Limited in March 2020.

Kaydene holds a B.A. in Industrial /Organizational Psychology and International Business from Dominican University in the United States of America, and a M.Sc. in Human Resource Management and Training from the University of Leicester in the United Kingdom.

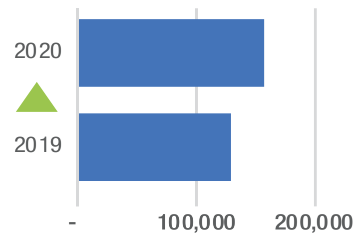
Management Discussion and Analysis

OVERALL FINANCIAL PERFORMANCE

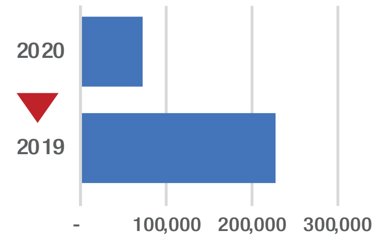
Gross Premiums



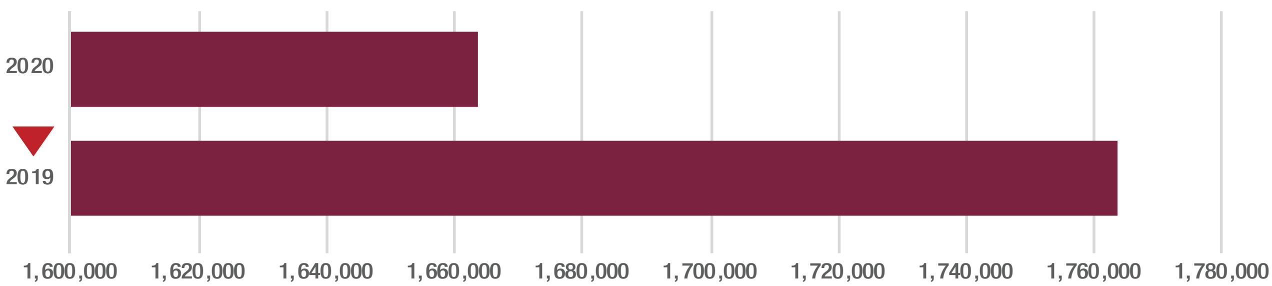
Commission Income



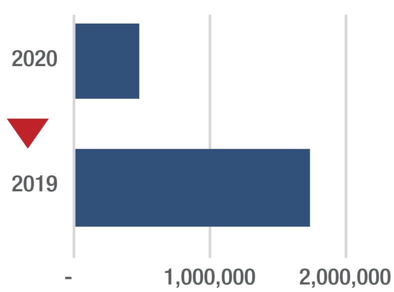
Other Finance and Investment Income



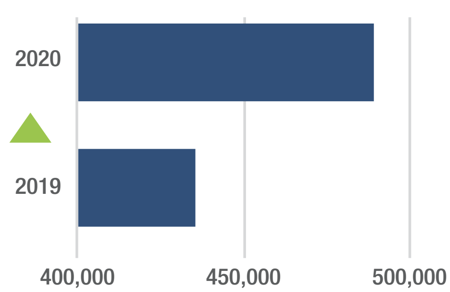
Total Revenues



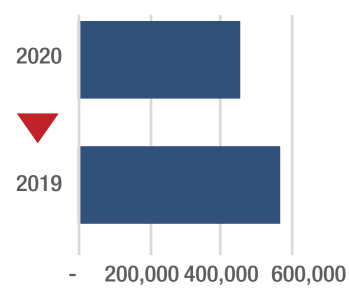
Reinsurance Ceded



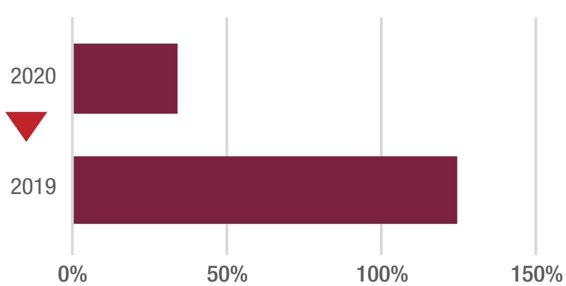
Administrative Expenses



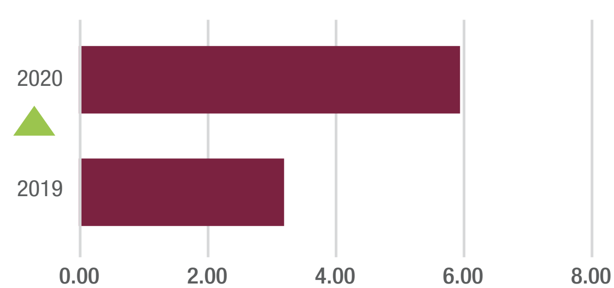
Pre-Tax Loss



Reinsurance Ratio



Closing Stock Price



Management Discussion and Analysis (Continued)

MANAGEMENT'S REPRESENTATION

The information contained in this MD&A may not include all the information that is important to Key Insurance Company Limited's (KICL) current or potential investors. This Annual Report should be read in its entirety for more detailed description of events, uncertainties, trends, risks, and critical accounting estimate affecting the Company.

OUR MISSION

KICL is committed to protecting our policyholders by providing quality products, excellent service and security of assets, through constant product and technological improvement by a highly motivated and competent staff.

OUR VISION

Servicing Your Needs – To satisfy our customers by providing the best possible insurance protection of assets in Jamaica.

WHAT IS OUR BUSINESS

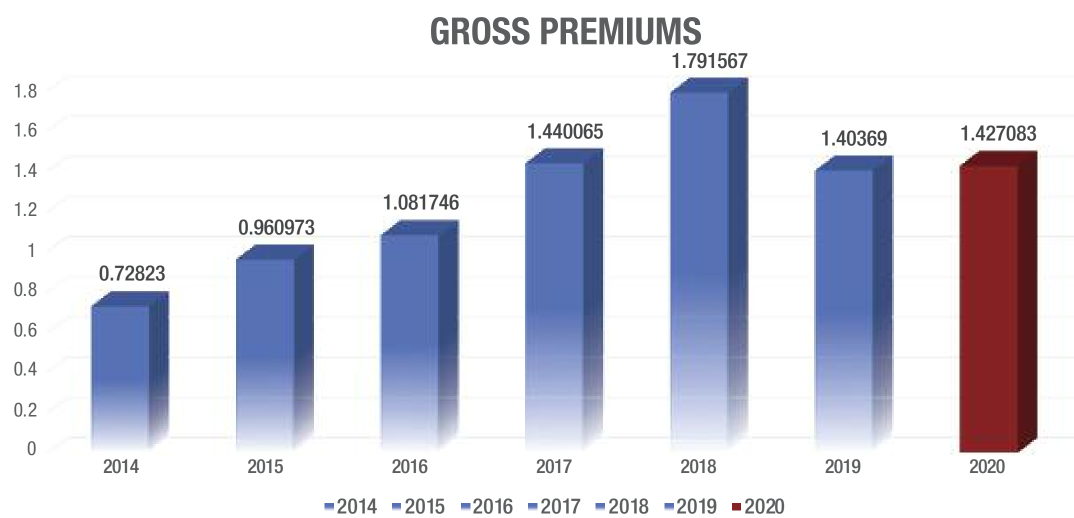
KICL was incorporated in 1982 and is domiciled in Jamaica, with our head office located at 6c Half Way Tree Road, Kingston 5, and four other branches across the island. The Company is licensed by the Financial Services Comission (FSC) to provide insurance protection for all classes of general insurance and currently offers motor, commercial and personal property and casualty insurance coverage to the public. KICL provides competitive rates in the market and currently has 3% of the market.

FINANCIAL PERFORMANCE

At the end of a very challenging year, KICL's management is optimistic about the direction in which our Company is heading. Although KICL continued to face significant challenges last year, there is much to be celebrated with respect to the performance of our Company.

KICL experienced marginal growth of 2% in gross written premium in 2020 when compared to 2019, despite the negative impact of COVID-19 on the local economy and businesses. This is in contrast to the 0.2% reduction in gross written premium experienced by the Jamaican insurance industry in 2020. The Company's improved performance is attributable to management's revenue growth initiatives, which were implemented at the beginning of the second quarter. These initiatives are still being executed and as such, we anticipate sustained growth over the next three years.

The chart below depicts the gross premiums for the last seven years, with an average of $1.4 billion in gross premium over the last five years. The stage is set for KICL's growth, while we continue our efforts to contain underwriting expenses.



Management Discussion and Analysis (Continued)

While total policies written fell from 33,671 in 2019 to 29,729 in 2020, there were improvements in premium and underwriting results, which were deliberate, and demonstrate discipline in our underwriting practices. During the year, we also culled underperforming portfolios that will position KICL well for future growth. We achieved several underwriting successes during the year, some of which include:

- Restructuring of the team for efficiency
- Refreshed product offerings in line with the Company's renewed direction
- Improved motor loss ratios from 90.7% in 2019 to 61.4% in 2020.

Following GraceKennedy's acquisition of a 65% stake in KICL, our Company's management also successfully negotiated new reinsurance contracts that are more favourable to the Company and still effectively and efficiently manage risk exposure. This resulted in a meaningful 72% reduction in reinsurance ceded. In the year under review, commission income increased by 20%. This was primarily attributable to improved arrangements with our reinsurers in 2020, which have continued in 2021.

While there was a 20% reduction in other finance and investment and other income respectively, there was only a small 6% decline in total revenues. Based on our projections, total revenue will return to growth in 2021.

Reduction in investment income in 2020 was triggered by a reduction in interest rates and dividend income in response to the COVID-19 pandemic. Decline in other income is associated with the sale of an investment property at the end of 2019, and the consequent reduction in the fair value increase in investment properties.

KICL pre-tax losses improved by 21% in 2020 when compared to 2019 as a direct result of our strategic growth and efficiency thrust.

During the year, there was a one-off amortisation of underwriting assets amounting to $323.1 million, which was charged to the statement of comprehensive income (see Note 9 of the financial statements). Had this not been the case, the Company's pre-tax losses would have been $126.4 million. This is a significant improvement on the prior year's results.

Based on the foregoing, we are optimistic about the future of our Company, and look forward to a significantly better performance in 2021 and beyond.

FINANCIAL POSITION

Effective 1 January 2020, KICL adopted IFRS 9 Financial Instruments (see Note 32 of the financial statements). The adoption of IFRS 9 negatively impacted certain financial assets, fair value reserve and accumulated deficit as of 1 January 2020.

Shareholders' equity declined by $401.4 million, primarily due to the $299.7 million net loss and a $101.7 million reduction in retained earnings and fair value reserves, attributable to the adoption of IFRS 9 effective 1 January 2020.

STRATEGIC DRIVERS

Four strategic drivers have been identified to aid the Company's return to profitability:

1. Sustainable growth and innovation (targeting specific market segments)
2. Customer Centricity (acquisition and relationship management)
3. Operational efficiency; and
4. Performance Driven Culture.

Various initiatives in line with these drivers will continue to be implemented in 2021.

COVID-19 IMPACT AND RESPONSE

In 2020, COVID-19 negatively impacted the local economy, insurance sector, and our Company's performance. Nevertheless, the pandemic demonstrated the resilience of KICL's management and staff, and our drive to succeed, particularly during the last three quarters of the year.

Management Discussion and Analysis (Continued)

Several initiatives were implemented within our Company to addresss the impact of the pandemic, including the roll out of the Company's on-line product offerings. To protect the health and well-being of all our stakeholders, COVID-19 safety protocols were implemented to ensure that our working environment remained safe. We continue to ensure that all protocols are observed to allow us to operate safely within our respective space.

In the effort to protect our business, customers and other stakeholders during the challenging economic environment created by COVID-19, we also identified several opportunities that will be beneficial even beyond the pandemic.

PORTFOLIO OF NEW PRODUCTS

During the year under review, our Company developed and rolled out two new products that have attracted significant interest from the market, namely:

- Motor Cycle Insurance Policy
- PPV Protect Insurance Policy

Special discounts were also offered on various motor policies in 2020 to ameliorate the adverse financial impact the pandemic had on our customers.

We have also implemented several marketing initiatives that will see us building on our brand visibility and growing our customer base. This includes rolling out our digital marketing campaign as well as launching of television advertisements, hosting business seminars, and radio appearances.

RISK MANAGEMENT AND INTERNAL CONTROLS

RISK MANAGEMENT

Risk management and effective internal controls have always formed a part of our Company's strategy to build and sustain shareholder value. We manage risk on the basis that: What Can Go Wrong, Will Go Wrong. Therefore, we consider all aspects of the business, and address our risk exposure in the most effective and efficient manner.

Our newly instituted Risk Management Framework involves all employees as well as our Board of Directors. The framework allows us to identify, assess, manage, monitor, and report risk on a continuous basis.

Since the introduction of the new Management and Board of Directors in the second quarter, several steps have been taken to augment the Company's Risk Management Framework.

The following are some of the risk management initiatives that were implemented during the year:

- Introduction and implementation of the Company's Business Continuity Plan
- Introduction and implementation of COVID-19 response team
- Engagement of a new reinsurance broker to aid in the negotiation of new reinsurance contracts with our reinsurers that will impact the 2021 financial year
- Introduction of a risk focal point
- Oversight within the GraceKennedy Group.

Some of the main risks managed on an ongoing basis are as follows:

- **Operational Risk**
- **Insurance Risk**
- **Catastrophic Events Risk**
- **Financial Risk**
- **Profitability Risk**
- **Regulatory Compliance Risk**
- **Credit Risk**
- **Macro-economic Risk**
- **Health and Safety Risk**
- **Information Technology Security Risk**
- **Going Concern Risk**

Management Discussion and Analysis (Continued)

INTERNAL CONTROLS

KICL is constantly strengthening our internal controls. We value effective and efficient internal controls that are important to the success of the Company. These aid in risk management, ensuring that the Company's business objectives are met at acceptable levels.

We also value our auditors. With a new Board of Directors installed in March 2020, a new Audit Committee was constituted. The Audit Committee is chaired by retired Ernst & Young audit partner, Linval Freeman, who has a wealth of knowledge and experience from his years in practice. The other members of the Audit Committee also are extensively knowledgeable in insurance, risk management, business management, banking, finance and accounting.

The Audit Committee immediately made an impact on our Company by commissioning an internal audit of several critical areas. The audits were completed within 90 days of GK's acquisition of KICL. Appropriate measures have been taken to address the findings.

OUTLOOK

One of the highlights of the year under review was increased customer confidence in our Company, which was reflected in our 78% customer retention rate, an improvement over the prior year.

A key focus of 2021 will be our effort to comply with the Minimum Capital Test ratio of 250% - one of the main regulatory requirements established by the FSC.

With the continued restructuring of KICL's insurance portfolio and insurance programmes, greater efficiency is expected in the future.

Notwithstanding the arrival of vaccines in Jamaica in March 2021, it is anticipated that COVID-19 will continue to impact the country for at least another 18 months. Management remains committed to keeping our staff and customers safe whilst returning the Company to profitability.

In January 2021, the Company successfully raised $668 million through a Rights Issue. GraceKennedy participated in the issue, maintaining its shareholding at 65% in KICL, and demonstrating confidence in the future prospects of the Company. KICL continues to benefit from the relationship with our new parent company and fellow subsidiaries. It should be noted that for the nine months since GraceKennedy assumed management, the Company recorded profits in excess of $58.4 million.

KICL will strive to build on the successes of 2020 to enhance future growth and profitability.

Historical Financial Data

Nine Year Financial Review									
Statement of Financial Position (J$'000)	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
No. of Shares Issued	368,461	368,461	368,461	368,461	368,461	315,771	315,771	315,771	315,771
Shareholders' equity	258,977	660,340	888,799	1,095,030	1,017,495	903,621	828,990	757,285	768,549
Property, plant and equipment	231,934	221,513	194,432	191,883	313,753	281,089	287,228	161,788	153,427
Investment properties	226,734	200,150	341,150	329,650	185,150	173,100	152,020	138,020	129,015
Total assets	2,905,292	4,509,975	2,559,156	2,450,033	2,421,851	1,971,909	1,847,684	1,928,962	1,968,628
Insurance reserves	2,349,451	2,160,963	1,598,401	1,238,427	1,337,404	930,707	868,560	987,732	1,088,264
Payables	296,864	1,688,672	68,845	114,483	65,289	123,355	109,630	99,591	71,057
Receivables	868,124	2,201,281	419,869	472,906	668,040	314,794	233,961	311,914	390,201
Cash on hand and bank	745,183	937,029	714,118	403,057	451,265	185,923	191,073	23,167	24,390
Investments	395,674	241,937	510,092	713,217	507,479	773,382	734,380	1,006,269	1,015,900
Statement of Comprehensive Income									
Revenues									
Gross premium	1,432,083	1,403,690	1,791,567	1,440,065	1,081,746	960,973	728,230	677,889	710,839
Percentage change over one year	2%	-22%	24%	33%	13%	32%	7%	-5%	
Commission income	159,925	132,848	117,124	91,301	78,292	85,579	65,191	58,786	67,731
Percentage change over one year	20%	13%	28%	17%	-9%	31%	11%	-13%	
Investment income	27,494	32,900	51,219	49,411	42,288	58,457	55,007	72,061	111,704
Percentage change over one year	-16%	-36%	4%	17%	-28%	6%	-24%	-35%	
Other income	17,656	114,335	89,206	38,673	20,280	14,917	30,019	57,735	33,455
Percentage change over one year	-85%	28%	131%	91%	36%	-50%	-48%	73%	
Total revenues	1,637,158	1,683,773	2,049,116	1,619,450	1,222,606	1,119,926	878,447	866,471	923,729
Percentage change over one year	-3%	-18%	27%	32%	9%	27%	1%	-6%	
Reinsurance ceded	489,715	1,744,177	611,963	509,767	435,881	487,959	386,769	382,126	416,872
Percentage change over one year	-72%	185%	20%	17%	-11%	26%	1%	-8%	
Insurance claims	531,478	15,124	1,123,981	344,059	1,044,827	287,473	177,955	292,237	179,881
Percentage change over one year	3414%	-99%	227%	-67%	263%	62%	-39%	62%	
Commission expense	171,328	167,108	167,313	141,398	101,908	90,113	62,862	55,827	67,266
Percentage change over one year	3%	0%	18%	39%	13%	43%	13%	-17%	
Administrative expenses	484,400	435,447	402,116	428,806	410,096	318,400	297,428	297,080	283,830
Percentage change over one year	11%	8%	-6%	5%	29%	7%	0%	5%	
Pre-tax (loss)/profit	**(449,499)**	(566,257)	**(167,494)**	**44,740**	**(50,560)**	**26,871**	**27,869**	**(32,282)**	**24,047**
Percentage change over one year	**21%**	**-238%**	**-474%**	**188%**	**-288%**	**-4%**	**186%**	**-234%**	
After-tax (loss)/profit	**(299,666)**	**(267,479)**	**(167,494)**	**42,663**	**(42,234)**	**23,084**	**25,086**	**(15,568)**	**14,599**
Percentage change over one year	**-12%**	**-60%**	**-493%**	**201%**	**-283%**	**-8%**	**261%**	**-207%**	

Nine Year Financial Review									
Important Performance Ratios	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Return on equity	-16%	-9%	-17%	4%	-4%	3%	3%	-2%	2%
Return on assets	-2%	-2%	-7%	2%	-2%	1%	1%	-1%	1%
Revenue to receivables	1.89	0.76	4.88	3.4	1.83	3.56	3.75	2.78	2.37
Pre-tax profit margin	-27%	-34%	-8%	3%	-4%	2%	3%	-4%	3%
Insurance ceded	34%	124%	34%	35%	40%	51%	53%	56%	59%
Price to sales ratio	1.53	0.84	6.64	6.64	-7.25	n/a	n/a	n/a	n/a
Price book ratio	8.48	1.79	1.14	1.14	1.09	n/a	n/a	n/a	n/a
Cash per share	2.02	2.54	1.94	1.09	1.22	0.59	0.61	0.07	0.08
Net book value per share	0.70	1.79	2.41	2.97	2.76	2.86	2.63	2.4	2.43
Earnings per share	-0.81	-0.73	-0.45	0.12	-0.12	0.07	0.28	0.28	0.28
Closing stock price	5.96	3.2	3.38	3.38	3	n/a	n/a	n/a	n/a
Price earnings ratio	-7.36	-4.38	-7.44	29.19	-24.07	n/a	n/a	n/a	n/a

Disclosure of Shareholdings

TOP 10 SHAREHOLDERS
AS AT 31 DECEMBER 2020

NAME	UNITS
GraceKennedy Financial Group Limited	240,363,095
JMMB Fund Managers Limited T1 - Equities Fund	43,089,690
JMMBSL Available For Sale	36,846,000
Worldnet Investment Company Limited	33,370,240
MF&G Asset Management Limited - Jamaica Investments Fund	3,157,012
Karl P. Wright	1,000,000
Rezworth Burchenson	591,216
Marathon Insurance Brokers Limited	591,216
Devon L. Watson	555,108
Derrick Dunn	443,925

DIRECTORS' SHAREHOLDINGS
AS AT 31 DECEMBER 2020

NAME	UNITS
Don Wehby	-
Linval Freeman	-
Kareem Tomlinson	-
Rochelle Cameron	-
Herma McRae	-
Sandra Masterton • Connected Party	- 86,304
Mariame McIntosh Robinson	-
Kerry-Ann Heavens	-

SENIOR MANAGEMENT SHAREHOLDINGS
AS AT 31 DECEMBER 2020

NAME	UNITS
Tammara Glaves-Hucey	-
Stuart Andrade	-
Heather Bowie	5,590
Carlene Isaacs	5,000

Corporate Social Responsibility

Key Insurance continues to stand by its Corporate Social Responsibility (CSR) initiatives through donations and other tangible forms of support.

In 2020, the Company's initiatives were fully embraced and supported by our staff through their active participation.

Senior HR Officer, Kaydene DeSilva (right) presents a cheque for $30,000 to the Jamaica Cancer Society on behalf of Key and its staff.

In recognition of Breast Cancer Awareness observed during the month of October, Key's Engagement Committee organised a fundraiser for the Jamaica Cancer Society through the sale of pins and pastries. The successful event, pooled with the Company's contribution, raised a total of $30,000 for the Society.

In November, the staff was encouraged to donate canned goods and non-perishable items from their grocery supplies in support of the GK Campus Connect Food Bank Initiative, which helps to provide meals for university students in need.

In December, equipment and tablets were donated to Mavis Bank High School, in keeping with the Company's commitment to educational advancement, a pillar of our CSR.

(L-R) **Edward, Samantha, Kadeem and Sadique** were among Key's many staff members who willingly donated to the **GK Campus Connect Food Bank Initiative**, in support of university students in need.

Key presented a printer and a projector to Mavis Bank High School, as well as tablets to three select students. **Kaydene DeSilva**, Key's Senior HR Officer, (2nd right) and **Juma Francis,** Business Development Officer (left), made the presentations and are pictured here with **Grace Parsons-Morgan**, Principal, Mavis Bank High School (2nd left) and students.

Employee Empowerment

Stronger Together, One Spirit, One Goal

At Key, our team is central to who we are and a number of activities geared at validating and motivating staff were observed during the year including:

Employee Appreciation Week I Celebrated in May throughout our branch network in Kingston, Portmore, Ocho Rios, Mandeville and Montego Bay. The week of activities from May 11 to 22 resonated on many levels, serving to reinforce the importance of the staff and to encourage them to be proactive in their work experience, and engagement.

Employees were embraced and recognised during the Company's Employee Appreciation Week celebrated in May at all branches. Here, **Orlanda** offers a sweet treat to team member **Britaney**, at Head Office in Kingston.

Crazy Tie Day I A fun-filled event, thoroughly enjoyed by staff sporting their artistic array of neckties.

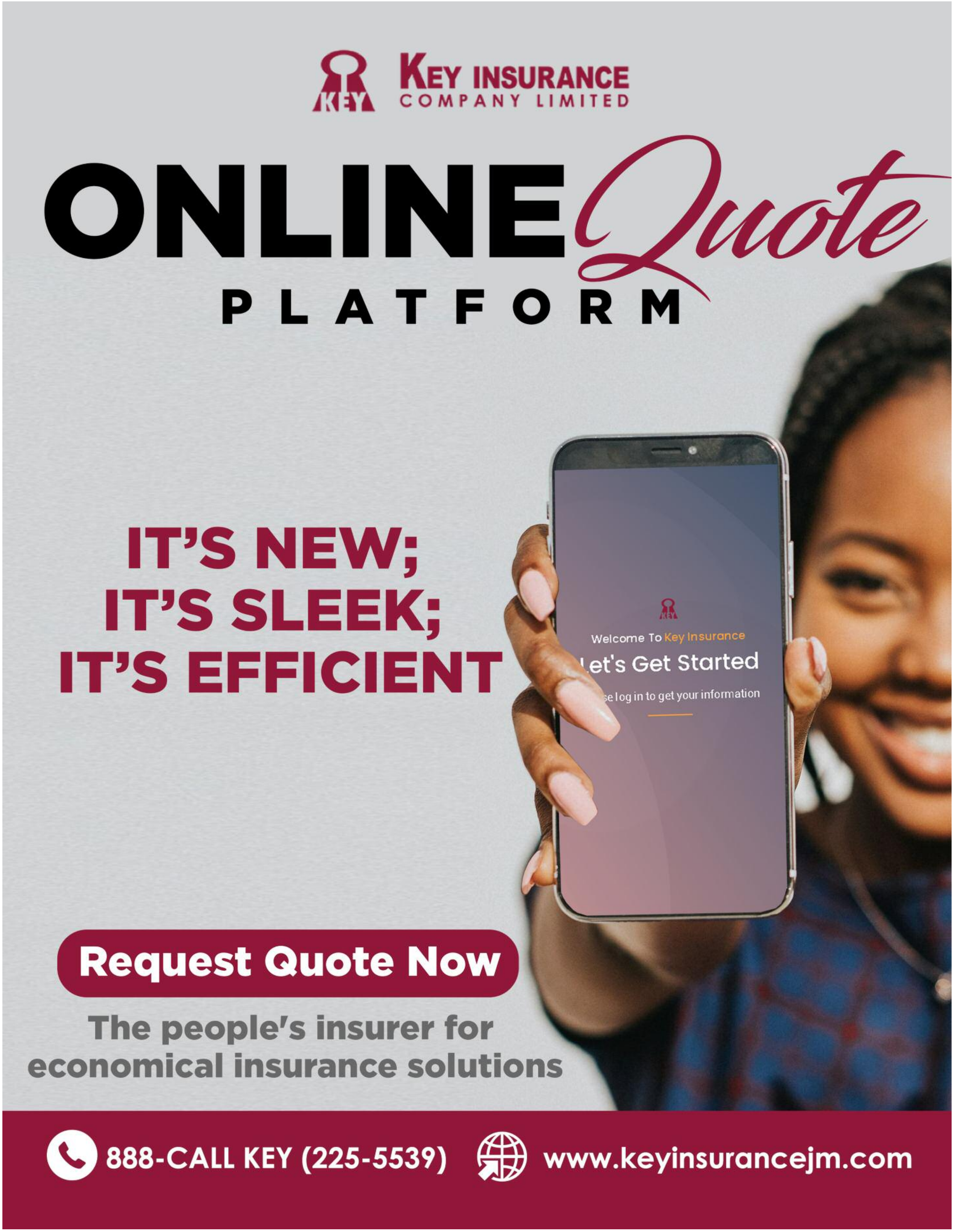
National Heroes' Day I Stoic reflection and celebration of Jamaican icons past and present who, collectively, have made the nation the exceptional one that it is.

Pink Day I Observing Breast Cancer Awareness through contributions to the cause and wearing the symbolic pink colour.

Christmas Department Decorating Competition I Another fun-filled activity, bringing staff together through collaboration, self-motivation and creative expression.

Cheerful smiles and camaraderie as the Mandeville Branch raises a delectable cupcake toast!

Stronger Together is the strategy of the Finance Department as they showcase their winning entry in the Christmas Department Decorating Competition.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KEY Insurance Company Limited

AUDITED FINANCIAL STATEMENTS

31 December 2020

MID ATLANTIC ACTUARIAL

3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of Key for its balance sheet as at December 31, 2020 and the corresponding change in the policy and claims liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica. I have relied upon PWC for the substantial accuracy of the records and information concerning other liabilities, as certified in the attached statement.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claims Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Direct unpaid claims and adjustment expenses:	1,581,748	1,579,789
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	1,581,748	1,579,789
Ceded unpaid claims and adjustment expenses:	183,426	175,761
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	1,398,322	1,404,028

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		554,235
Net policy liabilities in connection with unearned premiums:		513,250
Gross unearned premiums:	618,973	
Net unearned premiums:	438,453	
Premium deficiency:	-110,500	
Other net liabilities:	0	

MID ATLANTIC ACTUARIAL

In my opinion:

(i) The methods and procedures used in the verification of the data are sufficient and reliable and fulfill acceptable standards of care;

(ii) The valuation of policy and claims liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;

(iii) The methods and assumptions used to calculate the policy and claims liabilities are appropriate to the circumstances of the company and of the said policies and claims;

(iv) The amount of policy and claims liabilities represented in the balance sheet of Key Insurance Company Limited makes proper provision for the future payments under the company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;

(v) A proper charge on account of these liabilities has been made in the statement of comprehensive income;

(vi) The capital position is questionable to meet the solvency standards as established by the Commission

Josh Worsham, FCAS, MAAA	Josh Worsham	March 28, 2021
Name of Appointed Actuary	Signature of Appointed Actuary	Date

Independent auditor's report

To the Members of Key Insurance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Key Insurance Company Limited (the Company) as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of incurred but not reported claims for property & casualty contracts *Refer to notes 2(n) (claims incurred but not reported), 3 (b) (estimates of claims liabilities) and 24 (insurance reserves) of the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at 31 December 2020, total incurred but not reported reserves amount to $646 million. The methodologies and assumptions utilized to develop incurred but not reported reserves involve a significant degree of judgement. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement.	We tested the completeness, accuracy and reliability of the underlying data utilized by management, and its external actuarial experts, to support the actuarial valuation. We evaluated the work of management's actuarial expert, including their independence, experience and objectivity. We were assisted by our actuarial expert and assessed the actuarial valuation performed by management's actuary. We considered the suitability of the methodology used in establishing

Key audit matter	How our audit addressed the key audit matter
Management engaged an independent actuarial expert to assist in determining the value of claims incurred but not reported. We focused on this area because, underlying these methods are a number of assumptions and judgements relating to the expected settlement amount and settlement patterns of claims which are subject to complex calculations.	claims liabilities against established actuarial practice and our knowledge and experience. The methodologies and assumptions used by management in establishing the reserves were found to be consistently applied and appropriate in the circumstances.
Capital Management *Refer to notes 2(a) (significant accounting policies), 5 (capital management) and 35 (subsequent events) for management's disclosures of related accounting policies, judgements and estimates.* As at 31 December 2020, the Company achieved a Minimum Capital Test (MCT) ratio of negative 48.40%, compared to a ratio of 250%, which is required by the Financial Services Commission (FSC). The MCT ratio is the primary measure used by the FSC to assess the solvency of the Company. As disclosed in note 2(a), the Company's ultimate parent, GraceKennedy Limited, has formally undertaken to provide the Company with sufficient financial and operational support, for a period of at least fifteen (15) months from the date of issuance of the financial statements, to enable it to meet its minimum capital requirements, as determined by the regulators, and its obligations as they fall due.	We performed enquiries with management and those charged with governance to obtain a detailed understanding of the company's plans to achieve MCT Compliance. This included inquiry and inspection of related correspondence with the FSC. As part of the procedures we performed around subsequent events, we: • Inspected the completed contracts and other supporting documents with regards to the renounceable rights issue. Traced cash receipts, on a sample basis, of the consideration received to the Company's bank account. • Evaluated the sales agreement supporting the investment property disposal; and • Inspected and obtained an understanding of the related insurance terms of the newly executed reinsurance coverage contract.

Key audit matter	How our audit addressed the key audit matter
The Company undertook certain actions subsequent to the year end to achieve MCT compliance: • completed a renounceable rights issue which raised gross consideration of $668 million; • signed a sales agreement to dispose of an investment property with a carrying value of $226.5 million as at 31 December 2020; and • entered into a proportional reinsurance coverage contract to reduce the company's net outstanding liabilities. We focused on this area as the Company's compliance with the regulatory MCT solvency requirement has a direct bearing on its ability to maintain its licence to sell property and casualty insurance in Jamaica.	We reperformed management's MCT calculation, considering the planned actions which were implemented by management, which exceeded the minimum requirement of 250%.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Gail Moore.

PricewaterhouseCoopers

Chartered Accountants
30 March 2021
Kingston, Jamaica

Statement of Comprehensive Income

Year ended 31 December 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Gross Premiums Written		1,432,083	1,403,690
Reinsurance ceded		(489,715)	(1,744,177)
Net premiums written		942,368	(340,487)
Change in unearned premiums, net		(108,184)	31,856
Net Premiums Earned/(Incurred)		834,184	(308,631)
Commission income		159,925	132,848
Commission expense		(171,328)	(167,108)
Claims expense		(563,187)	49,279
Change in unexpired risk reserve		31,709	(64,403)
Administration and other expenses	8	(489,400)	(435,477)
Amortisation of underwriting assets	33	(323,136)	-
Underwriting Loss		(521,233)	(793,492)
Investment income	10	27,494	32,900
Gains on revaluation of investment properties	19	26,584	80,000
Other income	11	17,656	114,335
Loss Before Taxation		(449,499)	(566,257)
Taxation	12	149,833	298,778
Net Loss		(299,666)	(267,479)
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss:			
Net (loss)/gain on the re-measurements of financial assets at FVOCI, net of taxes		(23,393)	28,472
Loss recycled to profit and loss on disposal of financial assets at FVOCI, net of taxes		-	(9,331)
Item that will not be subsequently reclassified to profit or loss:			
Revaluation gains on property, plant and equipment, net of taxes		12,836	19,879
Other Comprehensive Income		(10,557)	39,020
Total Comprehensive Income for the Year		(310,223)	(228,459)
Loss per Stock Unit	28	(0.81) cents	(0.73) cents

Statement of Financial Position

31 December 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
ASSETS			
Cash and deposits	13	745,183	937,029
Investment securities	14	395,674	241,937
Due from policyholders, brokers and agents	15	190,930	164,229
Due from reinsurers	16	363,946	2,037,052
Deferred policy acquisition costs		62,622	138,703
Taxation recoverable		220,770	219,117
Other receivables	17	29,856	50,475
Right-of-use asset	31	6,575	17,808
Investment properties	19	226,734	200,150
Intangible assets	20	2,910	3,637
Property, plant and equipment	21	231,934	221,513
Deferred taxation	23	428,158	278,325
		2,905,292	4,509,975
LIABILITIES AND EQUITY			
Liabilities			
Other payables	22	136,279	64,961
Lease liability	31	8,648	18,950
Due to reinsurers		151,937	1,604,761
Insurance reserves	24	2,349,451	2,160,963
		2,646,315	3,849,635
Equity			
Share capital	25	235,282	235,282
Capital reserve	26	57,371	57,371
Fair value reserves	27	479,936	459,469
Accumulated deficit		(513,612)	(91,782)
		258,977	660,340
		2,905,292	4,509,975

Approved for issue on behalf of the Board of Directors on 29 March 2021 and signed on its behalf by:

Donald Wehby — Chairman

Linval Freeman — Director

Statement of Changes in Equity

Year ended 31 December 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000	Capital Reserve $'000	Fair Value Reserves $'000	Accumulated Deficit $'000	Total $'000
Balance at 1 January 2019	235,282	57,371	340,449	255,697	888,799
Loss for the year	-	-		(267,479)	(267,479)
Other comprehensive income	-	-	39,020	-	39,020
Transfer between reserves:					
Gains on revaluation of investment properties, transferred from retained earnings	-	-	80,000	(80,000)	-
Balance at 31 December 2019 as previously presented	235,282	57,371	459,469	(91,782)	660,340
Change in accounting policy (Note 32)	-	-	4,440	(95,580)	(91,140)
Restated total equity at the beginning of the financial year	235,282	57,371	463,909	(187,362)	569,200
Loss for the year	-	-	-	(299,666)	(299,666)
Other comprehensive income	-	-	(10,557)	-	(10,557)
Transfer between reserves:					
Gains on revaluation of investment properties, transferred from retained earnings	-	-	26,584	(26,584)	-
Balance at 31 December 2020	235,282	57,371	479,936	(513,612)	258,977

Statement of Cash Flows

31 December 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Net loss		(299,666)	(267,479)
Adjustments for:			
Amortisation and depreciation	8	23,778	27,456
Gain on sale of property, plant and equipment		(7,668)	-
Gain on sale of available-for-sale investment securities	11	-	(9,111)
Gain on sale of investment properties	11	-	(82,991)
Gains on revaluation of investment properties	19	(26,584)	(80,000)
Losses/(gains) on foreign exchange	11	1,410	(8,382)
Dividend income	10	(997)	(1,499)
Interest expense	31	992	2,203
Interest income	10	(26,497)	(31,401)
Taxation	12	(149,833)	(298,778)
		(485,065)	(749,982)
Changes in operating assets and liabilities			
Due from policyholders, brokers and agents		(26,701)	21,047
Deferred policy acquisition costs		76,081	16,508
Insurance reserves		188,488	562,562
Due from reinsurers		1,673,106	(1,802,460)
Due to reinsurers		(1,452,824)	1,589,449
Other assets		20,619	(40,577)
Other liabilities		71,318	11,430
Cash generated from/(used in) operations		65,022	(392,023)
Interest paid		(992)	(2,203)
Taxation paid		(1,653)	(8,688)
Net cash provided/(used in) operating activities		62,377	(402,914)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	21	(10,852)	(5,211)
Acquisition of intangible asset	20	(672)	(868)
Proceeds on disposal of property, plant and equipment		9,789	-
Proceeds on disposal of investment properties		-	303,991
Purchase of investments		(265,237)	(84,285)
Disposal/maturity of investments		-	380,306
Interest and dividend received		27,461	35,093
Net cash (used in)/provided by investing activities		(239,511)	629,026
Cash Flows from Financing Activity			
Lease principal payments		(10,302)	(11,583)
Net cash used in financing activity		(10,302)	(11,583)
Net (decrease)/increase in cash and cash equivalents (Page 5)		(187,436)	214,529

Statement of Cash Flows (Continued)

31 December 2020

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Net (decrease)/increase in cash and cash equivalents (Page 4)		(187,436)	214,529
Effect of changes in exchange rate on cash and cash equivalents		(1,410)	8,382
Cash and cash equivalents at beginning of year		934,029	711,118
Cash and Cash Equivalents at the End of the Year	13	745,183	934,029

Notes to Financial Statements
31 December 2020
(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 and place of business is located at 6c Halfway Tree Road, Kingston 5, Jamaica.

(b) The company is licensed 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 acquisition of 65% of the issued stock units of Key Insurance Company Limited by Grace Kennedy Financial Group Limited was completed on 29 March 2020. The ultimate parent company is GraceKennedy Limited. Both the parent, Grace Kennedy Financial Group Limited, and the ultimate parent are incorporated and domiciled in Jamaica.

(d) As at 31 December 2019, the company's stock units were listed on the Junior Market of the Jamaica Stock Exchange (JSE).

(e) The company's application to graduate from the Junior Market of the Jamaica Stock Exchange (JSE), to the Main Market, was approved by the JSE on 7 April 2020. The graduation took effect on 9 April 2020.

The financial statements were authorised for issue by the Directors of the company on 29 March 2021. The Directors have the power to amend and reissue the financial statements.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, and have been prepared under the historical cost convention except for certain investment securities, investment properties and certain items of property, plant and equipment measured at fair value. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Notes to Financial Statements
31 December 2020
(Expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The company has achieved the following results, which may challenge its use of the going concern basis of accounting in the preparation of these financial statements.

- A net loss of $299,666,000 (2019 - $267,479,000);
- An accumulated deficit of $513,612,000;
- A Minimum Capital Test Ratio of negative 48.40% (2019 – positive 186.75%), which is below the regulatory requirements of 250%.

The company's ultimate parent is GraceKennedy Limited which currently owns and operates other general insurance businesses in Jamaica and the Eastern Caribbean. During the financial year ended 31 December 2020, the company restructured its insurance portfolio and reinsurance programs which resulted in a significant increase in net premiums written and a reduction in underwriting loss. The implementation of these restructuring plans also resulted in a one-time charge to profit or loss of $323 million disclosed in Note 33.

To achieve MCT compliance on a going forward basis, the Company undertook the following actions subsequent to the year end:

- In January 2021, the company completed a renounceable rights issue which raised gross consideration of $668 million;
- In February 2021, the company signed a sales agreement to dispose of an investment property; and
- In March 2021, the company entered into a proportional reinsurance coverage contract to reduce the company's net outstanding liabilities.

Refer also to the subsequent event disclosures in Note 35 for further details.

GraceKennedy Limited has also issued a Letter of Support to the company that will provide financial and operational support as needed and for a period of at least 15 months from the date of issuance of these financial statements to ensure the company achieves its MCT is able to meet its obligations as they fall due and remains a going concern.

Management has determined that the above actions that it has undertaken are sufficient to achieve a MCT ratio above the minimum required of 250%. On the basis of the foregoing, the company's financial statements are therefore prepared on the assumption that the entity is a going concern.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements effective in 2020 and prior which are relevant to the company's operations

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current and prior financial years. Management has reviewed these new standards, amendments and interpretations to existing standards and has determined that the following are relevant to its operations:

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). The company had previously exercised the option to adopt the temporary exemption from applying IFRS 9 until 2023, given to companies whose activities are predominantly connected with insurance due to the upcoming Amendment to IFRS 4 'Insurance contracts'. The company has however fully adopted the requirements of the standard effective 1 January 2020 following the acquisition of its majority shares by GraceKennedy Financial Group Limited. Refer to Note 32 for the impact of the adoption on the company's financial statements.

IFRS 9 provides guidance on how the entity should classify and measure its financial instruments. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria.

The standard also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules resulted in the entity recording an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (and lifetime ECL for insurance related receivables). Where there has been a significant increase in credit risk, impairment was measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for receivables and is applicable to the company's receivables due from agents, brokers and policyholders.

Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of materiality and the meaning of primary users of general purpose financial statements by defining them as existing and potential investors, lenders and other creditors. The company has applied the guidance on materiality when preparing its financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements effective in 2020 and prior which are relevant to the company's operations (continued)

Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework will be used in standard-setting decisions with immediate effect; however, no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies will need to consider whether their accounting policies are still appropriate under the revised Framework. No amendments were required to the accounting policies following the application of the revised Conceptual Framework.

Accounting pronouncements that are not yet effective, and have not been early adopted
At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the company's accounting periods beginning on or after 1 January 2021 or later periods, but were not effective at the date of the statement of financial position, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This standard was issued as replacement for IFRS 4 'Insurance contracts' and requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts. The company is currently assessing the impact of this new standard.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions (effective for annual periods beginning on or after 1 June 2020). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16, 'Leases' which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The company is currently assessing the impact of this amendment.

Amendments to IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2022). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The company is currently assessing the impact of these amendments.

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements that are not yet effective, and have not been early adopted (continued)

Amendment to IAS 16, 'Property, plant and equipment' (effective for annual periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The company is currently assessing the impact of this amendment.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' (effective for annual periods beginning on or after 1 January 2022). This amendment specifies which costs a company includes when assessing whether a contract will be loss making. It clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The company is currently assessing the impact of these amendments.

The company has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect. This includes amendments resulting from the IASB's ongoing 'Improvements to IFRS' project.

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2. Significant Accounting Policies (Continued)

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

Translations and balances

Foreign currency balances outstanding at the statement of financial position date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies during the year are converted at the rates of exchange ruling on the dates of those transactions. Gains and losses arising from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the statement of comprehensive income.

(c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

The company's financial assets comprise investment securities, insurance receivables and cash and short-term investments.

Classification

From 1 January 2020, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The available for sale (AFS) category under IAS 39 is no longer applicable.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows. The company reclassifies debt investments only when its business model for managing those assets changes.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Equity instruments held for trading are measured at fair value through profit or loss (FVPL).

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2. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Financial assets (continued)
Measurement

Debt instruments
Measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. The company classifies its debt instruments into three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are included in administration and other expenses in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss. Interest income from these financial assets is included in the profit or loss using the effective interest rate method. Impairment losses are included in administration and other expenses in profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments
The company measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the company's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in the profit or loss.

Impairment
From 1 January 2020, the company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost and debt instruments measured at FVOCI.

Application of the General Model
The company has applied the 'general model' as required under IFRS 9 for financial assets other than receivables from agents, brokers and policyholders. Under this model, the company is required to assess on a forward-looking basis the ECL associated with its debt investments carried at amortised cost and FVOCI. The ECL is recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considers the time value of money in relation to these outcomes.

2. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Financial assets (continued)
Impairment (continued)

Application of the General Model (continued)
The probability-weighted outcome considers multiple scenarios based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is calculated by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL is computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

Macro-economic Factors and Forward-Looking Information
The company applies an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macro-economic factors and forward-looking information are considered in measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECL at each reporting period reflects reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The company uses three scenarios that are probability-weighted to determine ECL.

Expected Life
When measuring ECL, the company considers the maximum contractual period over which the company is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options.

Application of the Simplified Approach
For receivables from agents, brokers and policy holders and intercompany receivables, the company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECL for these receivables.

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2. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Financial assets (continued)
Impairment (continued)

The lifetime ECL is determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

Premiums receivable
Receivables are recognised when due, and are carried at cost, less provision for impairment, which is deemed to approximate the fair value of these short-term assets. These include amounts due from agents, brokers and insurance contract holders.

Expected credit losses are calculated on receivables from agents, brokers and policyholders and intercompany receivables on a periodic basis and the carrying amount reduced accordingly with the impairment loss recognised in profit or loss.

Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Accounting policies effective up to 31 December 2019
The company applied IFRS 9 on 1 January 2020 and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 9 [7.2.15]. As a result, comparative information was accounted for in accordance with the company's previous accounting policy.

The company classified its investment securities as available-for-sale. Management determined the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Purchases and sales of investments are recognised on the trade date - the date that the company commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss in the statement of comprehensive income, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of both monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2. Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Accounting policies effective up to 31 December 2019 (continued)
When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in income as gains and losses on available-for-sale investment securities. Interest on available-for-sale securities, calculated using the effective interest method, is recognised in profit or loss in the statement of comprehensive income.

The company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset may be considered to be impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market rate for a similar financial asset. The recoverable amount of a financial asset carried at amortised cost is the present value of expected future cash flows discounted at the original rate of interest of the financial asset.

Premiums receivable
Premiums receivable are carried at the original negotiated invoice amount less provision made for impairment of these receivables. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. Debts that are known to be uncollectible are written off during the year in which they are identified.

Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank, short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

Financial liabilities
The company's financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. At the statement of financial position date, the following items were classified as financial liabilities: payables, bank overdraft, short term loans and amounts due to reinsurers, and claims outstanding.

The fair value of the company's financial instruments is discussed in Note 6.

(d) Securities purchased under agreements to resell
Securities purchased under agreement to resell (reverse repurchase agreements) are treated as loan assets and they mature within twelve months. The difference between the purchase and resale price is treated as interest and accrued over the life of the arrangements using the effective yield method.

(e) Reinsurance ceded
The company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from longer exposures. Reinsurance does not relieve the originating insurer of its liability. Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses, loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the statement of financial position.

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2. Significant Accounting Policies (Continued)

(f) Deferred policy acquisition costs

The cost of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subsequently amortised as the premium is earned over the life of the contract. Deferred policy acquisition costs are subject to recoverability testing at the time of the policy issue and at the end of each accounting period.

(g) Investment properties

Investment properties comprise land owned by the company, which is held for long-term capital appreciation and is not used in the provision of services. Investment properties are treated as a long-term investment and are carried at fair value, representing open market value determined annually by external valuators. Changes in fair values are recorded in profit or loss.

(h) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on annual valuations by external independent valuers, less subsequent depreciation of buildings. All other property, plant and equipment are carried at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Increases in carrying amounts arising on revaluation are credited to other comprehensive income and shown in fair value reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against fair value reserves directly in equity; all other decreases are charged to profit or loss.

Depreciation is calculated on the straight-line basis by reference to costs, at rates estimated to write off the relevant assets, net of estimated salvage value, over their estimated useful lives.

Annual depreciation rates are as follows:

Buildings	2½%
Computer equipment	20%
Motor vehicles	20%
Furniture and fixtures	10%

Land is not depreciated.

Leasehold improvements are amortised over the period of the lease.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

2. Significant Accounting Policies (Continued)

(i) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives of five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(j) Impairment of long-lived assets

Property, plant and equipment and other long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

(k) Leases

As a lessee

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the company.

The right-of-use assets are presented in a separate line on the statement of financial position.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

The lease payments are discounted using the company's incremental borrowing rate. The incremental borrowing rate at 31 December 2019 and 31 December 2020 was 7.5%.

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

2. Significant Accounting Policies (Continued)

(k) Leases (continued)

As a lessee (continued)

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation period for the right-of-use assets is over the lease term of the property.

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less.

(l) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain.

(m) Payables

These amounts represent liabilities for goods and services provided by the company prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Insurance reserves

Under the Insurance Regulations, 2001, the company is required to actuarially value its insurance reserves annually. Consequently, the unexpired risk provision, claims incurred but not reported and the provision for adverse deviation have all been independently actuarially determined. The actuary also reviews management's estimate of the claims outstanding and the unearned premium reserve.

2. Significant Accounting Policies (Continued)

(n) Insurance reserves (continued)

Unearned premium reserve

This reserve represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the statement of financial position date and is amortised to income on a straight-line basis over the life of the insurance contract by applying 365th method to gross written premiums. The reserve aims to match the expiry of exposure with the earning of premium. The earned portion of premiums received, and receivable is recognised as revenue.

Unearned commission

The unearned commission represents the actual commission income on premium ceded on proportional reinsurance contracts relating to the unexpired period of risk carried. The income is deferred as unearned commission reserves, and amortised over the life of the period in which the commissions are expected to be earned. These reserves are calculated by applying the 365th method to gross commissions.

Unexpired risk reserve

A provision is made to cover the estimated value of claims, whether reported or unreported, attributable to the unexpired periods of policies in force at the statement of financial position date, in excess of the related unearned premium reserve.

Claims outstanding

A provision is made to cover the estimated cost of settling claims arising out of events, which occurred by the year end less amounts already paid in respect of those claims. The provision is estimated by management on the basis of claims admitted and intimated.

Claims incurred but not reported (IBNR)

The reserve for IBNR claims has been calculated by an independent actuary using the Loss Development Method and Bornhuetter-Ferguson Projection Method.

The Loss Development Method is where the current reported incurred and paid claims are projected to their ultimate values by accident year based on historical incurred and paid development patterns.

The Bornhuetter-Ferguson Projection Method gives some weight to historically based development patterns and the balancing weight to historically based expected ultimate loss ratios.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the policy liabilities, net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows are compared to the carrying amount of policy liabilities and any deficiency is immediately charged to the profit or loss account.

2. Significant Accounting Policies (Continued)

(o) Income taxes

Taxation for the year comprises current and deferred tax. Tax is recognised in profit or loss in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In those cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax charges are based on the taxable profits for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at rates that have been enacted at the statement of financial position date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(p) Employee benefits

Pension obligations

The company participates in a defined contribution plan which is funded by payments from employees and the company to a trustee-administered fund.

The defined contribution plan is a pension plan under which the company pays fixed contributions into a separate fund. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The contributions paid by the company are charged to profit or loss in the period to which they relate.

Vacation

Employee entitlement to annual leave is recognised when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

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2. Significant Accounting Policies (Continued)

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Revenue is shown net of General Consumption Tax and is recognised as follows:

Sale of insurance services

Gross premiums written represent amounts invoiced for insurance contracts that have been accepted by the company during the year. They are recognised on a pro-rata basis over the life of the policies written. The company uses reinsurance contracts to manage the risk associated with these insurance policies. Reinsurance ceded represent amounts contracted to reinsurers during the year with respect to reinsurance contracts entered into by the company. Reinsurance premiums ceded are deducted from gross premiums written and are recognised on the same basis as gross written premium.

Commissions receivable on reinsurance of risks is credited to revenue when premiums are earned.

Interest income

Interest income is recognised in profit or loss in the statement of comprehensive income for all interest-bearing instruments, using the effective yield method.

(r) Taxation recoverable

Taxation recoverable represents tax withheld from interest earned on investments.

(s) Share capital

Ordinary stock units are classified as equity. Incremental costs directly attributable to the issue of new stock units or options are shown in equity as a deduction, net of taxes, from the proceeds.

Dividends

Provision is made for the amount of any dividends declared, being appropriately authorised and no longer at the discretion of the entity, or before the end of the reporting period but not distributed at the end of the year.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Manager who makes strategic decisions.

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3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies
In the process of applying the company's accounting policies, management has made no judgements which it believes present a significant risk of material misstatement to the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty
The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates of claims liabilities
The determination of the liabilities under insurance contracts represents the liability for future claims payable by the company based on contracts for the insurance business in force at the statement of financial position date using several methods, including the Loss Development method and the Bornhuetter-Ferguson Projection method. These liabilities represent the amount of future payments that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the company's experience.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the company's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the company to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

Recoverability of deferred tax assets in relation to tax losses
At the end of the financial year, the company had a deferred tax asset of $458,364,000 (2019: $310,382,000) in relation to tax losses carried forward. The company is of the view that it will generate sufficient profits in the future to enable utilisation of these tax losses, and consequently, recovery of the deferred tax asset. In the future, should the company not generate sufficient future profits to utilise these losses, there will be an adjustment to the carrying value of the deferred tax asset, which would be recognised as a deferred tax charge in arriving at the company's net (loss)/profit.

4. Insurance and Financial Risk Management

The company's activities expose it to a variety of insurance and financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board has established committees and departments, for managing and monitoring risks, as follows:

(i) Finance Department

This Department is responsible for managing the company's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the company.

(ii) Audit Committee

The Audit Committee oversees how the company's management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures at the company, the results of which are reported to the Audit Committee.

4. Insurance and Financial Risk Management (Continued)

The most significant types of risk faced by the company are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

There has been no significant change to the company's exposure to insurance and financial risks, or the manner in which it manages and measures these risks.

The company issues contracts that transfer insurance risk. This section summarises the risk and the way the company manages the risk.

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the issuance of insurance contracts by the company is, however, concentrated within Jamaica.

The company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Where applicable, contracts are underwritten by reference to the commercial replacement value of the properties or other assets and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for other assets and contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Claims on insurance contracts are payable on a claims-occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a portion of the claims provision relates to IBNR claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and not), the company uses estimation techniques that are a combination of loss-ratio based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) is analysed by type of risk for current and prior year premiums earned.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)
Management sets policy and retention limits. The policy limit and maximum net retention of any one risk for each class of insurance for the year are as follows:

	2020				2019			
		Policy Limit '000		Maximum Net Retention '000		Policy Limit '000		Maximum Net Retention '000
Commercial property –								
Fire and consequential loss	US$	6,000	US$	200	US$	6,000	US$	200
Boiler and machinery	US$	1,125	US$	281	US$	1,125	US$	281
Miscellaneous accident	US$	160	US$	64	US$	160	US$	64
Bankers blanket	US$	300	US$	120	US$	300	US$	120
Contractor's All Risk	US$	1,500	US$	375	US$	1,500	US$	375
Liability	US$	2,500	US$	750	US$	2,500	US$	750
Travel	US$	150	US$	15	US$	150	US$	15
Other	US$	50	US$	20	US$	50	US$	20
Motor	J$	70,000	J$	35,000	J$	70,000	J$	35,000
Pecuniary loss -								
Fidelity	US$	480	US$	192	US$	480	US$	192
Personal accident	US$	10,000	US$	500	US$	10,000	US$	500

Sensitivity Analysis of Actuarial Liabilities
The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. A summary of the actuarial assumptions is disclosed in Note 24.

Development Claim Liabilities
In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of total claims outstanding for each year has changed at successive year-ends. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims' liability for each accident year, used in the development calculations. These amounts are shown net of reinsurance recovery.

Amounts shown in the table as excess or deficiency represent the percentage difference between the estimate of the claims liability (amounts paid to date plus amounts currently in reserve) at the end of each accident year, when compared to amounts initially reserved at the end of the accident year when the claim first arose. For each accident year, ratios are calculated on losses occurring during the year, and in all years prior to that accident year.

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4. **Insurance and Financial Risk Management (Continued)**

(a) **Insurance risk (continued)**

Development claim liabilities (continued)

		2015 and prior	2016	2016 and prior	2017	2017 and prior	2018	2018 and prior	2019	2019 and prior	2020	2020 and prior
2015	Paid during year	187,739										
	UCAE, end of year	337,523										
	IBNR, end of year	160,200										
	Ratio: excess (deficiency)	(12.81%)										
2016	Paid during year	153,208	106,631	259,839								
	UCAE, end of year	163,360	145,482	308,842								
	IBNR, end of year	160,200	6,454	166,654								
	Ratio: excess (deficiency)	12.89%		(16.51%)								
2017	Paid during year	54,471	156,941	211,412	159,207	370,619						
	UCAE, end of year	65,885	79,114	144,999	155,770	300,768						
	IBNR, end of year	159,988	6,666	166,654	16,942	183,596						
	Ratio: excess (deficiency)	9.98%		(27.51%)		(56.42%)						
2018	Paid during year	30,258	51,035	81,293	290,505	371,798	300,941	672,739				
	UCAE, end of year	50,120	62,989	113,109	89,127	202,236	294,423	496,659				
	IBNR, end of year	159,988	6,666	166,654	16,942	183,596	131,345	314,941				
	Ratio: excess (deficiency)	36.84%		(0.79%)		(46.44%)		(32.90%)				
2019	Paid during year	23,908	28,176	52,084	77,310	129,394	429,231	558,625	309,996	868,621		
	UCAE, end of year	42,400	42,429	84,829	72,045	156,874	193,300	350,174	(135,958)	214,216		
	IBNR, end of year	10,123	12,762	22,885	28,352	51,237	118,610	169,847	163,348	333,195		
	Ratio: excess (deficiency)	31.92%	(137.21%)	(7.60%)	(176.08%)	(54.53%)	(61.75%)	(31.26%)	(2,282.10%)	(111.75%)		
2020	Paid during year	10,308	13,037	23,345	18,130	41,475	68,215	109,690	280,851	390,541	193,338	583,879
	UCAE, end of year	37,703	34,163	71,866	55,400	127,266	119,667	246,933	239,763	486,696	294,354	781,050
	IBNR, end of year	28,981	14,071	43,052	35,483	78,535	71,554	150,089	131,842	281,931	335,341	617,272

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Risk exposure and concentrations of risk:

The following table shows the company's exposure to general insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business. The company has its largest risk concentration in the motor line.

	2020				
	Liability	**Property**	**Motor**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross Claims liability (not including IBNR)	25,527	112,587	783,562	14,382	936,058
Net Claims liability (not including IBNR)	6,179	7,840	764,320	2,711	781,050
Gross IBNR, & ULAE	3,870	17,070	622,569	2,181	645,690
Net IBNR, & ULAE	2,101	7,494	606,563	1,114	617,272
Gross and Net Unexpired Risk Reserve	991	1,111	108,019	379	110,500

	2019				
	Liability	**Property**	**Motor**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross Claims liability (not including IBNR)	24,794	15,565	702,885	16,916	760,160
Net Claims liability (not including IBNR)	7,228	2,284	203,668	1,036	214,216
Gross IBNR, PFAD & ULAE	13,021	8,174	716,393	8,883	746,471
Net IBNR, PFAD & ULAE	3,529	2,215	325,043	2,408	333,195
Gross and Net Unexpired Risk Reserve	4,467	2,804	131,891	3,047	142,209

4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the company may cede certain levels of risk to a reinsurer. The company selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Risk transfer may be done via a treaty or facultatively. Both reinsurance treaties and facultative arrangements are done in order limit the financial exposure that may arise from claims and also to stabilize the company's loss ratios.

For risks written in the property department, the company uses both proportional and non-proportional treaties otherwise called excess of loss treaties. The proportional treaties used are referred to as 'quota share' and 'first surplus'. For these types of treaties, a fixed percentage of the sum insured and premium is ceded to the treaty reinsurer who will in the event of a claim pay the same share of the claim.

The company purchases catastrophe excess of loss reinsurance to protect the portion of risks it retains to its net account from the accumulation and severity of losses that can occur after a catastrophe e.g. an earthquake or hurricane.

The company also buys motor excess of loss to protect against the frequency of losses. The treaty participates on each and every motor claim which exceeds the deductible up to the treaty limit. Facultative reinsurance is used by insurance companies on a risk by risk basis. The most common reason for facultative reinsurance is to reduce the exposure one has on a particular risk. Facultative reinsurance can be done locally or overseas. The insurance company, which obtains the initial contract, will seek another insurance company to accept a set percentage of the sum insured for which the company accepting the business is a paid premium. If there is a claim, the facultative reinsurer will then pay its portion of the claim to the company from which the business was obtained.

Retention limits represent the level of risk retained by the company. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the company are summarised below:

(i) The maximum exposure on insurance policies for outward facultative reinsurance arrangement for motor vehicles and non-motor business is $15 million and $71 million respectively (2019 - $31 million and $72 million) per any one loss.

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4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

(ii) The company insures with several reinsurers. Of significance are Munich Re, Odyssey Re, Korean Re, GIC Re, Sirius International (UK) Scor Re and QBE Re who take up 5% to 100% of their treaty arrangements. All other reinsurers carry lines under 5%. These include National Assurance, New Indian Assurance and United India Assurance. The financial analysis of reinsurers, which is conducted at the Board level, produces an assessment categorised by a Standard & Poors (S&P) rating (or equivalent when not available from S&P). They are as follows –

	Ratings
Munich Re	AA-
Hanover Re*	AA-
Everest Re	A+
Odyssey Re	A-
Korean Re	A
GIC Re	A-
Sirius International (UK)	A-
Scor Re	AA-
QBE Re	A+
New India Assurance	A-

Reinsurance recoveries/(payables) recognised during the period are as follows:

	2020	**2019**
	$'000	**$'000**
Property	100,020	23,438
Motor	20,029	1,632,406
Engineering	1,413	102
Accident	2,935	8,855
Liability	(1,946)	9,192
	122,451	1,673,993

*During the prior financial year, the company executed a quota share reinsurance treaty with Hanover Re, which reinsured 75% of losses on aspects of its motor portfolio. In addition to providing reinsurance for business written during the year, the contract provided reinsurance for losses at 31 December 2019 (loss portfolio transfer), as well as losses developing from unexpired risks (unearned premium) at 31 December 2019. Premiums incurred for both the 2019 losses and unexpired risks were incurred and recorded in the prior year's financial statements. The company commuted the quota share as at 6 April 2020. Based on the terms of the commutation, the reinsurance assets and liabilities were extinguished as at 6 April 2020.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk

The company is exposed to financial risk through its financial assets and liabilities, including its reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, market risk, cash flow risk, currency risk and credit risk.

(i) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is one of the most important risks for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers and investment activities.

The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

Credit review process

Management of the company regularly assesses the ability of customers, brokers and other counterparties to meet repayment obligations.

(i) Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Management assesses the creditworthiness of the approved reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

(ii) Premium and other receivables

Management utilises periodic reports to assist in monitoring any premiums that are overdue. Where necessary, cancellation of policies is effected for amounts deemed uncollectible.

(iii) Investments, bank and deposit balances

The company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Exposure to credit risk

	2020 $'000	2019 $'000
Subject to expected credit losses:		
Cash and short term investments	745,183	937,029
Financial assets at fair value through other comprehensive income	172,082	172,524
Receivables from agents, brokers & policyholders	190,930	164,229
Recoverable from reinsurers and coinsurers	363,946	2,037,052
	1,472,141	3,310,834

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Aged analysis of premium receivables past due but not impaired

Premium receivables that are less than two months past due are not considered impaired. The following premium receivables were past due but not impaired and relate to a number of customers for whom there is no recent history of default. The aged analysis of these receivables is as follows:

	2020 $'000	2019 $'000
61 to 90 days	34,580	45,214
91 to 120 days	19,639	21,988
More than 120 days	70,997	26,522
	125,216	93,724

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)
Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2020 $'000	2019 $'000
Government of Jamaica	141,764	138,705
Corporate	30,318	33,819
	172,082	172,524

The maximum credit exposure arising from the company's other financial assets equals their carrying amounts on the statement of financial position.

Impairment of financial assets
The company the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

Receivables from agents, brokers and policyholders;
Reinsurance receivables;
Intercompany receivables;
Cash and cash equivalents; and
Debt investments carried at FVOCI.

While intercompany receivables, reinsurance receivables and cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Receivables from agents, brokers and policyholders
The company applies the IFRS 9 simplified approach to measuring expected credit loss (ECL) which uses a lifetime expected loss allowance for all receivables from agents, brokers and policyholders.

To measure the expected credit losses, receivables from agents, brokers and policyholders have been grouped based on shared credit risk characteristics and the days past due. The two key categories considered are broker receivables and client receivables as the risk profile in these two categories are different.

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)
Impairment of financial assets

Receivables from agents, brokers and policyholders (continued)
The expected loss rates are based on the liquidation profiles of sales over a period of 36 month before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the unemployment rate to be the most relevant macro-economic factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The credit exposure for premium receivables is $262,892,000 (2019 - $174,766,000). Movement in allowance for doubtful debts are reconciled below.

On that basis, the loss allowance as at 31 December 2020 and 1 January 2020 (adoption date of IFRS 9) was determined as follows for receivables from agents, brokers and policyholders:

31 December 2020	0-60 Days	61-120 Days Over Due	121-180 Days Over Due	More than 180 Days Over Due	Total
	$'000	$'000	$'000	$'000	$'000
Agent, Broker and Policyholders receivables	88,383	54,219	19,919	100,371	262,892
Expected loss rate	2.37%	4.75%	6.62%	66.73%	
Loss allowance	2,093	2,576	1,318	65,975	71,962

1 January 2020	0-60 Days	61-120 Days Over Due	121-180 Days Over Due	More than 180 Days Over Due	Total
	$'000	$'000	$'000	$'000	$'000
Agent and Broker and Policyholders receivables	47,056	42,212	19,153	66,345	174,766
Expected loss rate	2.37%	4.75%	6.62%	74.34%	
Loss allowance	1,114	2,006	1,267	49,319	53,706

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Impairment of financial assets (continued)

Receivables from agents, brokers and policyholders (continued)

The movement in the loss allowance, calculated under IFRS 9, as at 31 December 2020 is as follows:

	2020 $'000
At 1 January – calculated under IAS 39	10,537
Amounts restated through opening retained earnings (Note 32)	53,706
At 1 January – calculated under IFRS 9	64,243
Movement on loss allowance recognised in profit or loss during the year	7,719
At 31 December	71,962

The movement in the loss allowance as at 31 December 2019, calculated under IAS 39, is as follows:

	$'000
At 1 January	14,345
Movement on loss allowance recognised in profit or loss during the year	(3,808)
At 31 December	10,537

Receivables from agents, brokers and policyholders are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, failure to make contractual payments for a period greater than 1 year, and alternative methods of debt collection have been exhausted.

Debt investments

Expected credit loss (ECL) for debt instruments at FVOCI were measured using lifetime expected losses. Management considered whether there were significant increases in credit risks associated with these investments since origination and concluded that sufficient information was unavailable to assess the credit risk at origination. Additionally, the low credit risk criteria were not met as investments were ranked below investment grade; a key criterion in classifying an investment as having a low credit risk.

The key parameters used in the ECL model, including probabilities of defaults (PDs), loss given default (LGDs) and probability-weighted scenarios were obtained from externally published information by an established rating agency.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)
Impairment of financial assets (continued)

Debt investments (continued)

Probability of default (PD)
The parameters for PDs were developed by the rating agency by tracking and analysing rating and historical default information over a 33 years' period for 132 countries and presents a 10-year issuer-weighted default study. The default rate is calculated by averaging the experiences of the issuers on a month by month basis over the 33 year period.

Loss given default (LGD)
As a base case in determining LGDs, management considered published recovery data associated with historical defaulted sovereign bonds. Based on this report, the observable loss rate on historically defaulted local bonds was on average 20%. Management is therefore of the view that a similar loss rate will be experienced on local bonds in the event of a future default. Management judgement was used to further adjust this expected loss rate for corporate and global bonds on the with the credit quality of the issuer as well as the tenure being the primary drivers as to the level of adjustment made.

Exposure at default (EAD)
EAD represents the carrying value of the financial instrument at the point of an expected default event and is limited to the contractual life of the respective instruments. Based on the nature of the securities held by the company, being non-amortising, the cash flow includes the periodic interest payment followed by lump sum upon contractual maturity. The EAD is therefore deemed by management to be the unpaid principal as well as the unpaid interest at the point of the expected default.

Forward-looking consideration
Management considered the need to adjust the key parameters to incorporate forward looking information in calculating expected credit losses. A historical assessment was performed to determine the relationship between historical default events, loss experiences and key macro-economic indicators. Macro-economic indicators considered include gross domestic product (GDP), unemployment rate as well as other factors such as the impact of any regulatory, legislative or political changes. Based on these assessments, there were no observable relationships between the historical default events or loss experiences and the macro-economic indicators. Additionally, the local economy has been relatively stable and showing signs of modest growth. Management has therefore concluded that there are no forecast events or changes in key macro-economic variables that would materially impact the ECL parameters and as such no adjustments were made for these factors. This assessment is reviewed and monitored for appropriateness on a quarterly basis.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)
Impairment of financial assets (continued)

Debt investments (continued)

Probability-weighted scenarios
As with any forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. ECL is therefore required to be measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. To achieve this, management considered the probability that the expected rating of an instrument will remain in the current rating bucket (base case), increase by one rating bucket (upside) and decrease by one rating bucket (downside).

The probability outcomes were obtained from data published by a reputable rating agency which presents an analysis of historical rating migration of debt instruments over a 33 year period.

Discounting
ECL is measured in a way that reflects the time value of money. As such, cash shortfall associated with expected defaults are discounted back to the statement of financial position date. This is done by calculating the present value of the undiscounted ECL using the original effective interest rate (EIR) on each instrument.

Debt investments at FVOCI
The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

The loss allowance for debt investments at FVOCI is as follows:

	2020
	$'000
At 31 December 2019 – calculated under IAS 39	-
Amounts restated through opening retained earnings	4,440
At 1 January 2020 – calculated under IFRS 9	4,440
Movement on loss allowance recognised in profit or loss during the year	-
At 31 December 2020	4,440

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the company may be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfill claims and other liabilities incurred.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

(i) Monitoring future cash flows and liquidity on an on-going basis;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Optimising cash returns on investment;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

(v) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections monthly. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies ever to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial assets and liabilities and insurance liabilities cash flows

The table below presents the undiscounted cash flows of the company's financial assets and liabilities and insurance liabilities, as well as the company's insurance assets and liabilities at the statement of financial position date, based on contractual repayment obligations.

	Within 3 Month $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2020		
Financial and Insurance Liabilities					
Other payables	133,395	-	-	-	133,395
Lease liability	3,079	3,364	2,205	-	8,648
Due to reinsurers	151,937	-	-	-	151,937
Claims outstanding	936,058	-	-	-	936,058
Unearned premiums	618,973	-	-	-	618,973
Unearned commissions	38,230	-	-	-	38,230
IBNR and ULAE	645,690	-	-	-	645,690
Unexpired risk reserve	110,500	-	-	-	110,500
	2,637,862	3,364	2,205	-	2,643,431

Notes to Financial Statements
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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)
(ii) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	Within 1 Month $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2019		
Financial and Insurance Liabilities					
Other payables	56,451	-	-	-	56,451
Lease liability	3,078	9,237	7,874	-	20,189
Due to reinsurers	26,283	-	1,578,478	-	1,604,761
Claims outstanding	760,160	-	-	-	760,160
Unearned premiums	480,070	-	-	-	480,070
Unearned commissions	32,053	-	-	-	32,053
IBNR and ULAE	746,471	-	-	-	746,471
Unexpired risk reserve	142,209	-	-	-	142,209
	2,246,775	9,237	1,586,352	-	3,842,364

Assets available to meet all the liabilities and to cover financial liabilities include cash and short-term deposits, and investment securities. The company is also able to meet unexpected net cash outflows by accessing additional funding sources from other financial institutions. Equities are not included.

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Finance Department which monitors the price movement of financial assets on the local market.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximising foreign currency earnings from its investments and holding foreign currency balances.

The company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The company ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)
(iii) Market risk (continued)

Concentrations of currency risk
The table below summarises the exposure to foreign currency exchange rate risk at 31 December.

	2020		
	Jamaican $	**US$**	**Total**
	J$'000	**J$'000**	**J$'000**
Financial and Insurance Assets			
Cash and deposits	520,888	224,295	745,183
Investment securities	172,082	-	172,082
Due from policyholders, brokers and agents	165,939	24,991	190,930
Due from reinsurers	353,224	10,722	363,946
Total financial assets	1,212,133	260,008	1,472,141
Financial and Insurance Liabilities			
Other payables	121,491	11,904	133,395
Due to reinsurers	93,694	58,243	151,937
Insurance reserves	2,255,941	93,510	2,349,451
Total financial liabilities	2,471,126	163,657	2,634,783
Net financial position	(1,258,993)	96,351	(1,162,642)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)
(iii) Market risk (continued)

	2019		
	Jamaican $	**US$**	**Total**
	J$'000	**J$'000**	**J$'000**
Financial and Insurance Assets			
Cash and deposits	723,436	213,593	937,029
Investment securities	172,524	-	172,524
Due from policyholders, brokers and agents	132,539	31,690	164,229
Due from reinsurers	2,028,249	8,803	2,037,052
Other receivables	50,475	-	50,475
Total financial assets	3,107,223	254,086	3,361,309
Financial and Insurance Liabilities			
Other payables	56,451	-	56,451
Lease liability	18,950	-	18,950
Due to reinsurers	1,596,968	7,793	1,604,761
Claims outstanding	750,228	9,932	760,160
Unearned premiums	427,250	52,820	480,070
Unearned commissions	32,053	-	32,053
IBNR, PFAD & ULAE	746,471	-	746,471
Unexpired risk reserve	142,209	-	142,209
Total financial liabilities	3,770,580	70,545	3,841,125
Net financial position	(663,357)	183,541	(479,816)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Foreign currency sensitivity

The following table indicates the currency to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for an appreciation of 2% and depreciation of 6% (2019 appreciation of 4% and a depreciation of 6%) in foreign currency rates. The sensitivity analysis includes cash and short-term investments, investment securities and amounts due from policyholders, brokers and agents, and US-dollar denominated liabilities.

	Change in Currency Rate %	Effect on Loss before Taxation $'000	Change in Currency Rate %	Effect on Loss before Taxation $'000
	2020		2019	
United States Dollar				
Appreciation of JMD	2	(1,927)	4	(7,342)
Depreciation of JMD	6	5,781	6	11,012

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk. The company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Finance Department.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)
Interest rate risk (continued)

The following tables summarise the company's exposure to interest rate risk at the statement of financial position date. It includes financial instruments as well as insurance assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2020						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years**	**Non-Interest Bearing $'000**	**Total $'000**
Cash and deposits	515,645	228,210	-	-	-	1,328	745,183
Investment securities	-	5,097	-	30,779	136,207	223,591	395,674
Due from policyholders, brokers and agents	-	-	-	-	-	190,930	190,930
Due from reinsurers	-	-	-	-	-	363,946	363,946
Other receivables	-	-	-	-	-	29,856	29,856
	515,645	233,307	-	30,779	136,207	809,651	1,725,589
Financial and Insurance Liabilities							
Other payables	-	-	-	-	-	136,279	136,279
Lease liability	905	1,828	2,528	3,387	-	-	8,648
Due to reinsurers	-	-	-	-	-	151,937	151,937
Claims outstanding	-	-	-	-	-	936,058	936,058
Unearned premiums	-	-	-	-	-	618,973	618,973
Unearned commissions	-	-	-	-	-	38,230	38,230
IBNR & ULAE	-	-	-	-	-	645,690	645,690
Unexpired risk reserve	-	-	-	-	-	110,500	110,500
Total financial liabilities	905	1,828	2,528	3,387	-	2,637,667	2,646,315
Total interest repricing gap	514,740	231,479	(2,528)	27,392	136,207	(1,828,016)	(920,726)

Notes to Financial Statements
31 December 2020
(Expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)
(iii) Market risk (continued)
Interest rate risk (continued)

	2019						
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 $'000	1 to 5 Years $'000	Over 5 Years	Non-Interest Bearing $'000	Total $'000
Cash and deposits	610,070	326,959	-	-	-	-	937,029
Investment securities	-	-	31,402	-	137,750	72,785	241,937
Due from policyholders, brokers and agents	-	-	-	-	-	164,229	164,229
Due from reinsurers	-	-	-	-	-	2,037,052	2,037,052
Other receivables	-	-	-	-	-	50,475	50,475
	610,070	326,959	31,402	-	137,750	2,324,541	3,430,722
Financial and Insurance Liabilities							
Other payables	-	-	-	-	-	64,961	64,961
Lease liability	952	1,887	9,422	6,689	-	-	18,950
Due to reinsurers	-	-	-	-	-	1,604,761	1,604,761
Claims outstanding	-	-	-	-	-	760,160	760,160
Unearned premiums	-	-	-	-	-	480,070	480,070
Unearned commissions	-	-	-	-	-	32,053	32,053
IBNR, PFAD & ULAE	-	-	-	-	-	746,471	746,471
Unexpired risk reserve	-	-	-	-	-	142,209	142,209
Total financial liabilities	952	1,887	9,422	6,689	-	3,830,685	3,849,635
Total interest repricing gap	609,118	325,072	21,980	(6,689)	137,750	(1,506,144)	(418,913)

Interest rate sensitivity/ Fair value price risk
Interest rate sensitivity measures the sensitivity of the financial assets and liabilities of the company to a reasonable possible change in interest rates, with all other variables held constant, on the profit or loss in the statement of comprehensive income and in other comprehensive income.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity/Fair value price risk (continued)

The company is exposed to equity and bond fair value price risk because of investments held by the company classified as fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the company.

The company's investments in quoted equity securities are publicly traded on the Jamaica Stock Exchange.

The following table indicates the sensitivity to a reasonably possible change in prices of equity and bond securities, with all other variables held constant on other comprehensive income.

There is no impact on the profit or loss for investment securities as none are variable rate instruments or are classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as fair value through other comprehensive income (2019 – available for sale).

	Effect on Other Comprehensive Income 2020 $'000	Effect on Other Comprehensive Income 2019 $'000
Percentage change equity values:		
7% (2019 - 10%) increase	15,651	6,941
12.5% (2019 - 10%) decrease	(27,949)	(6,941)
Change in basis points - bond:		
JMD/USD +100 (2019: JMD/USD +100)	(867)	(11,740)
JMD/USD -100 (2019: JMD/USD -100)	867	13,370

5. Capital Management

The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(a) To comply with the capital requirements set by the regulators, the FSC;

(b) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for its shareholders and for other stakeholders; and

(c) To maintain a strong capital base to support the development of its business.

(Expressed in Jamaican dollars unless otherwise indicated)

5. Capital Management (Continued)

Capital adequacy is managed and monitored by the company's management. It is calculated by the Chief Financial Officer, certified by the Appointed Actuary and reviewed by Executive Management, the Audit Committee and the Board of Directors. The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements.

Available capital includes issued capital, retained earnings, fair value reserves and capital reserves amounting to $258,997,000 (2019 - $660,340,000) at the end of the year.

The primary measure used to assess capital adequacy is the minimum capital test (MCT) which is used by the FSC to determine the solvency of the company. The minimum standard stipulated by the section 17(4) of the Insurance (Actuaries) (General Insurance Companies) (Amendment) regulations, 2011 is that a general insurance company shall have a minimum MCT percentage of 250% (2019 – 250%). This information is required to be filed with the FSC on an annual basis. Under Section 15(1) of the Insurance Act, 2001, the FSC may cancel the registration of a general insurance company if it is considered to be insolvent.

In January 2017, the FSC announced a measure to allow for relaxation of the required MCT ratio from 250% to 150% for a period of two years. The measure reduced the amount of capital that the general insurance industry would need to hold for the purpose of meeting capital adequacy requirements. The main reason for the reduction of an insurer's MCT ratio should be due to the reorganisation of the company's investment portfolio to pursue local growth initiatives.

The company did not qualify for the relaxed MCT ratio.

As at 31 December 2020 and 2019, the company did not achieve the minimum required level of capital based on the MCT ratio.

	2020	2019
Actual MCT ratio	(48.40%)	186.75%
Minimum required MCT ratio	250%	250%

The company has taken steps, as discussed in Note 2, to facilitate future compliance with the required MCT ratio. Refer also to the subsequent events disclosure in Note 35.

6. Fair Value Estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Where no market price is available, the fair values presented have been estimated using present values or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Debt securities classified as FVOCI are measured at fair value based upon projected cash flows discounted at current market rates which have been determined through the use of quotations and yields obtained from independent brokers.

(ii) The fair values of quoted equity investments are based on current bid prices.

(iii) The fair value of liquid assets and other assets maturing within three months is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

(iv) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts, as these instruments are expected to reprice at the prevailing market rates.

(v) Based on the nature of the unquoted investments and the specificity of their operations within the general insurance industry, the fair values are expected to approximate to their carrying amounts.

Fair value sensitivity analysis

Non-financial assets carried at fair value include property, plant and equipment and investment properties, which fall within level 3 of the fair value hierarchy. The valuations have been performed using the sales comparison approach. There have been a limited number of similar sales in the local market, and consequently the sales comparison approach incorporates unobservable inputs, which in the valuator's judgement reflects suitable adjustments regarding size, age, condition, time of sale and quality of land, buildings and improvements. The most significant input into this valuation is the price per square foot. The higher the price per square foot the higher the fair value.

6. Fair Value Estimation (Continued)

The following table presents the company's financial instruments that are measured at fair value at 31 December grouped into Levels 1 to 3 dependent on the degree to which fair values are observable.

	Level 1 $'000	Level 2 $'000	Total $'000
As at 31 December 2020			
Fair value though OCI –			
Corporate debt	-	30,318	30,318
Bank of Jamaica debt securities	-	141,764	141,764
Quoted equities	223,592	-	223,592
	223,592	172,082	395,674
As at 31 December 2019			
Available-for-sale investments –			
Corporate debt	-	33,819	33,819
Bank of Jamaica debt securities	-	138,705	138,705
Quoted equities	69,413	-	69,413
	69,413	172,524	241,937

Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets and liabilities. These mainly comprise equities traded on the Jamaica Stock Exchange and are classified as fair value through OCI (2019 - available-for-sale).

Level 2 includes those instruments which are measured using inputs other than quoted prices that are observable for the instrument, directly or indirectly. The fair value for these instruments is determined by using valuation techniques and maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between the levels during the year.

7. Responsibilities of the Appointed Actuary and Independent Auditors

The Board of Directors, pursuant to the Insurance Act appoints the Actuary, whose responsibility is to carry out an annual valuation of the company's outstanding claims in accordance with accepted actuarial practice and regulatory requirements and report thereon to the shareholders. In performing the valuation, the Actuary analyses past experience with respect to number of claims, claims payment and changes in estimates of outstanding liabilities.

The shareholders, pursuant to the Companies Act, appoint the Independent Auditors. The auditor's responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the Auditors also make use of the work of the appointed Actuary and the Actuary's report on outstanding claims.

8. Expenses by Nature

	2020 $'000	2019 $'000
Advertising	17,957	10,916
Amortisation and depreciation (Notes 20, 21, 31)	23,778	27,457
Asset tax	5,446	3,375
Auditor's remuneration	8,000	7,499
Bank charges and interest	2,874	5,380
Donations and subscriptions	8,987	5,794
Computer and data processing expenses	28,538	29,250
Insurance and registration fees	7,258	10,163
Travelling	936	1,971
Miscellaneous	2,150	4,970
Motor vehicle expenses	976	329
Office expenses	10,536	7,612
Postage, telephone, fax and utilities	20,362	15,339
Printing and stationery	3,746	2,468
Legal and professional fees	61,880	51,245
Provision for bad debt	5,591	8,913
Investment properties expense	5,775	2,703
Repairs and maintenance	4,095	2,613
Security	12,562	12,833
Staff costs (Note 9)	257,953	224,647
Administration and other expenses	489,400	435,477

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9. Staff Costs

	2020 $'000	2019 $'000
Wages and salaries	202,407	170,392
Redundancy cost	4,037	-
Payroll taxes – employer's portion	16,556	18,199
Pension costs – defined contribution	5,655	6,402
Other staff costs	29,298	29,654
	257,953	224,647

10. Investment Income

	2020 $'000	2019 $'000
Interest income	26,497	31,401
Dividend income	997	1,499
	27,494	32,900

11. Other Income

	2020 $'000	2019 $'000
Rental income	5,505	13,832
Net foreign exchange (loss)/gain	(1,410)	8,382
Gain on sale of available-for-sale investment securities	-	9,111
Gain on sale of investment properties	-	82,991
Gain on sale of property, plant & equipment	7,668	-
Miscellaneous income	5,893	19
	17,656	114,335

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12. Taxation

Until 9 April 2020, the company's ordinary stock units were listed on the Junior Market of the JSE, at which time the stock units were migrated to the main market. Consequent on its junior listing until 8 April 2020, the company was entitled to a remission of tax up to 31 March 2026 provided the shares remained listed for at least 15 years, in the proportions set out below.

Years 1 to 5 of listing on the junior market	100%
Years 6 to 10 of listing on the main market	50%

The migration to the main market in 2020 disqualified the company from tax remission entitlements post the date of migration. Deferred taxes at 31 December 2019 were therefore calculated in accordance with IAS 12 based on the tax rate enacted, or substantively enacted at the time when a deferred tax asset is expected to be realised or a deferred liability settled.

Taxation is based on the result for the year adjusted for taxation purposes and represents income tax at 33⅓%.

	2020 $'000	2019 $'000
Current year taxation charge	-	-
Deferred taxation (Note 23)	(149,833)	(298,778)
	(149,833)	(298,778)

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12. Taxation (Continued)

Subject to agreement with Tax Administration Jamaica, the company has losses available for offset against future taxable profits of approximately $1,375,095,000 (2019 - $931,146,000) which may be carried forward indefinitely.

The tax on the company's profit differs from the threshold amount that would arise using the tax rate of 33⅓% as follows:

	2020 $'000	2019 $'000
Loss before taxation	(449,499)	(566,257)
Tax calculated at a rate of 33⅓%	(149,833)	(188,752)
Adjusted for the effects of:		
Income not subject to tax	(8,861)	(54,199)
Expenses not deductible for tax purposes	11,435	12,219
Recognition of deferred taxes from prior periods on migration to the main market	-	(78,822)
Net effect of other charges and allowance	(2,574)	10,776
Tax credit	(149,833)	(298,778)

13. Cash and Deposits

	2020 $'000	2019 $'000
Cash at bank and in hand	290,434	99,871
Short-term deposits (including repurchase agreements)	454,749	837,158
Cash and deposits	745,183	937,029
Hypothecated funds	-	(3,000)
Cash and cash equivalents	745,183	934,029

Short term deposits include a balance of NIL (2019 - $3,000,000) which has been hypothecated to The Bank of Nova Scotia Jamaica Limited as security for a credit card facility.

The effective weighted average interest rates on deposits are as follows:

	2020 %	2019 %
Jamaican dollar deposits	2.55	4.21
United States dollar deposits	3	2.34

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14. Investment Securities

Investments comprise the following:

	Years to Maturity					
	Within1 year $'000	1 to 5 years $'000	5 to 10 years $'000	Over 10 years $'000	Total 2020 $'000	Total 2019 $'000
At fair value through other comprehensive income:						
Issued by:						
Government of Jamaica	-	-	62,564	76,113	138,677	-
Interest receivable	3,087	-	-	-	3,087	-
Corporate -						
Bonds	-	30,000	-	-	30,000	-
Interest receivable	318	-	-	-	318	-
	3,405	30,000	62,564	76,113	172,082	-
Quoted equity securities					223,592	-
					395,674	-
Available-for-sale investments:						
Issued by:						
Government of Jamaica	-	-	136,883	-	-	136,883
Interest receivable	1,550	-	-	-	-	1,550
Corporate -						
Bonds		32,269	-	-	-	32,269
Interest receivable	1,822	-	-	-	-	1,822
						172,524
Quoted equity securities						69,413
						241,937

Investment securities include securities with a face value of $45,000,000 (2019 - $45,000,000) which have been pledged with the Regulator, the Financial Services Commission, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

The current portion of investment securities amounted to $33,405,000 (2019 - $31,402,000).

Resulting from the adoption of IFRS 9 during the current year, the prior year's classification of investment securities as available-for-sale investments is no longer applicable. Investment securities are now held under the three classification categories: amortised cost, fair value through OCI (FVOCI) and fair value through profit and loss (FVPL). Refer to Note 32 for further details.

15. Due from Policyholders, Brokers and Agents

	2020 $'000	2019 $'000
Premiums receivable	262,892	174,766
Less: Provision for impairment	(71,962)	(10,537)
	190,930	164,229

Ageing of premium receivable

	2020 $'000	2019 $'000
Within 1 month	46,516	47,244
1-3 months	114,798	68,474
4-12 months	29,616	48,511
	190,930	164,229

16. Due from Reinsurers

Amounts recoverable from reinsurers comprise:

	2020 $'000	2019 $'000
Unearned premium - other	180,520	149,803
Unearned premium ceded on motor quota share	-	235,257
Recoverable on claims outstanding relating to motor quota share	-	1,497,486
Recoverable on claims outstanding	155,008	81,854
Recoverable on claims IBNR	28,418	22,524
Commission on motor quota share	-	50,128
	363,946	2,037,052

Balances due from reinsurers in relation to claims outstanding are due within 12 months of the reporting date.

17. Other Receivables

	2020 $'000	2019 $'000
Staff loans	637	1,522
Other	29,219	48,953
	29,856	50,475

Balances relating to staff loans are due within 12 months of the reporting date.

18. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

(a) Transactions with related parties were as follows:

	2020 $'000	2019 $'000
Directors' emoluments -		
Fees	2,958	8,410
Remuneration	5,825	16,673

Key management compensation -

	2020 $'000	2019 $'000
Wages and salaries	52,475	63,305
Payroll taxes – employer's portion	4,785	5,772
Pension costs	1,748	2,109
	59,008	71,186

Fellow subsidiaries -

	2020 $'000	2019 $'000
Gross premium written	2,241	-
Commission expense	(21,356)	-

(b) The statement of financial position includes the following balances with group companies:

	2020 $'000	2019 $'000
Fellow subsidiaries -		
Cash and short-term investments	384	-
Due from agents, brokers and policyholders	39,472	-
Other payables	21,578	-

	2020 $'000	2019 $'000
Ultimate parent -		
Other payables	22,353	-

19. Investment Properties

Investment properties relate to land owned by the company. These properties were valued at current market value as at 30 August 2020 by NAI Jamaica Langford and Brown qualified property appraisers and valuators, in their reports dated 9th September 2020. The properties include land which has been leased to third parties for use as parking facilities.

The movement on investment properties balance during the year is as follows:

	2020 $'000	2019 $'000
At beginning of year	200,150	341,150
Disposal	-	(221,000)
Fair value gains	26,584	80,000
At end of year	226,734	200,150

The following amounts have been recognised in income in the Statement of Comprehensive Income:

	2020 $'000	2019 $'000
Rental income arising from investment properties (Note 11)	5,505	13,832
Operating expenses incurred on investment properties (Note 8)	5,775	2,703
Gain on sale of investment properties (Note 11)	-	82,991

Notes to Financial Statements
31 December 2020
(Expressed in Jamaican dollars unless otherwise indicated)

20. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 January 2019	16,922
Additions during 2019	868
At 1 January 2020	17,790
Additions during 2020	672
31 December 2020	18,462
Amortisation -	
At 1 January 2019	12,965
Amortised for the year	1,188
At 1 January 2020	14,153
Amortised for the year	1,399
At 31 December 2020	15,552
Net Book Value -	
31 December 2020	2,910
31 December 2019	3,637

Notes to Financial Statements

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(Expressed in Jamaican dollars unless otherwise indicated)

21. Property, Plant and Equipment

	Land and Buildings $'000	Leasehold Improvements $'000	Computer Equipment $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Total $'000
			2020			
At Cost/Valuation -						
At 1 January	191,048	24,623	49,257	15,437	51,340	331,705
Additions	-	-	5,192	5,133	527	10,852
Disposal	-	-	-	(11,066)	-	(11,066)
Revaluation	(1,048)	-	-	-	-	(1,048)
At 31 December	190,000	24,623	54,449	9,504	51,867	330,443
Depreciation -						
At 1 January	11,454	20,570	33,686	12,579	31,903	110,192
Revaluation	(13,884)	-	-	-	-	(13,884)
Disposal	-	-	-	(8,945)	-	(8,945)
Charge for the year	2,430	733	5,548	848	1,587	11,146
At 31 December	-	21,303	39,234	4,482	33,490	98,509
Net Book Value -						
31 December	190,000	3,320	15,215	5,022	18,377	231,934

Notes to Financial Statements
31 December 2020
(Expressed in Jamaican dollars unless otherwise indicated)

21. Property, Plant and Equipment (Continued)

	Land and Buildings $'000	Leasehold Improvements $'000	Computer Equipment $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Total $'000
			2019			
At Cost/Valuation -						
At 1 January	153,827	24,623	44,390	15,437	52,805	291,082
Adjustment	-	-	-	-	(1,809)	(1,809)
Additions	-	-	4,867	-	344	5,211
Revaluation	37,221	-	-	-	-	37,221
At 31 December	191,048	24,623	49,257	15,437	51,340	331,705
Depreciation -						
At 1 January	9,031	19,991	28,362	10,366	28,900	96,650
Charge for the year	2,423	579	5,324	2,213	3,003	13,542
At 31 December	11,454	20,570	33,686	12,579	31,903	110,192
Net Book Value -						
31 December	179,594	4,053	15,571	2,858	19,437	221,513

Land and buildings were valued at current market values as at 31 December 2020. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020 $'000	2019 $'000
Cost	133,391	133,391
Accumulated depreciation	(9,100)	(6,670)
	124,291	126,721

22. Other Payables

	2020 $'000	2019 $'000
Accrued expenses	102,068	27,484
Accrued payroll expenses	1,714	1,662
Statutory	2,884	8,510
Other	29,613	27,305
	136,279	64,961

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23. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to setoff current tax assets against current tax liabilities.

The movement in the deferred income tax account is as follows:

	2020 $'000	2019 $'000
At the beginning of the year	278,325	(3,111)
Deferred tax charged to other comprehensive income (Note 27)	-	(17,342)
Deferred tax credited to profit or loss in the statement of comprehensive income (Note 12)	149,833	298,778
At end of year	428,158	278,325

The movement in deferred tax assets and liabilities is as follows:

	Tax Losses $'000	Accelerated Tax Depreciation $'000	Revaluation Gains on Buildings $'000	Interest Accrued $'000	Total $'000
At 1 January 2019	11,782	-	(14,893)	-	(3,111)
Deferred tax charged to other comprehensive income	-	-	(17,342)	-	(17,342)
Deferred tax charged to profit in the statement of comprehensive income	298,600	1,302	-	(1,124)	298,778
At 31 December 2019	310,382	1,302	(32,235)	(1,124)	278,325
Deferred tax credited to profit in the statement of comprehensive income	147,982	1,303	-	548	149,833
At 31 December 2020	458,364	2,605	(32,235)	(576)	428,158

	2020 $'000	2019 $'000
Deferred tax liabilities that are expected to be settled after more than 12 months after the year end	(32,235)	(32,235)
Deferred tax assets that are expected to be recovered after more than 12 months after the year end	458,364	310,382

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(Expressed in Jamaican dollars unless otherwise indicated)

24. Insurance Reserves

	2020 $'000	2019 $'000
Provision for unexpired risks	110,500	142,209
Provision for unearned premiums	618,973	480,070
Unearned commissions	38,230	32,053
Provision for claims, IBNR,& UCAE	645,690	746,471
Claims outstanding	936,058	760,160
	2,349,451	2,160,963

An actuarial valuation was performed by the company's appointed actuary, Mid Atlantic Actuaries (2019 - Eckler Ltd.), to value the policy and claims liabilities of the company as at 31 December 2020, in accordance with the Insurance Act of Jamaica. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles.

	Gross Liabilities 2020 $'000	Ceded 2020 $'000	Net Liabilities 2020 $'000
Provision for unexpired risks	110,500	-	110,500
Provision for unearned premiums	618,973	180,520	438,453
Unearned commissions	38,230	-	38,230
Provision for claims IBNR, & UCAE	645,690	28,418	617,272
Claims outstanding	936,058	155,008	781,050
	2,349,451	363,946	1,985,505

	Gross Liabilities 2019 $'000	Ceded 2019 $'000	Net Liabilities 2019 $'000
Provision for unexpired risks	142,209	-	142,209
Provision for unearned premiums	480,070	385,060	95,010
Unearned commissions	32,053	(9,772)	41,825
Provision for claims IBNR	571,514	407,435	164,079
Provision for adverse deviation	133,022	5,841	127,181
Unallocated claim adjustment expenses	41,935	-	41,935
Claims outstanding	760,160	545,944	214,216
	2,160,963	1,334,508	826,455

24. Insurance Reserves (Continued)

In his opinion dated 28 March 2021, the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2020 makes proper provision for the future payments under the company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica; that a proper charge on account of these liabilities has been made in the statement of operations; and that there is not sufficient capital available to meet the solvency standards as established by the FSC.

(a) Actuarial data

The data employed in the analysis of outstanding claims and premium liabilities was taken directly from the company's records. Individual items (on both a gross and net basis) used in estimating liabilities as at 31 December 2020 were as follows, grouped by each accident year from 2006 to 2020:

(i) Claims incurred and paid for accident years 2006 onwards.

(ii) Loss adjustment expenses paid for accident years 2006 onwards.

(iii) Paid and incurred large loss amounts in each accident year from 2006 onwards.

(iv) Earned premiums for each year from 2006 to 2020.

(b) Actuarial assumptions

In accordance with IFRS 4, a Liability Adequacy Test was taken into consideration in determining the adequacy of insurance reserves reported by the company.

In applying the noted methodologies, the following assumptions were made:

(i) With respect to the analysis of incurred claims development history, the level of case reserve adequacy is relatively consistent, in inflation adjusted terms, over the experience period.

(ii) With respect to the analysis of the net paid claims development history, the rate of payment of the incurred losses for the recent history is indicative of future settlement patterns.

(iii) With respect to the Loss Development and Bornhuetter-Ferguson methods, the average ultimate loss ratio for recent accident years, adjusted for claims inflation and changes in average rate level, is representative of the expected loss ratio for the most recent accident year.

(iv) The claims inflation rate implicitly used in the valuation is equivalent to that rate which is part of historical data.

There were no significant changes in assumptions or methods during the year.

24. Insurance Reserves (Continued)

(c) Provision for adverse deviation assumptions

Any discrepancy which may ultimately arise between the statistical estimates of outstanding claims and the actual future experience is uncertain. The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

(d) Movement in reserves, insurance assets and deferred policy acquisition cost

	2020 $'000	2019 $'000
Unexpired risk reserve:		
At the beginning of the year	142,209	77,806
Recognised in profit or loss	(31,709)	64,403
At the end of the year	110,500	142,209
Provision for unearned premium:		
At the beginning of the year	480,070	637,024
Premiums written during the year	1,432,083	1,403,690
Premiums earned during the year	(1,293,180)	(1,560,644)
At the end of the year	618,973	480,070
Unearned commissions:		
At the beginning of the year	32,053	38,546
Commissions on reinsurance premium written during the year	166,102	139,202
Earned commission recognised in profit or loss	(159,925)	(145,695)
At the end of the year	38,230	32,053

24. Insurance Reserves (Continued)

(e) Change in insurance liabilities

	2020 $'000	2019 $'000
Provision for claims IBNR, net:		
At the beginning of the year	333,195	314,941
Current year recognised as part of claims expense – IBNR, net	(100,782)	409,006
Current year not recognised as part of claims expense – IBNR recoverable	390,754	-
Current year recognised as part of claims expense – IBNR recoverable	(5,895)	(390,752)
At the end of the year	617,272	333,195
Gross Claims Outstanding:		
At the beginning of the year	760,160	534,919
Recognised as part of claims expense in profit or loss	786,420	1,188,348
Gross amount paid during the year	(610,522)	(963,107)
At the end of the year	936,058	760,160
Deferred policy acquisition cost:		
At the beginning of the year	138,703	155,211
Commissions on premium written during the year	183,117	139,202
Direct premium expense incurred during the year	(171,328)	(173,485)
Change in deferred branch acquisition cost during year	(87,870)	17,775
At the end of the year	62,622	138,703
Unearned reinsurance premiums		
At the beginning of the year	385,060	178,736
Reinsurance premium ceded **	489,715	1,744,177
Reinsurance premium incurred during the year	(694,255)	(1,537,853)
At the end of the year	180,520	385,060

**Reinsurance premium ceded for 2019 includes reinsurance ceded on business written during the current year, as well as reinsurance ceded on unearned premium at the end of 2018, consequent on the 75% motor quota share treaty with Hannover Re. This agreement was terminated in April 2020.

24. Insurance Reserves (Continued)

(f) Sensitivity analysis

The determination of the actuarial liabilities is heavily dependent on loss development factors, which are used to estimate the ultimate liability for each claim. In determining the loss development factors, the actuaries review patterns in relation to incurred and paid claims, as well as loss ratios for various lines of business. Management considers a 10% loss development ratio as a reasonably possible change. The table below shows the amounts by which gross and net IBNR will change, resulting from a 10% change in loss development factors.

	2020	
	Gross IBNR	**Net IBNR**
	$'000	**$'000**
10% increase in loss development	26,727	24,808
10% decrease in loss development	(29,404)	(27,292)

	2019	
	Gross IBNR	**Net IBNR**
	$'000	**$'000**
10% increase in loss development	37,847	37,628
10% decrease in loss development	(40,483)	(40,263)

25. Share Capital

	2020	**2019**
	$'000	**$'000**
Authorised -		
700,000,000 (2019 – 496,000,000) ordinary stock units		
Issued and fully paid -		
368,460,863 (2019 – 368,460,863) ordinary stock units at no par value	235,282	235,282

At the company's Annual General Meeting held on 21 October 2020, the stockholders approved an increase in the number of authorised stock units in the company from 496,000,000 ordinary stock units to 700,000,000 ordinary stock units.

26. Capital Reserve

	2020	**2019**
	$'000	**$'000**
At end of year	57,371	57,371

During 2014, land and buildings with a value of $110,000,000 was transferred to the company to settle related party debt of $53,629,000. The amount recognised in capital reserve relates to the excess value over the receivables.

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27. Fair Value Reserves

This represents unrealised gains and losses on the valuation of investment at fair value through other comprehensive income (2019 – available for sale), investment properties and property, plant and equipment, net of deferred taxes. Fair value gains on investment properties have been transferred from retained earnings to the fair value reserve to prevent distribution of these gains, as they are unrealised.

	2020 $'000	2019 $'000
At beginning of year	459,469	340,449
IFRS 9 adoption (Note 32)	4,440	-
Fair value gains on available-for-sale securities	-	19,141
Fair value losses on investment through OCI	(23,393)	-
Fair value gains on investment properties	26,584	80,000
Revaluation gains on property, plant and equipment	12,836	37,221
Deferred tax charged to other comprehensive income (Note 23)	-	(17,342)
At end of year	479,936	459,469

28. Loss Per Stock Unit

	2020	2019
Net loss from operations ($'000)	(299,666)	(267,479)
Number of ordinary stock units in issue ('000)	368,461	368,461
Loss per stock unit	**($0.81)**	**($0.73)**

29. Segment Information

Management has determined the operating segments based on the reports reviewed by the General Manager (GM) 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. These two segments represent the company's strategic business units. The strategic business units offer different products and are managed separately because they require among other things, different marketing strategies. For each of the strategic business units, the company's GM reviews internal management reports on at least a monthly basis. These reports do not include details of segment assets. The following summary describes the operations in each of the company's reportable segments: motor and non-motor classes. The company sells motor policies, and these range from comprehensive cover to third party act policies. The non-motor class comprises liability, property, engineering, travel, personal accident and miscellaneous accident classes. There are no inter-divisional sales.

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, as included in the internal management reports that are reviewed by the company's General Manager.

29. Segment Information (Continued)

Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. 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 sales.

The company's operations are located entirely in Jamaica.

	2020		
	Motor	**Non-Motor**	**Total**
	$'000	**$'000**	**$'000**
Gross premiums written	989,389	442,694	1,432,083
Reinsurance ceded	(43,141)	(446,574)	(489,715)
Net premiums written	946,248	(3,880)	942,368
Amortisation of underwriting assets	(300,266)	(22,870)	(323,136)
Underwriting expenses	(1,076,145)	(64,320)	(1,140,465)
Underwriting loss	(430,163)	(91,070)	(521,233)

No single customer accounted for 10% or more of total revenues of the company either in 2020 or in 2019.

	2019		
	Motor	**Non-Motor**	**Total**
	$'000	**$'000**	**$'000**
Gross premiums written	979,560	424,130	1,403,690
Reinsurance ceded	(1,420,176)	(324,001)	(1,744,177)
Net premiums written	(440,616)	100,129	(340,487)
Amortisation of underwriting assets	-	-	-
Underwriting expenses	(146,067)	(306,938)	(453,005)
Underwriting loss	(586,683)	(206,809)	(793,492)

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30. Contingency

The company is involved in certain legal proceedings incidental to the normal course of business. Management believes that none of these legal proceedings, individually or in aggregate, will have a material effect on the company.

31. Leases

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2020 $'000	2019 $'000
Right-of-use asset		
Property	6,575	17,808
Lease liability		
Current	6,218	12,261
Non-current	2,430	6,689
	8,648	18,950

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets		
Property	11,233	12,726
Interest expense	992	2,203

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31. Leases (Continued)

(c) The company's leasing activities
The company leases various offices which serve as branches. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options as described in (d) below.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

32. Adoption of IFRS 9, Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2020 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The standard was adopted without restating the comparative information in accordance with the transitional provision in IFRS 9 (7.2.15) and (7.2.26). The total impact of adoption is therefore recognised in the opening statement of financial position on 1 January 2020.

The main impact arising from the adoption of IFRS 9 is due to the application of the expected credit loss model.

The following tables show the adjustments recognised for each individual line item. Line items not impacted have also been included to facilitate reconciliation of the information provided.

Effects on the statement of financial position line items:

	Originally stated 31 December 2019 $'000	IFRS 9 $'000	Restated 1 January 2020 $'000
Assets			
Cash and deposits	937,029	-	937,029
Available-for-sale investments	241,937	-	241,937
Receivables from agents, brokers & policyholders	164,229	(53,706)	110,523
Due from reinsurers	2,037,052	(25,465)	2,011,587
Deferred policy acquisition costs	138,703	-	138,703
Taxation recoverable	219,117	-	219,117
Right-of-use asset	17,808	-	17,808
Other receivables	50,475	(11,969)	38,506
Investment properties	200,150	-	200,150
Intangible assets	3,637	-	3,637
Property, plant and equipment	221,513	-	221,513
Deferred taxation	278,325	-	278,325
	4,509,975	**(91,140)**	**4,418,835**
Liabilities and Shareholders' Equity			
Liabilities			
Other payables	64,961	-	64,961
Lease liability	18,950	-	18,950
Due to reinsurers	1,604,761	-	1,604,761
Insurance reserves	2,160,963	-	2,160,963
	3,849,635	**-**	**3,849,635**
Shareholder's Equity			
Share capital	235,282	-	235,282
Capital reserve	57,371	-	57,371
Fair value reserves	459,469	4,440	463,909
Retained earnings	(91,782)	(95,580)	(187,362)
	660,340	**91,140**	**569,200**

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32. Adoption of IFRS 9, Financial Instruments (Continued)

The total impact on components of equity as at 1 January 2020 is as follows:

		Fair value reserves $'000	Retained earnings $'000
Closing equity components 31 December 2019 – IAS 39		459,469	(91,782)
IFRS 9 impact -			
Impairment on FVOCI debt instruments	(i)	4,440	(4,440)
Increase in provision for receivables from agents, brokers and	(ii)	-	(53,706)
Increase in provision for due from reinsurers		-	(25,465)
Increase in provision for due from other debtors		-	(11,969)
Adjustment to equity arising from adoption of IFRS 9 on 1 January 2020		4,440	(95,580)
Opening equity components 1 January 2020 – IFRS 9		463,909	(187,362)

Classification and measurement:

Reclassification of debt and equity instruments from AFS to FVOCI
On 1 January 2020 (the date of initial application of IFRS 9), the company's management has assessed which business models apply to the financial assets held by the company. Debt and equity instruments which were previously classified as available for sale under IAS 39 were classified as FVOCI under IFRS 9. For debt instruments, the company's business model is achieved both by collecting contractual cash flows and selling these assets. For equity investments, management exercised the non-recyclable option of classifying these investments at FVOCI.

33. Amortisation of Underwriting Assets

Following the acquisition in March 2020 of the majority shareholding in the company by GraceKennedy Financial Group Limited and the appointment of a new Board of Directors and Senior Management effective 31 March 2020, the Motor Quota Share Reinsurance Agreement (the MQS Agreement) was reviewed and terminated on 6 April 2020 with an effective date of 1 January 2020. The Agreement made no provision for the payment of cash or the settlement of outstanding balances upon termination and hence was terminated without recourse by either party to the Agreement. The review and termination of this Agreement were completed as part of the restructuring plan for the company's operations and the streamlining of its underwriting business to make it more profitable on a go forward basis. Upon termination of the Agreement, Management accelerated the amortisation of certain underwriting assets resulting in a one-time charge of $323 million in profit or loss for the year, comprising $235 million relating to the terminated Agreement and an amount $88 million relating to Deferred Policy Acquisition Costs.

34. Impact of Covid-19

The outbreak of the novel Coronavirus (COVID-19) became a pandemic in March 2020 and has adversely affected the global economy and way of life.

The continuous impact of COVID-19 on the company's operations and future financial performance are reviewed periodically by the Board and Management with mitigating strategies implemented to reduce any negative effects. The pandemic and the measures to control its human impact have resulted in disruptions to the Jamaican economic activities, business operations and to the insurance industry. The company continues to review its credit and financial risks while continuing to contain costs and manage cash flows.

Management has considered the consequences of COVID-19 pandemic as well as other events and conditions, and it has determined that they do not create additional material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

35. Subsequent Events

(a) At the company's Annual General Meeting held on 21 October 2020, the stockholders approved a renounceable rights issue for the purposes of raising capital for the benefit of the company. The renounceable rights issue was opened to the existing stockholders on 23 December 2020 and successfully closed on 11 January 2021, raising $668,018,000 in gross consideration.

(b) The company has entered into an arrangement to sell its investment property located on Knutsford Boulevard. The carrying value of the property is $226,584,000.

(c) In March 2021, the company entered into a funds withheld Loss Portfolio Transfer (LPT) which is a proportional reinsurance coverage applied to the outstanding claims liabilities. The impact of this reinsurance programme will see the company's net outstanding liabilities being reduced while at the same time increasing the company's Minimum Capital Test (MCT) ratio.

Form of Proxy

I/We, ... of

...., being a member of

Key Insurance Company Limited hereby appoint* .... or

failing him/her ....of...

.... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held virtually on Wednesday, 8 September 2021, at 2:30 p.m., pursuant to an Order of the Supreme Court of Jamaica dated 21 October 2020 and at any adjournment thereof.

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

*Given the prevailing circumstances, shareholders are encouraged to appoint the Chairman or Company Secretary as their proxy.

Place
Stamp
Here
J$100

Dated this .... day of 2021

Signature .... Signature ....

In the case of a body corporate, this form should be executed under seal in accordance with the Company's Articles.

Note: To be valid, this Form of Proxy must be deposited with the Corporate Secretary of the Company at 6C Half Way Tree Road, Kingston 5, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.

KEY INSURANCE
COMPANY LIMITED

6C Half Way Tree Road
Kingston, Jamaica
876.926.6278

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