Commitment to Sustainable Growth Through Hard Work, Passion and Dedication

KEY INSURANCE COMPANY LIMITED

ANNUAL REPORT 2022

Mission

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

Vision

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

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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 as a virtual-only meeting on Wednesday, June 21, 2023, at 2:00 p.m. for the following purposes:

ORDINARY BUSINESS

1. **To receive the report of the Board of Directors and the Audited Financial Statements for the year ended 31 December 2022 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 2022 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. 2a
"THAT the following Directors who retire by rotation in accordance with Article 97 of the Company's Articles of Incorporation and who, being eligible, offer themselves for re-appointment be hereby re-appointed."

(a) Herma McRae
(b) Linval Freeman
(c) Kerry-Ann Heavens

RESOLUTION NO. 2b
"THAT Nichole Case and Ashley-Ann Foster Horne, having been appointed by the Board as Directors in 2022, now retire in accordance with Article 103 of the Company's Articles of Incorporation and who, being eligible, offer themselves for re-appointment be hereby re-appointed."

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 2022 as fees of the Directors for their services as Directors be and is hereby approved."

By Order of the Board

Kerry-Ann Heavens
Corporate Secretary
Dated: April 29, 2023

Instructions Accompanying the Notice:

1. Shareholders will be able to register for the Annual General Meeting using their JCSD number via the Company's website at https://keyinsurancejm.com/dashboards/annual_general_meeting_2023. The registration process must be completed in order to gain admission to the meeting.

2. Any shareholder entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote on his/her behalf. Such proxies need not be shareholders of the Company. Instruments appointing proxies (a specimen of which has been circulated along with the Company's Annual Report) must include the proxy holder's Taxpayer Registration Number and should be deposited with the Corporate Secretary of the Company at 6c Half Way Tree Road, Kingston 5, not less than 48 hours prior to the meeting.

3. The Proxy Form may also be downloaded from www.jamstockex.com or www.keyinsurancejm.com

CORPORATE DATA

Directors:

1. Don Wehby, Chairman
2. Linval Freeman
3. Herma McRae
4. Ashley-Ann Foster-Horne
5. Kareem Tomlinson
6. Sandra Masterton
7. Rochelle Cameron
8. Heather Goldson
9. Kerry-Ann Heavens
10. Nichole Case

Company Secretary:

Kerry-Ann Heavens

Assistant Company Secretary:

Sharon Prendergast

Auditors:

PricewaterhouseCoopers
Scotiabank Centre, Duke Street
Kingston, Jamaica

Bankers:

- First Global Bank Limited
- Sagicor Bank Jamaica Limited
- National Commercial Bank Limited

Website:

www.Keyinsurancejm.com

Registered Office:

6C Half Way Tree Road
Kingston 5

Registrar:

Jamaica Central Securities
Depository Limited
40 Harbour Street
Kingston

CHAIRMAN'S MESSAGE

Don Wehby

In 2022 Key Insurance Company Limited (Key Insurance/ the Company) celebrated its 40th anniversary. The Company went above and beyond to beat the odds in a challenging global and local economic environment.

Globally, the year was characterised by ongoing supply chain disruptions, geopolitical tensions and inflationary pressures. In Jamaica, inflation led to a reduction in consumers' purchasing power and disposable income. Exacerbating these sub-optimal market conditions, was the evolving position of global reinsurers as it relates to the Caribbean. Our region is highly vulnerable to the effects of climate change, which makes it a challenging and expensive market to insure. As a result, our local industry began to face higher reinsurance costs in 2022, as it became increasingly difficult for reinsurers to allocate capital to the region.

In the face of these headwinds, Key Insurance was successful in continuing its growth trajectory, improving productivity, and increasing its core profitability. The Company achieved several milestones in 2022, including exceeding our target for gross premiums written by 15.8%, and consequently, securing a larger share of the local general insurance market. Growth was also driven by the expansion of our motor and non-motor portfolios, and an increase in total assets and shareholders' equity. Despite higher claims driven by the growth in the portfolio, the Company also achieved a $43 million or 148% increase in profitability over prior year, when normalized for the effect of the $208 million non-recurring benefit from the 2021 restructuring of the reinsurance portfolio.

In 2022, there was also growth in the Company's digital business with the introduction of a digital platform to facilitate the submission of claims as well as the payment and renewal of premiums. We look forward to unveiling more digital insurance solutions to serve our customers' needs in 2023, and beyond.

The Company's resilience in 2022 can undoubtedly be attributed to its committed team, who maintained focus on our strategic pillars: sustained growth and innovation; consumer centricity; improved business processes for greater efficiency; and a performance-driven culture. At Key Insurance, we have created a high-performance, nurturing work environment for our team. This supports the effective execution of our strategy, and we continue to invest heavily in our team's development going forward. On behalf of the Board of Directors, thank you to the entire team for all your hard work and dedication.

To our loyal customers and shareholders, thank you for your steadfast belief in Key Insurance. We are committed to serving your interests at the highest standard.

As we look to the future, we remain focused on growing the Company's market share, maximising shareholder value, and further advancing our vision of providing the best possible insurance protection of assets in Jamaica. Offering the best service and insurance products in Jamaica is our number one priority.

Thank you for your continued support.

Don Wehby
Chairman

DIRECTORS' REPORT

Year Ended 31 December 2022

The Directors are pleased to present their report for the year ended 31 December 2022 and submit herewith the financial position for Key Insurance Company Limited as at that date.

Operating results

	$000
Gross Premium Written	2,217,543
Profit Before Taxation	72,042
Net Profit After Tax Attributable to Stockholders	54,298

Dividends

No dividends were declared or paid during 2022.

Directors

The Directors as at 31 December 2022 were as follows:

- Don Wehby (Chairman)
- Herma McRae
- Rochelle Cameron
- Kareem Tomlinson
- Linval Freeman
- Sandra Masterton
- Kerry-Ann Heavens
- Ashley-Ann Foster Horne
- Nichole Case

During the year under review, the following changes to the Board of Directors occurred:

- Mariame McIntosh Robinson resigned from the Board as of July 15, 2022
- Ashley-Ann Foster Horne was appointed to the Board on September 7, 2022
- Nichole Case was appointed to the Board on September 7, 2022

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
April 29, 2023

Don Wehby
Chairman

BOARD OF DIRECTORS

DON WEHBY - Chairman

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

He joined GraceKennedy Limited in 1995 as Group Finance Manager and was appointed Deputy Finance Director in 1997. In that same year, he was appointed to the Board of Directors. In September 2007, he resigned from his positions and the 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 Limited in October 2009.

A Fellow Chartered Accountant, Don Wehby holds a BSc (Hons) and a Master of Science in Accounting from the University of the West Indies. He also completed an Advanced Management College certificate course at Stanford University.

ROCHELLE CAMERON - Senior Independent Director

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.

LINVAL FREEMAN

Linval Freeman 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 the end of 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.

KERRY-ANN HEAVENS

Kerry-Ann Heavens, an Attorney-at-Law, was called to the Jamaican Bar in 2010. Her experience in the financial industry spans several years during which she specialized in corporate finance.

In 2017, Kerry-Ann joined the GraceKennedy Financial Group providing legal advice and oversight for the companies within the Group, including First Global Bank and Key Insurance. Previously, she worked in the commercial department of a leading Jamaican law firm.

Kerry-Ann, a Chevening Scholar, holds a Master of Corporate Law from the University of Cambridge, Certificate of Legal Education from the Norman Manley Law School, Bachelor of Laws (Hons) and BSc International Relations and Public Sector Management (Hons), University of the West Indies.

HEATHER GOLDSON

Heather Goldson is an experienced Marketing Executive with a proven track record of success in the banking and telecoms industries. She is experienced in areas such as Marketing Management, Customer Service, Advertising, Strategic Planning, and Marketing Strategy.

She holds multiple roles in the Supreme Ventures Group including Deputy CMO – Shared Services at Supreme Ventures Limited (SVL). Prior to joining SVL, Heather held various roles including Regional Marketing Director at Scotiabank; SVP Marketing & Products at Scotiabank; and Marketing Director at Digicel Jamaica.

Heather holds a Bachelor of Business Administration (BBA) focused in International Business and Management from Florida International University - College of Business.

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 where she worked for over thirty 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, BSc Management Studies, an MBA in Finance from the University of the West Indies and ACIB from the Institute of Bankers (London).

SANDRA MASTERTON

Sandra Masterton is a Senior General Insurance Professional with over 31 years' experience in Claims, Underwriting, and Reinsurance. 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 by the Board of Directors as the Managing Director and remained in that capacity until March 2020.

KAREEM TOMLINSON

Kareem Tomlinson is General Manager of JMMB Securities Limited. Over his 14-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 BSc 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.

ASHLEY-ANN FOSTER HORNE

As Managing Director, Ashley-Ann takes an innovative strategic approach to the sustainable growth and development of Arc Properties Limited within Jamaica's commercial, industrial and residential space.

Ashley-Ann earned an LLB with First Class Honours at the University of Buckingham and an Upper Second-Class Honours Masters in Commercial Law at the University of Cambridge. In 2012, she was called to the Bar of England & Wales and in 2013 to the Jamaican Bar.

Ashley-Ann is an avid reader and life-long learner and is currently reading part-time for Georgetown University's Masters of Professional Studies in Supply Chain Management.

NICHOLE CASE

Nichole has over 20 years of experience in Information Technology, previously holding roles of senior vice president of technology at First Global Bank and assistant general manager of channel delivery at the National Commercial Bank. Nichole earned a BSc in Computer Science (Hons) and an MBA in Banking and Finance with distinction, both from the University of the West Indies. She is a certified Project Management Professional.

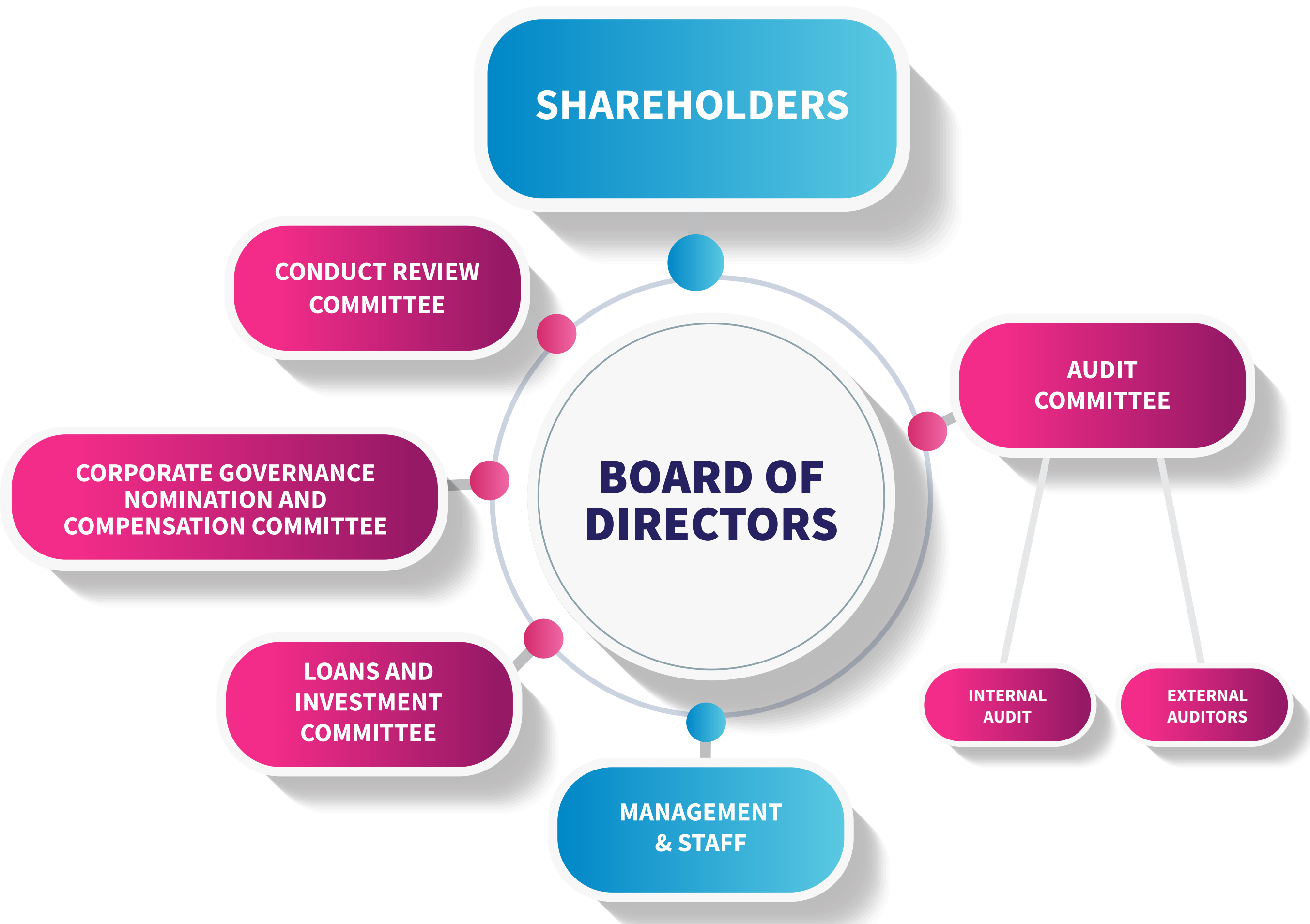
Nichole served on the Board of the Jamaica Badminton Association between 2014 and 2021, and as president for four years. She was the first female honorary treasurer of the Jamaica Olympic Association (JOC) in 2017 and 2021. She has led the Women in Sports Commission for the JOC and now leads the Audit and Finance Commission. In 2018, she was appointed to the IOC Marketing Commission – the first Jamaican to serve on an IOC Commission. She currently serves on the IOC Revenues and Commercial Partnerships Commission.

CORPORATE GOVERNANCE REPORT

As a company with public accountability, Key Insurance Company Limited (Key Insurance/ the Company) is committed to sound corporate governance practices. To this end, it has sought to establish a robust governance framework that will underpin the Company's long-term success.

The Company's corporate governance structure includes a Board of Directors with established sub-committees to assist in its oversight responsibilities supported by a competent executive management team that executes the daily operations of the Company in a manner that promotes transparency, accountability, and shareholder value.

The protection of shareholders' rights is an important facet of the framework and is enshrined in the provisions of the Company's Articles of Incorporation. Shareholders have the right to vote on various corporate decisions, including the election of directors and significant transactions (if any). The Company provides regular updates to shareholders on its financial performance and corporate governance practices.



The Board

The Board is responsible for overseeing the management of the Company and making strategic decisions that will benefit all stakeholders. It is, therefore, comprised of members with a diverse range of skills and expertise that is well suited to assist the Company to achieve its objectives.

Directors	Academic Qualifications	Expertise
Don Wehby	M.Sc. (Hons) Accounting B.Sc. (Hons) Accounting Institute of Chartered Accountants (FCA)	Accounting, Finance
Herma McCrae	MBA Finance B.Sc. Management Studies Bachelor of Laws (LLB) Certificate of Legal Education (CLE)	Banking, Finance, Legal
Linval Freeman	Chartered Certified Accountant (FCCA) Diploma Business Administration	Accounting, Finance
Kareem Tomlinson	BSc. (Hons) Mathematics (Major), Economics (Major) Chartered Financial Analyst (CFA) Programme Financial Risk Manager (FRM) Programme	Banking, Finance Financial risk
Sandra Masterton	Fellow, Chartered Insurance Professional	Insurance
Rochelle Cameron	MBA International Business Bachelor of Laws (LLB) Certificate of Legal Education (CLE)	Legal, Corporate Governance, Human Resources
Heather Goldson	International Business and Management from Florida International University - College of Business Bachelor of Business Administration (BBA)	Marketing, Advertising, Customer Service, Strategic Planning
Kerry-Ann Heavens	Master of Corporate Law (Hons) Bachelor of Laws (LLB) (Hons) Certificate of Legal Education (CLE) BSc. (Hons) International Relations and Public Sector Management	Legal, Corporate Governance, Regulatory Compliance
Ashley-Ann Foster Horne	Masters in Commercial Law (Hons) Certificate of Legal Education (CLE) Bachelor of Laws (Hons)	Legal, Real Estate Development
Nichole Case	MBA Mona School of Business BSc(Hons) University of the West Indies	IT Governance & Risk Management Digital Transformation

Balance and Independence

The Board of Key Insurance has a majority of independent directors, which ensures that the Board is objective and free from conflicts of interest. The Board is comprised wholly of non-executive directors, the majority of whom are also designated as independent in accordance with the Company's Corporate Governance Policy.

The Corporate Governance Policy defines an independent director as a non-executive director who is free from any interest, position, affiliation, or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgment to bear on issues before the Board and to act in the Company's best interests. Accordingly, the Board has established specific criteria for determining director independence, which includes a review of any financial or other relationships that may impact a director's independence.

The Company's Chairman, Don Wehby, is a non-executive director. The Corporate Governance Code mandates that where the Chairman is not independent, the Board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary. As a result, the Chairman is supported by Rochelle Cameron who serves as the Board's senior independent director.

Directors	Status	
Donald Wehby	Non-Executive	Connected to Company's majority shareholder
Rochelle Cameron	Independent/ Non-Executive	Appointed Senior Independent Director
Herma McCrae	Independent/ Non-Executive	
Linval Freeman	Independent/ Non-Executive	
Kareem Tomlinson	Independent/ Non-Executive	
Heather Goldson	Independent/ Non-Executive	
Ashley Foster Horne	Independent/ Non-Executive	
Sandra Masterton	Non-Executive	Has had a material business relationship with the Company within the last three (3) years as a shareholder and senior employee.
Kerry-Ann Heavens	Non-Executive	Connected to Company's majority shareholder
Nichole Case	Non-Executive	Connected to Company's majority shareholder

Directors' Attendance at Board Meetings

The Board is required to meet at least four (4) times a year to review the Company's performance and make decisions on behalf of shareholders. In 2022 the Board met on six (6) occasions.

Board Attendance Record 2022

Directors	Attendance at Meetings
Donald Wehby (Chairman)	6/6
Mariame McIntosh Robinson	3/3*
Herma McRae	6 /6
Sandra Masterton	5 /6
Rochelle Cameron	6 /6
Linval Freeman	5 /6
Kareem Tomlinson	5 /6
Heather Goldson	6 /6
Kerry-Ann Heavens	6 /6
Ashley-Ann Foster Horne	2/2**
Nichole Case	2/2*

*Mariame McIntosh Robinson resigned on July 15, 2022

**Ashley-Ann Foster Horne and Nichole Case were appointed to the Board on September 7, 2022.

Board Training

Key Insurance recognises that the training and development of its Board is an essential component of effective corporate governance. Accordingly, each year a training schedule is created to provide Directors with the knowledge and skills necessary to fulfill their responsibilities and make informed decisions that benefit the Company and its stakeholders.

The 2022 training schedule was geared towards:

- improving Board dynamics by promoting collaboration and communication amongst members. Training sessions provide an opportunity for Directors to share their perspectives and insights, which can lead to more effective decision making.
- providing Directors with a better understanding of the Company's operations, industry trends, and regulatory requirements.
- assisting Directors to identify potential risks and develop strategies to mitigate them. This proactive approach to risk management reduces the likelihood of costly mistakes and reputational damage.

Board Training Schedule 2022

TOPICS & PRESENTERS	DATE
The Role of the External Auditor **Presenters:** (i) Mr. Bruce Scott, Territory Leader (Snr. Partner) PricewaterhouseCoopers, Jamaica (ii) Mr. Paul Williams, Partner PricewaterhouseCoopers, Jamaica	**4-Oct-22**
Technology Trends 2022 **Presenters:** (i) Mr. Brian Jackson, Research Director, CIO; Info-Tech Research Group (ii) Mr. Jack Hakimian, Senior Vice President, Workshops and Advisory Services; Info-Tech Research Group	**15-Jun-22**
Data Harvesting - The Competitive Advantage Presenters: Ernst & Young Team: (i) Mr. Justin Morin - Executive Director Technology Consulting (ii) Mr. Marc Buekenhout – Executive Director Technology Consulting (iii) Mr. Esan Reason - Senior Manager Business Transformation	**15-Jun-22**
Characteristics of the Modern Corporate Foundation Presenter: Mrs. Caroline Mahfood CEO, GraceKennedy Foundation	**5-Apr-22**
Compliance Obligations and Emerging Issues for Board and Senior Management Presenter: Dr Damion McIntosh, PhD, CFM, CMA, CPA, CAMS Senior Lecturer of Finance at Auburn University, USA	**10-Feb-22**
Environmental, Social and Governance **Presenters:** (i) Ms. Carolyn Bell-Wisdom, FCA, FCCA Partner, Risk Assurance Practice - PwC Jamaica (ii) Ms. Janice Noronha, D.P.A., MES Partner, Risk Assurance Services - PwC Montreal	**10-Feb-22**

Board Evaluation

An efficient board must reflect on its performance, both individually and collectively, and identify opportunities for improvement. In keeping with the tenets of good corporate governance, a performance evaluation is undertaken by the Board, its Committees and Directors, on an annual basis. The evaluation is conducted by the GraceKennedy Group's Business Intelligence Unit and is administered electronically. The evaluation focuses on the Board's overall performance which is captured by questions related to Board structure, culture, content and analysis.

Benefits of the board evaluation conducted in 2022:

- Improved Board Performance and alignment with Company Strategy: the evaluation provided an objective assessment of the Board including the identification of areas that require improvement. By assessing the Board's performance and identifying areas for improvement, the Board can ensure that its activities are aligned with the Company's goals and objectives.
- Enhanced Board Dynamics: the evaluation process provided an opportunity for Directors to share their perspectives and insights.
- Increased Accountability: The evaluation process ensures that Directors are held accountable for their performance and that they are fulfilling their responsibilities to the company and its stakeholders.

Board Remuneration

Board remuneration refers to the compensation that directors receive for their services, including their time, expertise, and contributions to the Company. Board remuneration is an essential component of effective corporate governance as it helps to attract and retain top talent. Key Insurance has sought to establish a fair and transparent board remuneration policy that aligns with the Company's goals and objectives. The fees paid to the Company's Directors are set out in the table below. There are no additional fees or other forms of compensation payable. Directors who are otherwise employed within the GraceKennedy Group do not receive Directors Fees for service on the Board of Key Insurance.

Board Remuneration		
1.	Annual Retainer payable to Directors	$520,931.25 per annum
2.	Additional Retainer Committee Chair	$62,511.75 per annum
3.	Attendance fee per Committee meeting	$20,837.35

Governance Policies

Key Insurance is committed to complying with all regulatory requirements and best practices related to corporate governance. As such, the Company regularly reviews and updates its policies and procedures to ensure compliance with evolving regulatory requirements.

Key Insurance is committed to conducting its business in an ethical and responsible manner. The Company has implemented a Code of Conduct that outlines the ethical principles and values that all employees must adhere to. The Code of Conduct covers a wide range of topics, including conflicts of interest, anti-bribery and corruption, and data protection. The Company also has a Whistleblowing Policy in place that encourages employees to report any concerns they may have about unethical behaviour and an Insider Trading Policy. These policies are available on the Company's website at www.keyinsurancejm.com.

CODE OF ETHICS

- The Company is committed to providing an environment that promotes the highest levels honesty, integrity and ethical conduct.
- The Code binds Directors and employees of the Company to the highest standards of professionalism and due diligence in discharging their duties.
- Covers areas such as dealing with conflicts of interest and confidentiality.

WHISTLEBLOWER POLICY

- Provides a confidential channel for employees to report any breach of the Company's policies, frauds or irregularities, unethical conduct, or suspected frauds or other irregularity.
- The Company commits to affording employees a reliable process through which breaches, irregularities or concerns over any wrongdoing may be reported without fear of loss of job or other reprisals.

INSIDER TRADING POLICY

- Seeks to ensure that key persons in the Company will not use insider information gained as a result of their role or positions to either trade in the Company's securities.

The Corporate Governance Nomination & Compensation Committee Report

Key Insurance is committed to complying with all regulatory requirements and best practices related to corporate governance. As a result, the Company's Corporate Governance and Nominations Committee (CGNC) periodically reviews and updates the Company's policies and procedures to ensure compliance with evolving regulatory requirements.

The CGNC has spearheaded the implementation of the Company's Code of Conduct which sets out the ethical principles and values that all employees must adhere to. The Code of Conduct covers a wide range of topics, including conflicts of interest, anti-bribery and corruption, and data protection. The Committee also facilitated the introduction of the Whistleblowing Policy which encourages employees to report any concerns they may have about unethical behaviour as well as an Insider Trading Policy. These policies are available on the Company's website at www.keyinsurancejm.com.

In 2022 the CGNC facilitated the introduction of the following governance policies:

- Corporate Social Responsibility Policy
- Disclosure Policy
- Environmental Policy
- Conflict of Interest Policy

For the period under review, the CGNC also facilitated the following activities:

- Reviewing the compensation package for the Company's senior managers
- The Board evaluation exercise
- Recruiting and recommending the appointment of new Directors based on the skill-needs of the Company
- Charting the succession plans for senior roles within the Company.

In 2022, the CGNC met on four (4) occasions as set out in the table below.

Committee Attendance

Directors	Attendance at Meetings
Donald Wehby (Chairman)	4/4
Kerry-Ann Heavens	4 /4
Kareem Tomlinson	4 /4
Rochelle Cameron	4/4
Heather Goldson	3 /4
Linval Freeman*	2/3

*Linval Freeman was appointed to the CGNC on February 25, 2022

Environmental Social and Governance

Under the guidance of the CGNC, Key Insurance Jamaica will be embarking on it Environmental, Social, and Governance (ESG) journey. As a responsible corporate citizen, we recognise the importance of addressing the environmental and social impacts of our operations, while also ensuring good governance practices.

Our ESG journey will involve a comprehensive review of our operations, with a focus on identifying areas where we can improve our environmental and social performance and strengthen our governance practices. This will include a review of our policies and procedures, as well as our relationships with stakeholders, including customers, employees, and suppliers.

We are committed to integrating ESG considerations into our business strategy and decision-making processes, and to reporting on our progress in a transparent and accountable manner. We believe that this will not only help us to mitigate risks and enhance our reputation, but also enable us to create long-term value for our stakeholders.

We are excited about this journey and look forward to working with all of our stakeholders to achieve our ESG goals.

CONDUCT REVIEW COMMITTEE REPORT

The Conduct Review Committee (CRC) 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 which create potential conflicts of interest and preventing such conflicts.

The Company's CRC actively monitors, reviews and approves all related party transactions to ensure the application of arm's length considerations. The work conducted by the CRC in monitoring related party transactions is important to ensure compliance, manage risks, protect the interests of stakeholders, promote fairness, and uphold best practices in corporate governance.

In 2022, the Committee concluded the following tasks and initiatives:

Reviewed related party receivables report.

Reviewed the Terms of Reference for the Committee

Reviewed and approved Related Party transactions.

For the period under review the CRC met on three(3) occasions as set out in the table below.

Directors	Attendance at Meetings
Rochelle Cameron (Chairman)	3/3
Herma McRae	3/3
Linval Freeman	2/3
Heather Goldson	3 /3

It is important for the CRC to monitor related party transactions for several reasons:

1.

Conflict of Interest: Related party transactions can create a conflict of interest between the Company and any related party. The CRC ensures that such transactions are conducted at arm's length and that the interests of the Company and its customers are protected.

2.

Compliance: Related party transactions are often subject to regulatory requirements and guidelines. The CRC ensures that the Company is in compliance with all applicable laws and regulations and that all transactions are properly disclosed.

3.

Risk Management: Related party transactions can create potential risks for the Company. The CRC helps to identify and manage these risks by monitoring related party transactions and ensuring that they are conducted in a transparent and fair manner.

4.

Fairness: Related party transactions can be perceived as unfair by stakeholders, including customers, shareholders, and regulators. The CRCs ensures that related party transactions are conducted fairly and transparently, and that the Company's interests are not being unfairly favoured over those of other stakeholders.

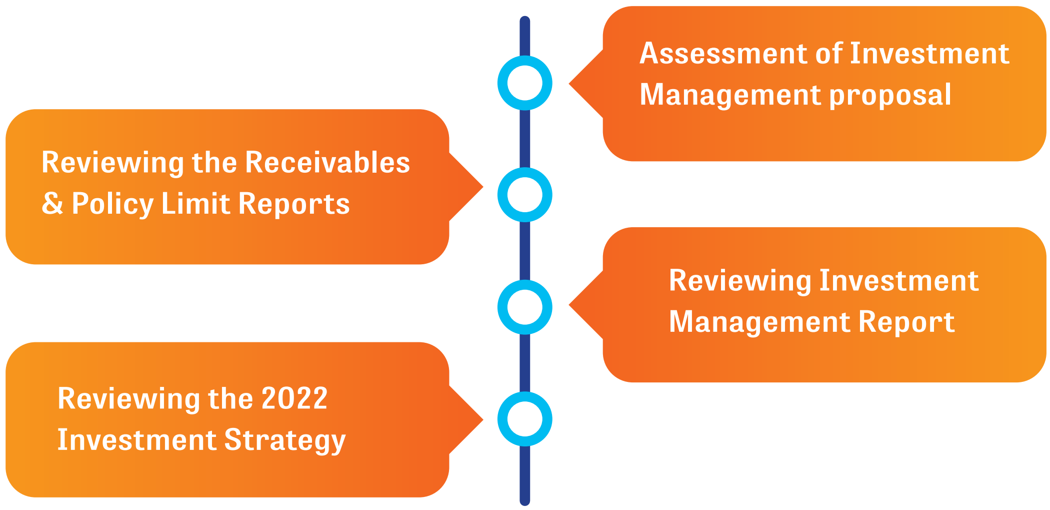
5.

Corporate Governance: Monitoring related party transactions is an important aspect of corporate governance. The CRC ensures that the Company is following best practices in corporate governance and that all transactions are conducted in a manner consistent with the Company's values and principles.

INVESTMENT & LOANS COMMITTEE REPORT

The Company's Investment and Loans 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.

In 2022, the Investment and Loans Committee concluded the following tasks and initiatives:



Throughout the year there were several changes to the composition of the Investment and Loans Committee. Nevertheless, the Committee worked assiduously to develop the Company's investment strategy meeting a total of eight (8) times in 2022 (as set out in the table below). The majority of the meetings were held in the first half of the year.

Directors	Attendance at Meetings
Mariame McIntosh Robinson*	7/7
Kareem Tomlinson (Chairman effective July 21, 2022)	8/8
Linval Freeman**	2/2
Herma McRae***	6/6
Kerry-Ann Heavens****	1/1
Nichole Case*****	n/a
Ashley-Ann Foster Horne*****	n/a

* Mariame McIntosh Robinson, the former Chairman of the Investment and Loans Committee, resigned from the Board and all its committees on July 15, 2022.

** Linval Freeman stepped down from the Investment and Loans Committee on February 25, 2022.

*** Herma McRae was appointed to the Investment and Loans Committee February 25, 2022.

**** Kerry-Ann Heavens was appointed to the Investment and Loans Committee on July 21, 2022.

***** Ashley-Ann Foster Horne and Nichole Case were appointed to the Investment and Loans Committee on November 7, 2022

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board with its oversight of financial reporting, establishing, and monitoring of internal controls and identification and management of risk. The Committee is a critical component of Key Insurance's governance structure. Below are the key functions of the Audit Committee:

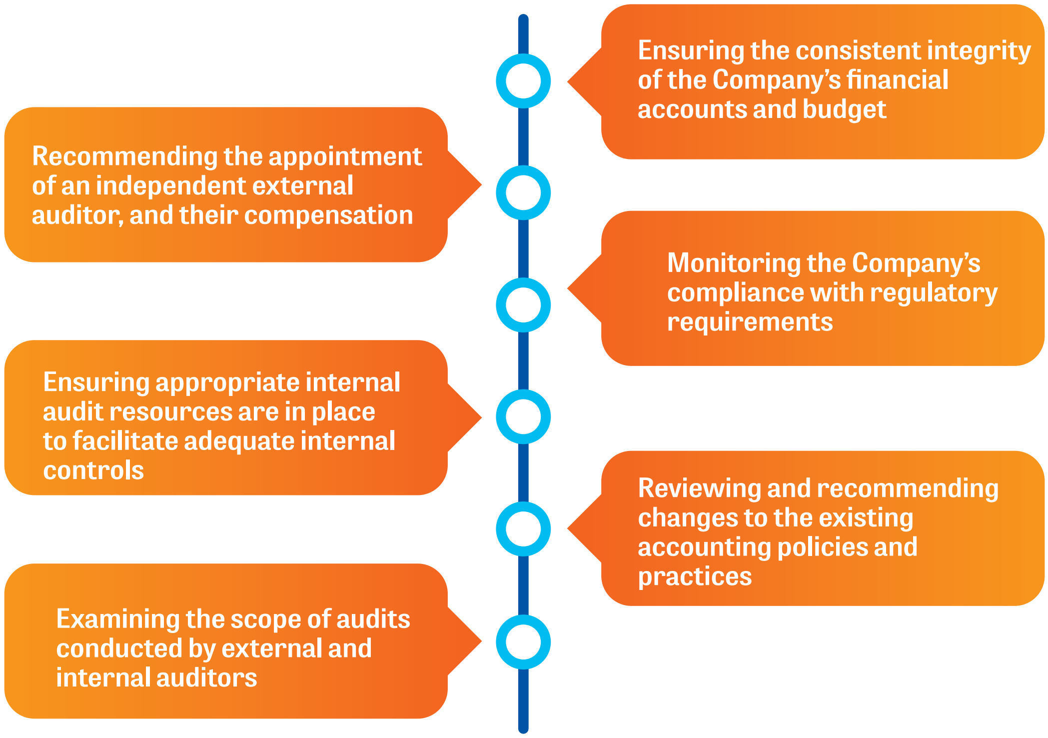
1. **Financial Reporting:** The Audit Committee is responsible for reviewing the Company's financial statements and ensuring that they are accurate, complete, and in compliance with accounting standards. This is important to ensure that stakeholders have confidence in the Company's financial reporting and can make informed decisions based on reliable financial information.

2. **Compliance:** The Audit Committee is responsible for ensuring that Key Insurance is in compliance with laws and regulations. This includes monitoring compliance with accounting standards, tax laws, and other regulations that may apply to the organization. By ensuring compliance, the Audit Committee helps to minimize the risk of legal and reputational issues.

3. **Internal Controls:** The Audit Committee is responsible for monitoring the effectiveness of the Company's internal controls. This includes ensuring that there are adequate controls in place to prevent fraud, errors, and other financial irregularities. By monitoring internal controls, the Audit Committee helps to minimize the risk of financial loss.

4. **Risk Management:** The Audit Committee is responsible for identifying and assessing risks that may impact the organization's financial reporting and operations. By identifying risks, the Audit Committee can take steps to mitigate them and ensure that the Company is better prepared to handle unexpected events.

The primary duties executed by the Committee in 2022 include:



For the period under review, the Audit Committee met seven (7) times as set out in the table below.

Committee Attendance

Directors	Attendance at Meetings
Linval Freeman (Chairman)	7/7
Herma McRae	7/7
Kareem Tomlinson	7/7
Sandra Masterton	5/7

L-R: Don Wehby, Steven Whittingham, Kerry-Ann, Heavens, Tammara Glaves-Hucey and Stuart Andrade, all gave smiles of confidence based on the feedback from shareholders at the Key Insurance 2022 Annual General Meeting.

Don Wehby presenting the Chairman's Report at the Key Insurance 2022 Annual General Meeting.

RISK MANAGEMENT & INTERNAL CONTROLS

Risk Management

Risk Management is the foundation on which strong, successful financial institutions are built. As such, in 2022, Key Insurance invested significant resources in improving its risk management capabilities.

In 2022, measures were taken to bolster the risk management framework, which included the enhancement of Enterprise Risk Management (ERM) Policy and Framework and the Risk Appetite Standard. Effective ERM, and robust controls testing have always been a fundamental part of how the Company operates, and great efforts were undertaken to ensure the execution of these key risk management activities.

As the overall environment evolved in 2022, a number of assessments were conducted to identify risks within the various macro-economic trigger events – the Russia/Ukraine War, lingering effects of the pandemic, inflation, rising interest rates, among others, and how these would and have impacted Key Insurance. Strategic management actions were derived and were implemented and continue to be tracked and monitored.

Some of the main risks monitored on an ongoing basis include:

- Operational Risk
- Insurance Risk
- Market 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

Internal Controls

Key Insurance continues to strengthen the efficacy of its internal controls framework by ensuring regular controls evaluations and testing, self-audits and risk tracking and monitoring are completed. The Company continues to rely on the three lines of defence model, which is fundamentally important to the governance, risk and controls framework at Key Insurance. The business has taken steps to train its staff to carry out effectively their first line roles, and there is support at the second line with Risk and Compliance, and as is required, our internal audit function is also a critical part of the framework.

GENERAL MANAGER'S REPORT

Tammara Glaves-Hucey

In 2022 we celebrated 40 years of operations and we are quite proud of the progress the Company and its people have made as we look to the future. Our people and our customer-centric culture continue to propel our business in the direction of sustained growth and profitability. We delivered yet again growth, positive financial results and increased customer loyalty. Our customer base continues to grow which is a testament to our commitment to providing economical insurance solutions. We achieved these milestones despite 2022 being a year that manifested global and domestic challenges resulting in rising costs, economic uncertainty and which saw the hardening of the reinsurance market.

We were deliberate in pursuing our mission to provide the very best protection for our customers' assets. Despite major debilitating concerns within the industry, we remained focused on successfully executing our strategic objectives. Agility is important to our business and it is this skill coupled with our strong insurance capabilities and technical competencies which have equipped us to meet the ever-evolving needs of our customers while also protecting the interests of our stakeholders. The Company also continued to invest in the well-being of our team through consistent training and team-building exercises.

We take our corporate social responsibility seriously and executed several projects which positively impacted the most vulnerable in the communities in which we operate such as children and the elderly by working with children's homes and basic schools.

The local insurance industry recorded increased claim expenses when compared to prior year, with claims climbing by 140% for the overall industry. Our business was also impacted by this increase as was reflected in our loss ratios. Our overall loss ratio ended the year at 58% which was above our prior year's result of 50%.

The team acknowledged the challenges within the insurance sector and the wider economic environment and in response, executed various strategic initiatives to not only cope with but to rise above them. It was the Company's objective to grow Gross Written Premium ("GWP") to $1.9 billion during the period under review. The Company surpassed this by $300 million to achieve $2.2 billion in GWP. A breakdown shows that the non-motor GWP target of $536 million was surpassed to achieve $616 million in GWP. In addition, the Company surpassed its risk count growth target for third party coverage, growing the third-party portfolio by 16%. GWP for this segment of our portfolio also increased by 27% over prior year.

The team also performed well in terms of our investment and portfolio management targets. This was accomplished primarily by the decision to rebalance our investment portfolio and take advantage of higher yields present in the investment landscape. Consequently, we achieved an 8.5% return on the investment portfolio, exceeding our targeted return of 7.2%, despite pressures from falling bond prices.

Our people are at the centre of all we do. We are consistently reviewing our operations to improve our service delivery and the quality of our products. Having already achieved a high of 81% in customer satisfaction during the 2021 financial review period, the Company improved by 1 percentage point to 82% in 2022.

Despite the challenges, we are proud of our performance, which saw growth in almost every area of our operations. The dedication and professionalism displayed by the Key Insurance team combined with hard work resulted in the major advances realized by our company during the 2022 financial year.

There were noticeable gains realized from a range of initiatives including the introduction of the WhatsApp Chatbot in the second quarter which facilitated increased and more efficient communication with customers; the onboarding of two additional agents; advancing digital transformation and staff training. The training of several additional brokers to use our online platform resulted in an increased utilization rate of our platform to 50% above our target.

It is anticipated that the financial year 2023 will not be without its challenges, however, with the knowledge gained from prior years, we will adapt and expand our proposition to our customers. We will continue to evolve and modernise our operating model and invest in strategic areas for the long-term benefit. One such area of investment is in our people. Training is a strategic priority for us and will ensure that our team is empowered to deliver customised service and products to our customers as they grow in sophistication and discernment.

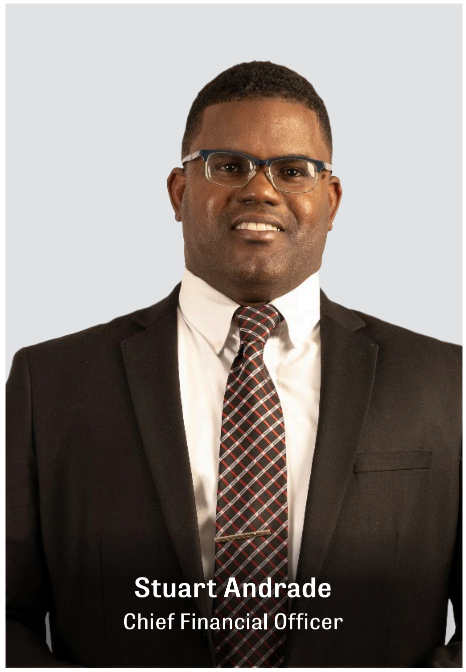
We view product diversification as a key component in building a sustainable business. As such, we seek to consistently improve our offerings and the experience of our customers by utilising technology to aid in developing and delivering enhanced products economically.

We will continue to manage our business by focusing on our underwriting risk assessment and claims management. We will also continue to actively manage our capital and risks in our business. We will stay close to emerging trends and continue to test and learn to further develop our competencies to exceed the expectation of all our stakeholders.

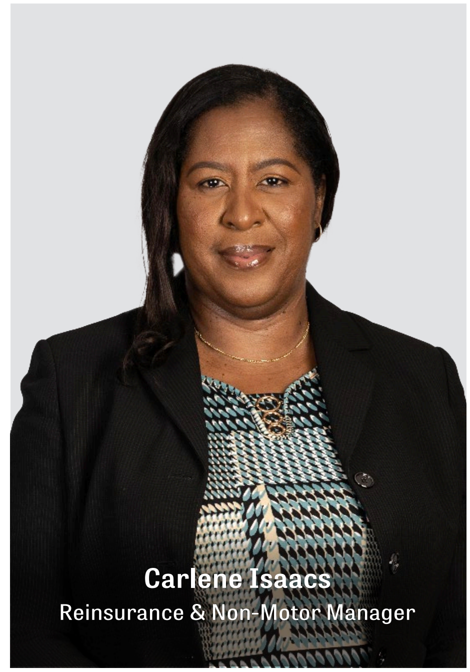
I take this opportunity to thank the chairman and directors for their guidance during a challenging period. A special thank you to my Key Insurance team for their continued loyalty, commitment and dedication to the task, every day delivering outstanding work. Thank you to our customers for choosing us. A special thanks to our brokers, agents and reinsurance partners for their invaluable support. To all our stakeholders, thank you for your continued support and loyalty.

EXECUTIVE MANAGEMENT TEAM

Tammara Glaves-Hucey
General Manager



Stuart Andrade
Chief Financial Officer



Carlene Isaacs
Reinsurance & Non-Motor Manager

Tammara has over 19 years' experience in the general insurance industry. She assumed the role of General Manager at Key Insurance in 2020 when the company was acquired by the GraceKennedy Financial Group. Her strategic focus is to transform the business and drive sustainable profitability. Prior to this assignment, she was at GK General Insurance and GK Insurance (Eastern Caribbean) Ltd as Assistant General Manager and General Manager, respectively. She has been very instrumental in GraceKennedy's expansion in the Eastern Caribbean.

Tammara also worked at General Accident Insurance Company and Globe Insurance Company with responsibility for Claims Management.

She is a Chartered Insurer, Attorney at law and holds a MBA from Heriot-Watt University. In addition to a wealth of insurance industry experience, Tammara is currently pursuing the Project Management Professional Certification and has participated in several leadership programmes. Tammara currently serves as a Director of GK Insurance Eastern Caribbean and is an invitee to a number of GraceKennedy subsidiary boards.

Stuart is a Chartered Accountant and member of the Institute of Chartered Accountants of Jamaica with over two (2) decades of experience in Finance and Accounting.

He was appointed to the position of Chief Financial Officer on 1 July 2020. Before his appointment, Stuart worked in various capacities within the GraceKennedy Financial Group for more than 15 years. His former years of work were spent at the auditing firms PricewaterhouseCoopers and Chamber Henry and Partners as an auditor, which exposed him to several industries including manufacturing, banking, finance and insurance.

Stuart currently serves as a Commissioner/Director of the Fair Trading Commission and Consumer Affairs Commission.

Carlene 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 re-joining 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 BSc 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 United Kingdom.

MANAGEMENT TEAM

Terry-Joy Golaub
Senior Legal Officer

Paula Williams
Claims Manager

Stuart Andrade
Chief Financial Officer

Tammara Glaves-Hucey
General Manager

Carlene Isaacs
Reinsurance & Non-Motor Manager

Kaydene DeSilva
Senior HR Officer

Andrew Dunkley
Operations Manager

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Representation

Key Insurance Company Limited (Key Insurance/ The Company) is pleased to report on the audited financial results for the financial year ended 31 December 2022. The audited results are accompanied by a management discussion and analysis (MD&A).

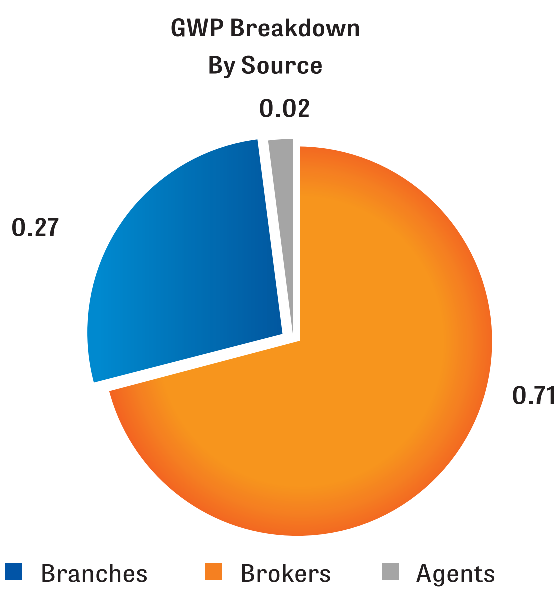
The information contained in this MD&A may not include all the information that is important to or required by Key Insurance's current or potential investors. This Annual Report should be read in its entirety for more detailed descriptions of events, uncertainties, trends, risks, and critical accounting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

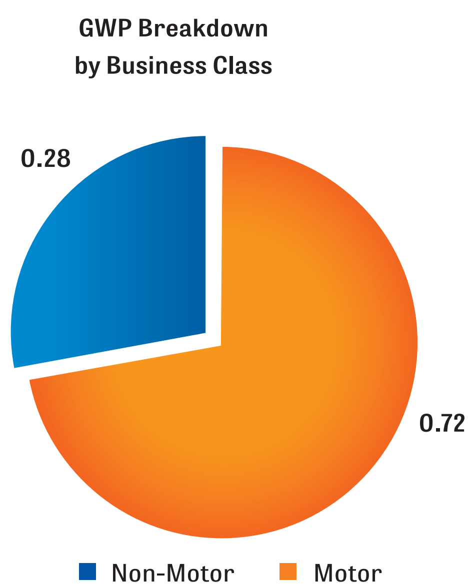
Our Business

Key Insurance was incorporated in 1982 and is domiciled in Jamaica, The company's head office is located at 6c Half-Way-Tree Road, Kingston 5 with four other branches strategically located across the island. The Company recently celebrated its 40th anniversary in 2022. Key Insurance is able to connect with its customers through its branches, agents and brokers across the island. Customers are also able to obtain quotes and renew their policies through our digital platform. For the year ended 31 December 2022, brokers represented the largest source of the Company's business, accounting for 71% of gross premiums written. Branches and agents accounted for 27% and 2% of the Company's business respectively.

The Company is licensed by the Financial Services Commission (FSC) to provide insurance protection for all classes of General Insurance and currently offers Motor and Non-Motor insurance coverage to the public. Our Motor offerings include Public and Private Comprehensive Insurance; Public and Private Third-Party Insurance and Public Passenger Vehicle Insurance. Our Non-Motor offerings include Commercial and Personal Property Insurance; General Accident Insurance; Liability Insurance and Travel Insurance. As at 31 December 2022 the Company's motor products account for 72% of gross premiums written while non-motor products account for the remaining 28% of gross premiums written.

Key Insurance provides competitive rates in the market and is considered to be one of the most accessible and affordable providers of general insurance coverage in Jamaica.





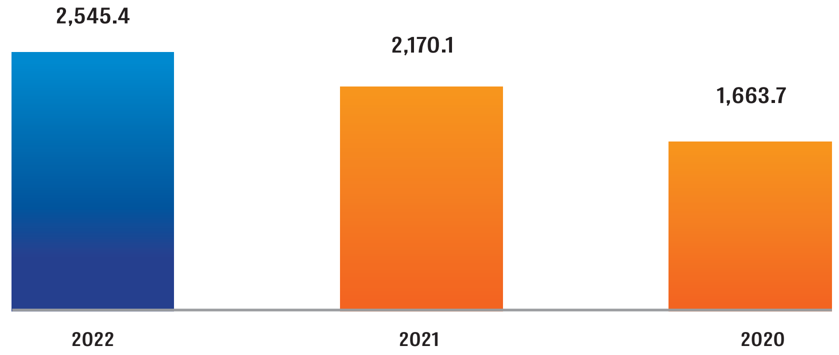
Financial Performance

Key Insurance delivered strong performance during a challenging year that was beset by rising inflation, increased claims and increased reinsurance costs. According to the Bank of Jamaica, the country recorded a 12-month moving average inflation rate of 10.4% as at December 2022 according to the Insurance Association of Jamaica (IAJ), overall gross claims for the general insurance industry rose by approximately 140%, while reinsurance costs rose by 27%. The Company's staff and management demonstrated resilience and adaptability which resulted in strong performances in gross premiums written, commission income, investment income and improved operational efficiency.

Revenue

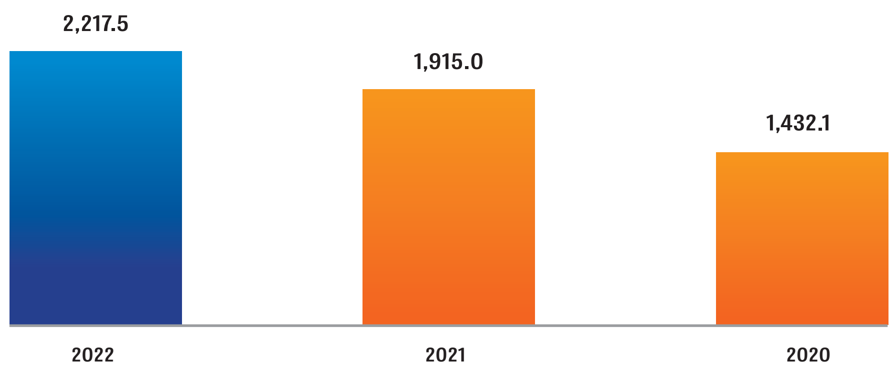
The Company recorded revenues of $2.55 billion in 2022 which compares favourably against the prior year's performance of $2.17 billion, representing revenue growth of 17%.

Total Revenues ($'Million)



As the Company executed its strategic initiatives, it reported gross premiums written of $2.22 billion; a sizable growth of 16% over 2021. This notable growth resulted in Key Insurance increasing both its motor and overall market share during the year based on data provided by the IAJ which augurs well for the overall future performance of the Company. Over the last ten years Key Insurance gross premiums written have grown from $0.68 billion in 2013 to $2.22 billion in 2022, a compounded annual growth rate of 12% over the period which also demonstrates the Company's strong growth culture.

Gross Premiums Written ($'Million)



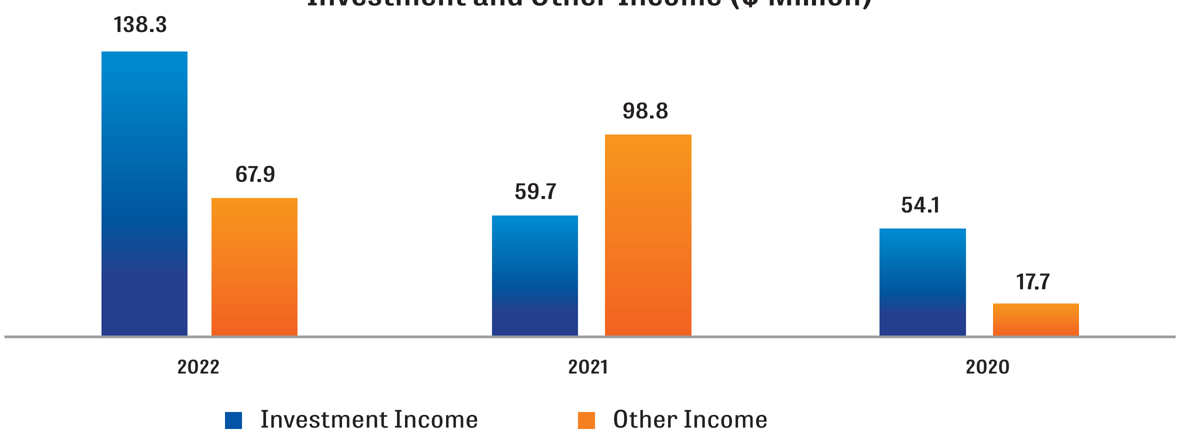
The growth in premiums was reflected across both segments, namely the motor and non-motor segment, which increased by 17% and 14% respectively, in 2022 over the prior year. The growth in revenues is commendable given the strong competitive environment in which the business operates.

A significant portion of this growth was derived from growth in our motor risk count as we continue to improve our service, strengthen relationships and leverage partnerships. This growth was underpinned by a successful marketing campaign that incorporated both social and traditional media to drive both customer reach and engagement.

The Company reported a 30% increase in Investment and Other Income over 2021 which was primarily attributable to the strategic realignment of the investment portfolio to optimize investment returns and capitalize on increased interest rates given the regulatory limitations on investable assets. Investment income increased by 132% while other income decreased by 32% over 2021 primarily due to the one-off gain on the sale of an investment property that contributed $22.64 million to the other income in 2021.

Commission income is an important component of total revenue. Management has over the years steadily and strategically grown commission income. Consequently, commission income grew by 26% during 2022 which was largely due to the increased levels of business being conducted by the company.

Investment and Other Income ($'Million)



Expenses

Administrative Expenses increased by 9% or $43.20 million over 2021 primarily due to a $15.8 million increase in legal and professional fees reflecting investments made to improve the Company's corporate governance and a $15.7 million increase in staff costs, reflecting inflationary increases, staff expansion and adjustments made to retain crucial talent.

Over the last three years, our motor portfolio has grown by 77% and as a result, claims have likewise grown. The return to a normal pattern of commuting in 2022 also impacted the results of our claims due to both an increase in the frequency and severity of motor vehicle accidents. Additionally, due to inflationary pressures, the costs of car parts, assessors, investigators and legal fees have increased, resulting in a 67% increase in the cost of administering claims relative to the prior year.

In 2021 the Company entered a reinsurance arrangement that would have resulted in a positive adjustment to our claims thus reducing our claims expenses in 2021. Management continues to review the Company's underwriting practices and has employed several measures to combat the increase in claims.

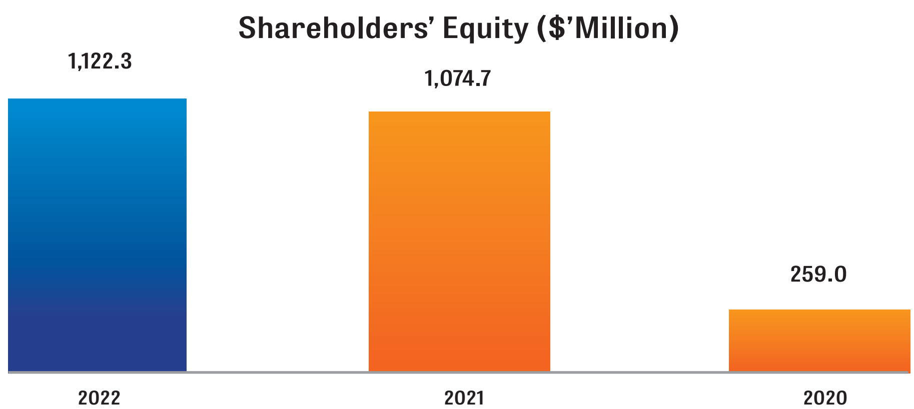
The Company recorded a profit before tax of

$72.04 million in 2022. Compared to 2021, profit before tax was down by 70%, however 2021 was buoyed by $208 million positive actuarial adjustments being applied. The adjustments were driven by two factors. Firstly, from material improvements in our motor loss ratio and secondly, from the benefits derived from a restructured reinsurance programme with a leading global reinsurer. On a normalized basis, in 2022 Key Insurance achieved relatively positive results with a $43 million or 148% increase in profit before tax over 2021. Additionally, management implemented efficiency measures in 2022 to improve the administrative expense ratio, achieving a ratio of 25% in 2022 compared to 26% in 2021. This reduction was a notable achievement in the inflationary environment in which the company operated.

Key Insurance generated a return on average equity of 5% and earnings per share of $0.10, while increasing net book value per share from $1.92 in 2021 to $2.01 in 2022. These achievements are noteworthy when compared to the five-year period preceding 2022 when the average return on equity was -18%, earnings per share was -$0.32 and net book value per share was $1.96. Management remains focused on creating long-term value for our shareholders.

Financial Position

The Company remains well-capitalized with a strong liquidity position. The Company's Shareholders' Equity increased by $47.59 million to $1.12 billion primarily due to the increase in net profits earned and retained during the year which continued to strengthen Key Insurance's capital base. The Company's retained earnings continue to grow, reversing from a deficit of $513.61 million in 2019 to a surplus of $106.24 million in 2022.



The Company surpassed the FSCs liquidity and capitalization Early Warning Ratios, recording a Solvency Ratio of 30% versus the 25% target, Liquid Assets to Total Liabilities ratio of 108% versus the 95% target and a Loss Reserves to Capital & Surplus ratio of 144% compared to the maximum of 250%. Additionally, during the year the FSC implemented a revised test to calculate the Minimum Capital Test Ratio (MCT), which saw the benchmark moving from 250% to 175%. As at 31 December 2022, Key Insurance successfully passed this test with a MCT ratio of 234.4%.

Total assets increased by 14% from $4.48 billion in 2021 to $5.09 billion in 2022. A large portion of this came from increases in receivables from our reinsurance partners. The Company also increased its liquid resources in the form of cash and investments by 8% as it seeks to continue to grow its investment income in 2023.

Total liabilities increased by 17% from $3.41 billion in 2021 to $3.97 billion in 2022. This was mostly attributed to increases in our insurance reserves and amounts payable to our reinsurance partners. Both of these items have arisen due to the increased levels of business the Company has undertaken during the year.

Management is of the opinion that the Company has adequate liquid resources to meet its financial obligations when they fall due.

Effects of Transactions With Related Parties

Throughout the year, in the normal course of business, the Company would have entered into several transactions with related parties. These transactions are adequately explained in Note 18 in the Company's Audited Financial Statements, which is also included in this report.

Strategic Pillars

Key Insurance has established four pillars to guide its strategy and initiatives to support the Company's sustained profitability:

1. **Sustainable Growth and Innovation** – We are focussed on pursuing long-term sustainable growth while managing risk and maintaining financial stability.
2. **Customer Centricity** – As the Peoples' Insurer, we put our customers first and focus providing personalized solutions to meet their unique needs.
3. **Operational Efficiency** – Streamlining processes and leveraging technology to enhance the speed, accuracy and reliability of our operations.
4. **Performance-Driven Culture** – Fostering a work environment that prioritizes and rewards accountability, continuous improvements and results.

There are numerous initiatives and metrics under each of the pillars that are monitored and measured monthly by the management team and shared with the Board of Directors. During 2022 the Company successfully executed 13 critical initiatives.

Under our Sustainable Growth and Innovation pillar we aimed to grow our premiums to $1.9 billion and achieve a 7.2% investment return, both of which the Company surpassed. Under Customer Centricity we launched a WhatsApp Chat Bot which saved hundreds of hours answering customers' queries. To improve our Operational Efficiency, we added our brokers to our online platform thereby automating some of their interactions with us. All of these pillars and initiatives were supported by our Performance Driven Culture pillar, we had at least one training intervention for all our employees focusing on performance excellence, empowerment and motivation.

Outlook

As Key Insurance looks ahead to 2023, we are mindful of both challenges and opportunities on the horizon.

In the motor segment, we are closely monitoring the increased claims activity and are taking a data-driven approach to underwriting to manage our loss ratios effectively. We believe that our ongoing efforts to refine our practices and processes will enable us to maintain strong performance in this area.

Regional insurers are facing reduced capacity and higher reinsurance costs from international reinsurers in the non-motor segment. While the Company was able to successfully renew its reinsurance programme, we are not immune to the challenging industry dynamics. However, we are confident that the initiatives we have put in place will help us to continue our sustained growth in this portfolio.

On January 1, 2023, the Company adopted IFRS 17, 'Insurance Contracts' which has resulted in changes in the presentation of future financial reports. The Company is in the advanced stages of this implementation and is continuing to refine the requisite new accounting and internal control processes required.

On January 30, 2023, the FSC communicated that the MCT benchmark would be lowered to 150%. The Company ended 2022 above the benchmark, with a MCT ratio of 234.4%. We intend to maintain a strong capital position buttressed by a prudent investment approach.

Our purpose as a business is to support people, our customers, staff and all other stakeholders. As such, we will continue to build our business with operational resilience. We are excited and confident about the future. Our focussed approach to delivering economical insurance solutions, enhancing risk selection, strengthening and leveraging existing and new relationships, managing expenses and diversifying our channels and product offerings will lead to continued success. We will continue to work on our digital channel to improve its functionalities thus providing greater customer experiences. We believe these initiatives will drive our market share and increase our customers' satisfaction. We are constantly reviewing our performance and will continue to strengthen our brand through marketing and customer engagement to support our customer acquisition initiatives.

The Company is currently in the process of improving the user experience and functionality on our website which will allow our customers to interact with us seamlessly and manage their risks at their convenience along with improved product offerings. Key Insurance is fundamentally strong and management remains committed to delivering value to our stakeholders and looks forward to building on our achievements in the years to come. We thank you for your continued trust and support.

HISTORICAL FINANCIAL DATA

10 Year Financial Review

Statement of Financial Position (J$'000)	2022 000	2021 000	2020 000	2019 000	2018 000	2017 000	2016 000	2015 000	2014 000	2013 000
No. of Shares Issued	559,323	559,323	368,461	368,461	368,461	368,461	368,461	315,771	315,771	315,771
Shareholders' equity	1,122,308	1,074,718	258,977	660,340	888,799	1,095,030	1,017,495	903,621	828,990	757,285
Property, plant and equipment	256,903	227,529	231,934	221,513	194,432	191,883	313,753	281,089	287,228	161,788
Investment properties	-	-	226,734	200,150	341,150	329,650	185,150	173,100	152,020	138,020
Total assets	5,092,576	4,480,289	2,905,292	4,509,975	2,559,156	2,450,033	2,421,851	1,971,909	1,847,684	1,928,962
Insurance reserves	2,690,113	2,380,964	2,349,451	2,160,963	1,598,401	1,238,427	1,337,404	930,707	868,560	987,732
Payables	1,280,155	1,024,607	296,864	1,688,672	68,845	114,483	65,289	123,355	109,630	99,591
Receivables	2,012,243	1,605,287	868,124	2,201,281	419,869	472,906	668,040	314,794	233,961	311,914
Cash on hand and bank	844,286	1,474,237	745,183	937,029	714,118	403,057	451,265	185,923	191,073	23,167
Investments	1,580,943	780,049	395,674	241,937	510,092	713,217	507,479	773,382	734,380	1,006,269
Statement of Comprehensive Income (J$'000) Revenues										
Gross Written Premium	2,217,543	1,914,966	1,432,083	1,403,690	1,791,567	1,440,065	1,081,746	960,973	728,230	677,889
Percentage change over one year	*16%*	*34%*	*2%*	*-22%*	*24%*	*33%*	*13%*	*32%*	*7%*	*-5%*
Commission income	121,942	96,606	159,925	132,848	117,124	91,301	78,292	85,579	65,191	58,786
Percentage change over one year	*26%*	*-40%*	*20%*	*13%*	*28%*	*17%*	*-9%*	*31%*	*11%*	*-13%*
Investment income	138,332	59,744	54,078	32,900	51,219	49,411	42,288	58,457	55,007	72,061
Percentage change over one year	*132%*	*10%*	*64%*	*-36%*	*4%*	*17%*	*-28%*	*6%*	*-24%*	*-35%*
Other income	67,583	98,761	17,656	114,335	89,206	38,673	20,280	14,917	30,019	57,735
Percentage change over one year	*-32%*	*459%*	*-85%*	*28%*	*131%*	*91%*	*36%*	*-50%*	*-48%*	*73%*
Total revenues	2,545,400	2,170,077	1,663,742	1,683,773	2,049,116	1,619,450	1,222,606	1,119,926	878,447	866,471
Percentage change over one year	*17%*	*30%*	*-1%*	*-18%*	*27%*	*32%*	*9%*	*27%*	*1%*	*-6%*
Reinsurance ceded	681,846	599,099	489,715	1,744,177	611,963	509,767	435,881	487,959	386,769	382,126
Percentage change over one year	*14%*	*22%*	*-72%*	*185%*	*20%*	*17%*	*-11%*	*26%*	*1%*	*-8%*
Insurance claims	966,189	505,186	531,478	15,124	1,123,981	344,059	1,044,827	287,473	177,955	292,237
Percentage change over one year	*91%*	*-5%*	*3414%*	*-99%*	*227%*	*-67%*	*263%*	*62%*	*-39%*	*62%*
Commission expense	205,020	160,395	171,328	167,108	167,313	141,398	101,908	90,113	62,862	55,827
Percentage change over one year	*28%*	*-6%*	*3%*	*0%*	*18%*	*39%*	*13%*	*43%*	*13%*	*-17%*
Administrative expenses	546,081	502,886	489,400	435,447	402,116	428,806	410,096	318,400	297,428	297,080
Percentage change over one year	*9%*	*3%*	*12%*	*8%*	*-6%*	*5%*	*29%*	*7%*	*0%*	*5%*
Profit/(loss) before taxation	**72,042**	**237,638**	(449,499)	(566,257)	**(167,494)**	**44,740**	**(50,560)**	**26,871**	**27,869**	**(32,282)**
Percentage change over one year	*-70%*	***153%***	***21%***	***-238%***	***-474%***	***188%***	***-288%***	***-4%***	***186%***	***-234%***
Net profit/(loss)	**54,298**	**160,389**	**(299,666)**	**(267,479)**	**(167,494)**	**42,663**	**(42,234)**	**23,084**	**25,086**	**(15,568)**
Percentage change over one year	***-66%***	***154%***	***-12%***	***-60%***	***-493%***	***201%***	***-283%***	***-8%***	***261%***	***-207%***

10 Year Financial Ratios

Important Performance Ratios	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Return on equity	5%	24%	-65%	-35%	-17%	4%	-4%	3%	3%	-2%
Return on assets	1%	4%	-8%	-8%	-7%	2%	-2%	1%	1%	-1%
Revenue to receivables	1.26	1.35	1.92	0.76	4.88	3.4	1.83	3.56	3.75	2.78
Pre-tax profit margin	3%	11%	-27%	-34%	-8%	3%	-4%	2%	3%	-4%
Insurance ceded	31%	31%	34%	124%	34%	35%	40%	51%	53%	56%
Net claims to premium	44%	26%	37%	1%	56%	27%	22%	24%	18%	25%
Investment Return	8%	7%	6%	12%	11%	8%	7%	8%	9%	13%
Price to sales ratio	0.83	1.17	1.53	0.84	6.64	6.64	-7.25	n/a	n/a	n/a
Price book ratio	1.64	2.09	8.48	1.79	1.14	1.14	1.09	n/a	n/a	n/a
Cash per share	1.51	2.64	2.02	2.54	1.94	1.09	1.22	0.59	0.61	0.07
Net book value per share	2.01	1.92	0.70	1.79	2.41	2.97	2.76	2.86	2.63	2.4
Earnings per share	0.10	0.28	-0.81	-0.73	-0.45	0.12	-0.12	0.07	0.28	0.28
Closing stock price	3.30	4.02	5.96	3.20	3.38	3.38	3.00	n/a	n/a	n/a
Price earnings ratio	33.00	14.36	-7.36	-4.38	-7.44	29.19	-24.07	n/a	n/a	n/a

DISCLOSURE OF SHAREHOLDINGS

DIRECTORS AND CONNECTED SHAREHOLDINGS REPORT

as at December 31, 2022

Name	Title	Relationship	Volume	%
DONALD WEHBY	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
LINVAL FREEMAN	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
KAREEM TOMLINSON	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
ROCHELLE CAMERON	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
HERMA MCRAE	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
SANDRA MASTERTON WILLIAM MASTERTON	Director Connected	Self Director's Holdings Connected Party Holdings Combined Holding	- 86,304 - 86,304 86,304	0.00000 0.01543 0.00000 0.01543 0.01543
NICHOLE CASE	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
HEATHER GOLDSON	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
ASHLEY-ANN FOSTER HORNE	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000
KERRY-ANN HEAVENS	Director	Self Director's Holdings Connected Party Holdings Combined Holding	- - - -	0.00000 0.00000 0.00000 0.00000

TOP 10 SHAREHOLDINGS
as at December 31, 2022

	Joint Holder(s)	Volume	%
GRACEKENNEDY FINANCIAL GROUP LIMITED		364,871,178	65.2344%
	Client total ownership	**364,871,178**	**65.2344%**
GK CAPITAL MANAGEMENT LIMITED		44,750,589	8.0008%
	Client total ownership	**44,750,589**	**8.0008%**
JMMB FUND MANAGERS LTD.T1- EQUITIES FUND		43,089,690	7.7039%
	Client total ownership	**43,089,690**	**7.7039%**
JMMBSL AVAILABLE FOR SALE		36,846,000	6.5876%
	Client total ownership	**36,846,000**	**6.5876%**
WORLDNET INVESTMENT COMPANY LIMITED		33,370,240	5.9662%
	Client total ownership	**33,370,240**	**5.9662%**
MF&G ASSET MANAGEMENT LTD. - JAMAICA INVESTMENTS FUND		3,157,012	0.5644%
	Client total ownership	**3,157,012**	**0.5644%**
SAGICOR SELECT FUNDS LIMITED - (CLASS B' SHARES) FINANCIAL		2,743,705	0.4905%
	Client total ownership	**2,743,705**	**0.4905%**
MARATHON INSURANCE BROKERS LTD		1,897,465	0.3392%
	Client total ownership	**1,897,465**	**0.3392%**
KARL P. WRIGHT		1,518,000	0.2714%
	Client total ownership	**1,518,000**	**0.2714%**
MR DALE MCFARLANE		1,034,755	0.1850%
		9	0.0000%
		456,296	0.0816%
	Client total ownership	**1,491,060**	**0.2666%**

SENIOR MANAGERS AND CONNECTED PARTIES SHAREHOLDINGS REPORT

as at December 31, 2022

Name	Position	Relationship	Volume	%
TAMMARA GLAVES-HUCEY	General Manager	Senior Manager's Holdings	-	0.00000%
		Connected Party Holdings	-	0.00000%
		Combined Holdings	-	0.00000%
CARLENE ISAACS	Manager	Self	5,000	0.00089%
		Senior Manager's Holdings	5,000	0.00089%
		Connected Party Holdings	-	-
		Combined Holdings	5,000	0.00089%
STUART ANDRADE	Manager	Self	-	0.00000%
		Senior Manager's Holdings	-	0.00000%
		Connected Party Holdings	-	0.00000%
		Combined Holdings	-	0.00000%

Key Insurance Celebrates 40 Years of Service

In 2022, Key Insurance celebrated its 40th anniversary of service in Jamaica. For four decades, the Company has been providing quality insurance products and exceptional customer service to Jamaicans across the Island. This milestone is a testament to the hard work and dedication of its employees, as well as the loyalty and support of its customers.

Over the years the Company has weathered many storms but has remained committed to providing affordable, reliable, and innovative insurance solutions. Since becoming part of the GraceKennedy Group in 2020, the Company has strengthened its performance and its commitment to become one of the leading insurance providers in Jamaica, with a reputation for excellence and customer satisfaction.

Key Insurance has embraced the GraceKennedy Group's core values of honesty, integrity, and trust which now form the pillars for the Company's continued growth and success.

To mark its 40th anniversary, Key Insurance hosted series of events and initiatives throughout the year, including commemorative events, charitable donations, and special promotions for our valued customers.

Church Service at Transformed Life Church on September 18, 2022.

Client Keith Dench with Leonette Simpson Gordon (Branch Underwriter) – May Pen

Tammara with client Dave Ennis – Cross Roads

Long Standing Clients - At each of our 6 branches, we identified one of our long-standing clients and they received a special token from us and free insurance for a year.

Sydney Grant - Manager Westhaven Children's Home for the Disabled with Marvia Longman (Branch Underwriter) - donation of food items – Mobay

Andrew Dunkley with client Norman Sewell – Ocho Rios

Cake cutting to mark our 40th Anniversary, on October 11, 2022.

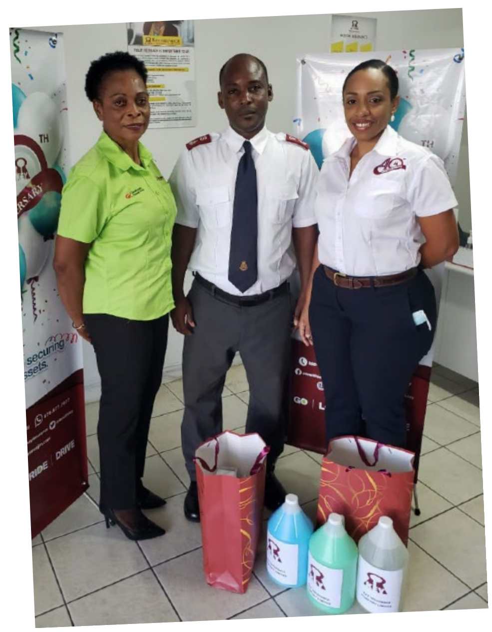
Service with a smile - Our pleasant staff is ready to continue the great service that has kept us growing strong through 4o years of service to Jamaica.

We hosted an outside broadcast with MELLO FM, October 11, 2022, as part of our 40th celebrations.

Celebrating with our dynamic Key Insurance Team, without whom none of our success would have been possible.

Bridgeport Basic School - Mrs Hilary Brown (Principal) with Carlene Isaacs and Shereen Barnes Riley (Branch Underwriter) - donation of outdoor table and benches for reading area – Portmore

Stuart and Kaydene with Mrs. Marlin Dennis-Nelson of St. Stephen's United Church Early Childhood Development Centre.- donation of food items and classroom chairs



Major Jean Volant of Hanbury Home For Children with Terry-Joy Golaub (Legal Officer) and Faith Daley (Senior Underwriter) - donation of sheet sets and cleaning supplies – Mandeville

Corporate Social Responsibility

Corporate Social Responsibility (CRS) is an essential component of sustainable business practices and is key to who we are as a Company. As a part of the GraceKennedy Group, Key Insurance has adopted the We Care ethos and embraced our responsibility to contribute to the society and environment in a positive way.

Key Insurance is proud of the work it does to support its surrounding communities. We are fully committed to making a positive impact in the lives of all our stakeholders.

In 2022, the Company was actively involved in giving back to the community through various charitable initiatives, including donations to schools, hospitals, and other organizations.

Teachers' Day (May 4, 2022)- White board donation and sweet treat for Torrington Early Childhood Institute

Sweet treat for Best Care Foundation for Special Needs

Sweet treat for Lister Mair Gilby High School for the Deaf

Blood Drive - Held at the Head Office on July 14th. 29 individuals registered and 20 units of blood collected

Labour Day - Beautification project at Torrington Early Childhood Institute

FINANCIAL STATEMENTS

31 December 2022

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31 December 2022

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, 2022 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:	1,737,337	1,736,492
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	1,737,337	1,736,492
Ceded unpaid claims and adjustment expenses:	867,649	850,015
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	869,688	886,477

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		564,319
Net policy liabilities in connection with unearned premiums:		545,320
Gross unearned premiums:	898,537	
Net unearned premiums:	677,547	
Premium deficiency:	0	
Other net liabilities:	0	

Note: the difference in carried net reserves relates to facultative insurance which is not addressed in this report.

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 1, 2023
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 2022, 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 2022;
- 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.

pwc

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 and casualty contracts *Refer to notes 2(n), 3(b) and 23 to the financial statements for disclosures of related accounting policies and balances.* As at 31 December 2022, total incurred but not reported reserves amounted to $591 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. 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.	The approach to addressing the matter, with the assistance of our actuarial experts, involved the following procedures, amongst others: • Tested the completeness, accuracy and reliability of the underlying data utilized by management, and its external actuarial experts, to support the actuarial valuation. • Assessed the independence, experience and objectivity of management's actuarial expert. • Performed a methods and assumptions analysis of the actuarial valuation prepared by management's actuarial expert. • Considered the suitability of the methodology used by management's actuary in establishing claims liabilities against established actuarial practice and our knowledge and experience. The results of our procedures indicated that the assumptions used by management for determining the valuation of incurred but not reported claims for property and casualty contracts were not unreasonable.

pwc

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.

pwc

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.

pwc

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
1 March 2023
Kingston, Jamaica

Statement of Comprehensive Income

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
Gross Premiums Written		2,217,543	1,914,966
Reinsurance ceded		(681,846)	(599,099)
Net premiums written		1,535,697	1,315,867
Change in unearned premiums, net		(74,222)	(164,873)
Net Premiums Earned		1,461,475	1,150,994
Commission income		121,942	96,606
Commission expense		(205,020)	(160,395)
Claims expense		(986,663)	(589,773)
Change in unexpired risk reserve		20,474	84,587
Administration and other expenses	8	(546,081)	(502,886)
Underwriting (Loss)/Gain		(133,873)	79,133
Investment income	10	138,332	59,744
Other income	11	67,583	98,761
Profit Before Taxation		72,042	237,638
Taxation	12	(17,744)	(77,249)
Net Profit		54,298	160,389
Other Comprehensive Income:			
Item that may be subsequently reclassified to profit or loss:			
Net loss on the re-measurements of financial assets at FVOCI, net of taxes		(32,754)	(12,666)
Item that will not be subsequently reclassified to profit or loss:			
Revaluation gains on property, plant and equipment, net of taxes		26,046	-
Other Comprehensive Income		(6,708)	(12,666)
Total Comprehensive Income for the Year		47,590	147,723
Earnings per Stock Unit	27	$0.10	$0.30

Statement of Financial Position

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
ASSETS			
Cash and cash equivalents	13	844,286	1,474,237
Investment securities	14	1,580,943	780,049
Due from policyholders, brokers and agents	15	305,882	258,833
Due from reinsurers	16	1,362,565	1,059,554
Deferred policy acquisition costs		89,350	82,957
Taxation recoverable		253,799	202,549
Other receivables	17	647	1,394
Right-of-use assets	30	24,870	10,124
Intangible assets	19	1,819	3,016
Property, plant and equipment	20	256,903	227,529
Deferred taxation	22	371,512	380,047
		5,092,576	4,480,289
LIABILITIES AND EQUITY			
Liabilities			
Other payables	21	145,554	213,205
Lease liabilities	30	24,407	10,982
Due to reinsurers		1,110,194	800,420
Insurance reserves	23	2,690,113	2,380,964
		3,970,268	3,405,571
Equity			
Share capital	24	903,300	903,300
Capital reserve	25	57,371	57,371
Fair value reserves	26	55,397	62,105
Retained earnings		106,240	51,942
		1,122,308	1,074,718
		5,092,576	4,480,289

Approved for issue on behalf of the Board of Directors on 01 March 2023 and signed on its behalf by:

Don Wehby Chairman

Linval Freeman Director

Statement of Changes in Equity

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000	Capital Reserve $'000	Fair Value Reserves $'000	(Accumulated Deficit)/ Retained Earnings $'000	Total $'000
Balance at 1 January 2021	235,282	57,371	479,936	(513,612)	258,977
Issue of stock units (Note 24)	668,018	-	-	-	668,018
Profit for the year	-	-	-	160,389	160,389
Other comprehensive income	-	-	(12,666)	-	(12,666)
Transfer between reserves:					
Realised gains on disposal of investment properties, transferred to accumulated deficit (Note 26)	-	-	(405,165)	405,165	-
Balance at 31 December 2021	903,300	57,371	62,105	51,942	1,074,718
Profit for the year	-	-	-	54,298	54,298
Realised loss on disposal of FVOCI investments	-	-	(32,754)	-	(32,754)
Revaluation gain on property, plant and equipment, net of taxes	-	-	26,046	-	26,046
Balance at 31 December 2022	903,300	57,371	55,397	106,240	1,122,308

Statement of Cash Flows

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
Cash Flows from Operating Activities			
Net profit		54,298	160,389
Adjustments for:			
Amortisation and depreciation	8	22,055	22,857
Expected credit losses	8	(670)	10,472
Gain on sale of property, plant and equipment		-	(773)
Gain on sale of investments	11	(2,926)	-
Write-off of property, plant and equipment	20	-	342
Net foreign exchange gains		(5,378)	(18,030)
Dividend income	10	-	(167)
Interest expense	30	938	1,204
Interest income	10	(138,332)	(59,577)
Taxation	12	17,744	77,249
		(52,271)	193,966
Changes in operating assets and liabilities			
Due from policyholders, brokers and agents		(47,049)	(67,903)
Deferred policy acquisition costs		(6,393)	(20,335)
Insurance reserves		309,149	31,513
Due from reinsurers		(303,011)	(695,608)
Due to reinsurers		309,774	648,483
Other assets		747	28,462
Other liabilities		(67,651)	76,926
Cash generated from operations		143,295	195,504
Interest paid		(938)	(1,204)
Taxation paid		(46,007)	(10,925)
Net cash provided by operating activities		96,350	183,375
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	20	(6,718)	(8,201)
Acquisition of intangible asset	19	-	(1,696)
Proceeds on disposal of property, plant and equipment		-	773
Proceeds on disposal of investment properties		-	249,554
Purchase of investments		(1,524,638)	(597,898)
Disposal/maturity of investments		702,926	191,965
Interest and dividend received		107,524	52,239
Net cash used in investing activities		(720,906)	(113,264)
Cash Flows from Financing Activities			
Proceeds from rights issue of ordinary stock units	24	-	668,018
Lease principal payments	30	(10,773)	(12,346)
Net cash (used in)/provided by financing activities		(10,773)	655,672
Net (decrease)/increase in cash and cash equivalents (Page 5)		(635,329)	725,783

Statement of Cash Flows (Continued)

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
Net (decrease)/ increase in cash and cash equivalents (Page 4)		(635,329)	725,783
Effect of changes in exchange rate on cash and cash equivalents		5,378	3,271
Cash and cash equivalents at beginning of year		1,474,237	745,183
Cash and Cash Equivalents at the End of the Year	13	844,286	1,474,237

Notes to the Financial Statements

31 December 2022

(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) Grace Kennedy Financial Group Limited (GKFG) acquired 65% of the issued stock units of Key Insurance Company Limited which 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. In January 2021, the company raised $668,000,000 by way of a rights issue whereby an additional 190,862,238 ordinary stock units were issued to new and existing stockholders. GKFG exercised its rights and increased its shareholding to 72%.

(d) The company is listed on the Main Market of the Jamaica Stock Exchange (JSE) which took effect on 9 April 2020.

The financial statements were authorised for issue by the Directors of the company on 1 March 2023. 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, 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.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements effective in 2022 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 there were no new or amended accountings standards that required the company to change its accounting policies or add new disclosures for the 2022 financial year.

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 2023 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 in the advanced stages of implementation of IFRS 17 and is continuing to refine the new accounting processes and internal controls required. A reasonable estimate of the financial impacts cannot be provided at this stage.

The company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The company does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. The company uses reinsurance to mitigate its risk exposures.

The company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts.

Portfolios of reinsurance contracts held are assessed for aggregation at the line of business level and are presented separately from portfolios of insurance contracts issued.

The company will use the Premium Allocation Approach to measure all the insurance contracts issued, and reinsurance contracts held, which is a simplified approach compared to the general model in IFRS 17. The company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 17, 'Insurance contracts' (continued)
The company will not adjust the liability for remaining coverage for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For the Liabilities for Incurred Claims, the estimates of future cash flows will be adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

The adoption of IFRS 17 will result in changes in presentation in the statement of financial position and statement of comprehensive income. In the statement of financial position, the company will aggregate and report on portfolios of insurance and reinsurance assets and liabilities separately, while in the statement of comprehensive income the company will report revenue, service expense and finance expense in relation to insurance contract and finance income net expenses from reinsurance contracts held.

Discount rate
The company will use a bottom-up approach to determine discount rates. Risk-free discount rates will be determined using observed rates for Government of Jamaica bonds. An illiquidity premium will be selected using a range of approaches including the review of observed Bid-Ask spreads. The company's claims settlement period is not expected to exceed the period over which observable market prices are available.

On transition date, 1 January 2023, the company will adopt IFRS 17 retrospectively. The full retrospective approach will be applied to the insurance contracts in force at the transition date. The company will: identify, recognise and measure each group of insurance contracts as if IFRS 17 has always applied; derecognise any existing balances that would not exist if IFRS 17 has always applied; and recognise any resulting net difference in equity.

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 12 – deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The company is currently assessing the impact of these amendments.

Amendments to IAS 1, Practice statement 2 and IAS 8 (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The company is currently assessing the impact of these amendments.

Amendments to IAS 1, 'Presentation of financial statements' (effective for accounting periods starting not earlier than 1 January 2024). 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 amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment. 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.

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

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 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
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 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.

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.

Premium 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.

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, amounts due to reinsurers, claims outstanding and lease liabilities.

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.

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 stockholders' 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%-33.33%
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 2021 and 31 December 2022 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 or statement of comprehensive income.

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.

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.

Commission 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.

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 $423,009,000 (2021 - $421,310,000) 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 profit or loss.

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:

	2022		2021	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US$ 6,500	US$ 375	US$ 6,500	US$ 375
Boiler and machinery	US$ 1,500	US$ 375	US$ 1,500	US$ 375
Miscellaneous accident	US$ 160	US$ 64	US$ 160	US$ 64
Bankers' blanket	US$ -	US$ -	US$ 300	US$ 120
Contractor's All Risk	US$ 2,500	US$ 375	US$ 2,500	US$ 375
Liability	US$ 2,500	US$ 200	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$ 75,000	J$37,500	J$ 73,000	J$36,500
Pecuniary loss -				
Fidelity	US$ 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 23.

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)

		2017 and prior	2018	2018 and prior	2019	2019 and prior	2020	2020 and prior	2021	2021 and prior	2022	2022 and prior
2017	Paid during year	370,619										
	UCAE, end of year	300,768										
	IBNR, end of year	183,596										
	Ratio: excess (deficiency)											
2018	Paid during year	371,798	300,941	672,739								
	UCAE, end of year	202,236	294,423	496,659								
	IBNR, end of year	183,596	131,345	314,941								
	Ratio: excess (deficiency)	(56.42%)										
2019	Paid during year	371,798	300,941	672,739	290,370	963,109						
	UCAE, end of year	202,236	294,423	496,659	(282,443)	214,216						
	IBNR, end of year	183,596	131,345	314,941	18,254	333,195						
	Ratio: excess (deficiency)	(133.18%)		(82.89%)								
2020	Paid during year	41,475	68,215	109,690	280,851	390,541	193,338	583,879				
	UCAE, end of year	127,266	119,667	246,933	239,763	486,696	294,354	781,050				
	IBNR, end of year	78,535	71,554	150,089	131,842	281,931	335,341	617,272				
	Ratio: excess (deficiency)	(104.57%)		(45.32%)		(111.75%)						
2021	Paid during year	26,892	29,185	56,077	84,384	140,461	197,649	338,110	325,880	663,990		
	UCAE, end of year	4,054	1,664	5,718	1,594	7,312	1,000	8,312	376,018	384,330		
	IBNR, end of year	3,969	1,900	5,869	488	6,357	5,092	11,449	250,980	262,429		
	Ratio: excess (deficiency)	(69.29%)		(4.74%)		0.50%		74.41%				
2022	Paid during year	19,117	28,040	47,157	55,278	102,435	55,303	157,738	292,188	449,926	433,088	883,014
	UCAE, end of year	4,091	1,389	5,480	1,177	6,657	765	7,422	2,420	9,842	525,299	535,141
	IBNR, end of year	(4,367)	(852)	(5,219)	(156)	(5,375)	(1,436)	(6,811)	(1,351)	(8,162)	342,710	334,548
	Ratio: excess (deficiency)	(71.52%)	(0.27%)	(9.16%)	259.56%	(15.95%)	59.94%	64.5%	53.2%	30.17%		

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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.

	2022				
	Liability	**Property**	**Motor**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross Claims liability (not including IBNR)	26,295	10,742	1,103,765	5,963	1,146,765
Net Claims liability (not including IBNR)	9,138	1,032	523,490	1,481	535,141
Gross IBNR & ULAE	17,393	7,796	561,405	3,977	590,571
Net IBNR & ULAE	3,946	(290)	330,385	507	334,548
Gross and Net Unexpired Risk Reserve	-	-	5,439	-	5,439

	2021				
	Liability	**Property**	**Motor**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross Claims liability (not including IBNR)	28,041	11,863	916,829	8,211	964,944
Net Claims liability (not including IBNR)	9,366	1,020	372,365	1,579	384,330
Gross IBNR & ULAE	13,968	5,910	495,478	4,091	519,447
Net IBNR & ULAE	20,588	9,753	225,646	6,442	262,429
Gross and Net Unexpired Risk Reserve	664	8,404	14,976	1,869	25,913

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 stabilise 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 J$63,395,000 and US$23,000,000 respectively (2021 - J$22,000,000 and US$25,500,000) per any one loss.

4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

(ii) The company insures with several reinsurers who take up 5% to 100% of their treaty arrangements. 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). The significant reinsurers are as follows:

	Ratings
Munich Re	AA-
Hanover Re*	AA-
Odyssey Re	A-
GIC Re	B++
Patria	A
Sirius International (UK)	A+
Scor Re	AA-
Knutsford Re	A
Lloyds Syndicate	A
R&V Re	A
K2 Peak Re	A
QBE Re	A+

At 31 December 2022 and 31 December 2021, the company has maintained the appropriate reinsurance arrangements to cover all classes of business and products as is required by the Regulators.

Reinsurance recoveries recognised during the year are as follows:

	2022	2021
	$'000	$'000
Property	20,410	(36,681)
Motor	125,192	111,520
Engineering	877	(427)
Accident	13,018	(4,771)
Liability	20,317	(5,876)
	179,814	63,765

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Exposure to credit risk

	2022 $'000	2021 $'000
Subject to expected credit losses:		
Cash and short-term investments	844,286	1,474,237
Financial assets at amortised cost	1,550,642	-
Financial assets at fair value through other comprehensive income	30,301	776,970
Receivables from agents, brokers & policyholders	305,882	258,833
Recoverable from reinsurers and coinsurers	1,362,565	1,059,554
	4,093,676	3,569,594

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.

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:

	2022 $'000	2021 $'000
Government of Jamaica	330,313	746,636
Corporate (certificate of deposits and reverse repurchase agreements)	1,250,631	30,334
	1,580,944	776,970

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 has the following types of financial assets that are subject to IFRS 9's expected credit loss model:

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

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

<u>Receivables from agents, brokers and policyholders (continued)</u>
The expected loss rates are based on the liquidation profiles of sales over a period of 36 month before 31 December 2022 or 31 December 2021, 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 agent, broker and policyholder receivables is $341,750,000 (2021 - $282,569,000). Movement in impairment is reconciled below.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for receivables from agents, brokers and policyholders:

31 December 2022	**0-60 Days**	**61-120 Days Overdue**	**121-180 Days Overdue**	**More than 180 Days Overdue**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Agent, Broker and Policyholders receivables	159,305	67,827	33,155	81,463	341,750
Expected loss rate	2.20%	4.79%	6.58%	33.05%	
Loss allowance	3,509	3,249	2,183	26,927	35,868

31 December 2021	**0-60 Days**	**61-120 Days Overdue**	**121-180 Days Overdue**	**More than 180 Days Overdue**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Agent and Broker and Policyholders receivables	95,433	81,102	22,302	83,732	282,569
Expected loss rate	2.64%	4.53%	6.87%	19.12%	
Loss allowance	2,517	3,676	1,532	16,011	23,736

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 is as follows:

	2022 $'000	2021 $'000
At 1 January	23,736	71,962
Write offs	-	(56,224)
Recoveries	7,962	-
Movement on loss allowance recognised in profit or loss during the year	4,170	7,998
At 31 December	35,868	23,736

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 one 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.

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).

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

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

Debt investments (continued)

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:

	2022 $'000	2021 $'000
At 1 January	6,912	4,440
Movement on loss allowance recognised in profit or loss during the year	(6,912)	2,472
At 31 December	-	6,912

Debt investments at Amortised Cost
The loss allowance for debt investments at amortized cost is recognised in profit or loss and reduces the asset's carrying value.

The loss allowance for debt investments at amortised cost is as follows:

	2022 $'000	2021 $'000
At 1 January	-	-
Movement on loss allowance recognised in profit or loss during the year	2,072	-
At 31 December	2,072	-

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 investments;

(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 liabilities and insurance liabilities cash flows

The table below presents the undiscounted cash flows of the company's financial liabilities and insurance liabilities, as well as the company's insurance 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
			2022		
Financial and Insurance Liabilities					
Other payables	131,433	-	-	-	131,433
Lease liabilities	3,573	8,764	14,295	-	26,632
Due to reinsurers	1,110,194	-	-	-	1,110,194
Claims outstanding	1,146,765	-	-	-	1,146,765
	2,391,965	8,764	14,295	-	2,415,024

	Within 1 Month $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2021		
Financial and Insurance Liabilities					
Other payables	208,785	-	-	-	208,785
Lease liabilities	3,465	4,523	3,658	-	11,646
Due to reinsurers	800,420	-	-	-	800,420
Claims outstanding	964,944	-		-	964,944
	1,977,614	4,523	3,658	-	1,985,795

Assets available to meet all the liabilities and to cover financial and insurance 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.

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk

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

	2022		
	Jamaican $	US$	Total
	J$'000	J$'000	J$'000
Financial and Insurance assets			
Cash and deposits	809,343	34,943	844,286
Due from policyholders, brokers and agents	253,389	52,493	305,882
Due from reinsurers	1,267,750	94,815	1,362,565
Total financial and insurance assets	2,330,482	182,251	2,512,733
Financial and Insurance liabilities			
Other payables	126,601	4,832	131,433
Due to reinsurers	1,020,325	89,869	1,110,194
Insurance reserves	2,678,773	11,340	2,690,113
Total financial and insurance liabilities	3,825,699	106,041	3,931,740
Net financial position	(1,495,217)	76,210	(1,419,007)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

	2021		
	Jamaican $	US$	Total
	J$'000	J$'000	J$'000
Financial and Insurance assets			
Cash and deposits	1,420,800	53,437	1,474,237
Due from policyholders, brokers and agents	222,718	36,115	258,833
Due from reinsurers	954,415	105,139	1,059,554
Total financial and insurance assets	2,597,933	194,691	2,792,624
Financial and Insurance liabilities			
Other payables	121,974	86,811	208,785
Due to reinsurers	657,498	142,922	800,420
Insurance reserves	2,350,063	30,901	2,380,964
Total financial and insurance liabilities	3,129,535	260,634	3,390,169
Net financial position	(531,602)	(65,943)	(597,545)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency 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 1% and depreciation of 4% (2021 - appreciation of 2% and a depreciation of 8%) 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 Profit before Taxation $'000	Change in Currency Rate %	Effect on Profit before Taxation $'000
	2022		2021	
United States Dollar				
Appreciation of JMD	1	(762)	2	1,319
Depreciation of JMD	4	3,048	8	(5,272)

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.

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(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)

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.

	2022						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial and Insurance assets							
Cash and deposits	676,441	51,465	-	-	-	116,380	844,286
Investment securities	831,661	246,240	260,178	197,928	-	44,936	1,580,943
Due from policyholders, brokers and agents	-	-	-	-	-	305,882	305,882
Due from reinsurers	-	-	-	-	-	1,362,565	1,362,565
	1,508,102	297,705	260,178	197,928	-	1,829,763	4,093,676
Financial and Insurance liabilities							
Other payables	-	-	-	-	-	131,433	131,433
Lease liabilities	946	2,149	7,772	13,540	-	-	24,407
Due to reinsurers	-	-	-	-	-	1,110,194	1,110,194
Claims outstanding	-	-	-	-	-	1,146,765	1,146,765
Unearned premiums	-	-	-	-	-	898,537	898,537
Unearned commissions	-	-	-	-	-	48,801	48,801
IBNR & ULAE	-	-	-	-	-	590,571	590,571
Unexpired risk reserve	-	-	-	-	-	5,439	5,439
	946	2,149	7,772	13,540	-	3,931,740	3,956,147
Total interest repricing gap	1,507,156	295,556	252,406	184,388	-	(2,101,977)	137,529

4. Insurance and Financial Risk Management (Continued)

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

	2021						
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial and Insurance assets							
Cash and deposits	1,139,395	302,745	-	-	-	31,797	1,473,937
Investment securities	-	30,000	-	369,602	369,160	11,287	780,049
Due from policyholders, brokers and agents	-	-	-	-	-	258,833	258,833
Due from reinsurers	-	-	-	-	-	1,059,554	1,059,554
	1,139,395	332,745	-	369,602	369,160	1,361,471	3,572,373
Financial and Insurance liabilities							
Other payables	-	-	-	-	-	208,785	208,785
Lease liability	1,087	2,193	4,231	3,471	-	-	10,982
Due to reinsurers	-	-	-	-	-	800,420	800,420
Claims outstanding	-	-	-	-	-	964,944	964,944
Unearned premiums	-	-	-	-	-	823,686	823,686
Unearned commissions	-	-	-	-	-	46,974	46,974
IBNR, PFAD & ULAE	-	-	-	-	-	519,447	519,447
Unexpired risk reserve	-	-	-	-	-	25,913	25,913
	1,087	2,193	4,231	3,471	-	3,390,169	3,401,151
Total interest repricing gap	1,138,308	330,552	(4,231)	366,131	369,160	(2,028,698)	171,222

Interest rate sensitivity

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 (continued)

The following table indicates the sensitivity to a reasonably possible changes in 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.

	Effect on Other Comprehensive Income 2022 $'000	Effect on Other Comprehensive Income 2021 $'000
Change in basis points - bond:		
JMD/USD+100 /+100 (2021: JMD/USD 300 /+100)	-	(1,583)
JMD/USD -50/-50 (2021: JMD/USD - 300/-50)	-	1,592

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 amounted to $1,122,308,000 (2021 - $1,074,718,000) 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. A revised test to calculate MCT came into effect on 22 December 2022 following the signing of the Insurance (Amendment) Regulations, 2022. The revised test stipulated a required MCT of 175% for 2022 and 200% for 2021. The MCT disclosed below for the current year was calculated using the revised test. The prior year's MCT ratio however was not updated to reflect the revised test and is consistent with the calculations which were applicable in 2021.

As at 31 December 2022 and 31 December 2021, the company achieved the minimum required level of capital based on the MCT ratio.

	2022	2021
Actual MCT ratio	**234.36%**	**264.38%**
Minimum required MCT ratio	**175%**	**250%**

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.

Fair value sensitivity analysis

Non-financial assets carried at fair value include property, plant and equipment, which fall within level 2 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 2022			
Fair value though OCI –			
Corporate debt	-	30,301	30,301
	-	30,301	30,301
As at 31 December 2021			
Fair value though OCI –			
Corporate debt	-	33,413	33,413
Bank of Jamaica debt securities	-	746,636	746,636
	-	780,049	780,049

- 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.
- 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.

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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 stockholders. 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 stockholders. 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

	2022 $'000	2021 $'000
Advertising	27,062	23,194
Amortisation and depreciation (Notes 19, 20, 30)	22,055	22,857
Asset tax	6,446	3,176
Auditor's remuneration	10,952	8,135
Bank charges	6,783	5,618
Donations and subscriptions	4,198	3,427
Computer and data processing expenses	41,408	36,543
Insurance and registration fees	19,711	15,987
Travelling	1,601	828
Motor vehicle expenses	1,840	499
Office expenses	19,492	8,554
Postage, telephone, fax and utilities	12,977	20,918
Printing and stationery	2,329	2,470
Legal and professional fees	53,000	37,229
(Net reversal of impairment)/impairment of financial assets	(670)	10,472
Investment properties expense	-	264
Repairs and maintenance	4,210	5,338
Security	11,759	12,180
Staff costs (Note 9)	300,928	285,197
Administration and other expenses	546,081	502,886

9. Staff Costs

	2022 $'000	2021 $'000
Wages and salaries	243,201	227,875
Payroll taxes - employer's portion	21,516	17,546
Pension costs - defined contribution	7,869	6,475
Other staff costs	28,342	33,301
	300,928	285,197

10. Investment Income

	2022 $'000	2021 $'000
Interest income	138,332	59,577
Dividend income	-	167
	138,332	59,744

11. Other Income

	2022 $'000	2021 $'000
Rental income	1,618	97
Net foreign exchange gain	5,378	39,812
Gain on sale of investment properties	-	22,643
Gain on sale of property, plant & equipment	-	773
Realised gain on sale of investments	2,926	-
Service fees	34,239	29,093
Management fees	14,291	-
Miscellaneous income	9,131	6,343
	67,583	98,761

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 are 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%.

	2022 $'000	2021 $'000
Current year taxation charge	5,243	37,081
Deferred taxation (Note 22)	12,501	40,168
	17,744	77,249

12. Taxation (Continued)

Subject to agreement with Tax Administration Jamaica, the company has losses available for offset against future taxable profits of approximately $1,269,000,000 (2021 - $1,263,000,000) 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:

	2022 $'000	2021 $'000
Profit before taxation	72,042	237,638
Tax calculated at a rate of 33⅓%	24,014	79,213
Adjusted for the effects of:		
Expenses not deductible for tax purposes	7,105	4,584
Net effect of other charges and allowance	(13,375)	(6,548)
Tax expense	17,744	77,249

13. Cash and Cash Equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	115,314	657,533
Short-term deposits (including reverse repurchase agreements)	728,972	816,704
Cash and cash equivalents	844,286	1,474,237

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

	2022 %	2021 %
Jamaican dollar deposits	7.51	3.87
United States dollar deposits	-	2.71

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14. Investment Securities

	Years to Maturity				
	2022				
	Within1 year $'000	1 to 5 years $'000	5 to 10 years $'000	Over 10 years $'000	Total $'000
At amortised cost:					
Issued by:					
Bank of Jamaica	127,271	197,928	-	-	325,199
Interest receivable	2,032	3,082	-	-	5,114
Corporate (certificate of deposits and reverse repurchase agreements)	1,183,986	-	-	-	1,183,986
Interest receivable	36,343	-	-	-	36,343
	1,349,632	201,010	-	-	1,550,642
At fair value through other comprehensive income:					
Issued by:					
Corporate -					
Bond	30,000	-	-	-	30,000
Interest receivable	301	-	-	-	301
	30,301	-	-	-	30,301
	1,379,933	201,010	-	-	1,580,943

	Years to Maturity				
	2021				
	Within1 year $'000	1 to 5 years $'000	5 to 10 years $'000	Over 10 years $'000	Total $'000
At fair value through other comprehensive income:					
Issued by:					
Government of Jamaica	-	369,602	-	369,160	738,762
Interest receivable	7,874	-	-	-	7,874
Corporate -					
Bonds	33,079	-	-	-	33,079
Interest receivable	334	-	-	-	334
	41,287	369,602	-	369,160	780,049

Investment securities include securities with a face value of $45,000,000 (2021 - $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.

15. Due from Policyholders, Brokers and Agents

	2022 $'000	2021 $'000
Premium receivable	341,750	282,569
Less: Provision for impairment	(35,868)	(23,736)
	305,882	258,833

Ageing of premium receivable

	2022 $'000	2021 $'000
Within 1 month	75,780	46,692
1-3 months	122,562	79,109
Over 3 months	143,408	156,768
	341,750	282,569

16. Due from Reinsurers

Amounts recoverable from reinsurers comprise:

	2022 $'000	2021 $'000
Unearned premium - other	220,989	220,361
Recoverable on claims outstanding	885,553	728,329
Recoverable on claims IBNR	256,023	110,864
	1,362,565	1,059,554

During the year, the company signed a new Loss Portfolio Transfer (LPT) agreement and commuted its previous agreement. With this agreement, the reinsurers promise to cover/compensate Key Insurance Company Limited for any motor loss suffered for cases reported or those that have insured and not yet reported (based on actuarial report) prior to the inception date of the contract (30 June 2022). Balances due from reinsurers in relation to claims outstanding are due within 12 months of the reporting date.

17. Other Receivables

	2022 $'000	2021 $'000
Staff loans	647	1,394

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

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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:

	2022 $'000	2021 $'000
Directors' emoluments -		
Fees	3,575	3,504
Remuneration	-	-

Key management compensation -

	2022 $'000	2021 $'000
Wages and salaries	44,880	58,891
Payroll taxes – employer's portion	4,827	5,513
Pension costs	2,813	3,291
	52,520	67,695

Fellow subsidiaries -

	2022 $'000	2021 $'000
Gross premium written	3,315	-
Interest income	8,301	3,546
Commission income	-	5,014
Commission expense	(31,334)	(30,104)

Ultimate parent company -

	2022 $'000	2021 $'000
Interest income	25,145	4,958
Interest expense	(7,707)	(1,304)

18. Related Party Transactions and Balances (Continued)

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

	2022 $'000	2021 $'000
Fellow subsidiaries -		
Cash and short-term investments	231,182	609,339
Due from agents, brokers and policyholders	52,444	67,244
Due to reinsurers	14,967	13,122

	2022 $'000	2021 $'000
Ultimate parent -		
Other payables	-	77,393

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19. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 January 2021	18,462
Additions	1,696
At 31 December 2022 and December 2021	20,158
Accumulated amortisation -	
At 1 January 2021	15,552
Amortisation	1,590
At 31 December 2021	17,142
Amortisation	1,197
At 31 December 2022	18,339
Net Book Value -	
31 December 2022	1,819
31 December 2021	3,016

20. Property, Plant and Equipment

	Land and Buildings $'000	Leasehold Improvements $'000	Computer Equipment $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Total $'000
			2022			
At Cost/Valuation -						
At 1 January	190,000	24,623	45,928	5,132	68,589	334,272
Disposals	-	(11,682)	(33,258)	-	(8,763)	(53,703)
Additions	-	-	4,542	-	2,176	6,718
Revaluation	30,000	-	-	-	-	30,000
At 31 December	220,000	12,941	17,212	5,132	62,002	317,287
Depreciation -						
At 1 January	2,500	23,258	41,100	1,752	38,133	106,743
Disposals	-	(11,682)	(33,258)	-	(8,763)	(53,703)
Revaluation	(5,000)	-	-	-	-	(5,000)
Charge for the year	2,500	415	2,055	1,711	5,663	12,344
At 31 December	-	11,991	9,897	3,463	35,033	60,384
Net Book Value -						
31 December	220,000	950	7,315	1,669	26,969	256,903

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20. Property, Plant and Equipment (Continued)

	Land and Buildings $'000	Leasehold Improvements $'000	Computer Equipment $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Total $'000
			2021			
At Cost/Valuation -						
At 1 January	190,000	24,623	54,449	9,504	51,867	330,443
Additions	-	-	3,640	-	4,561	8,201
Disposal	-	-	-	(4,372)	-	(4,372)
Transfer	-	-	(12,161)	-	12,161	-
At 31 December	190,000	24,623	45,928	5,132	68,589	334,272
Depreciation -						
At 1 January	-	21,303	39,234	4,482	33,490	98,509
Disposal	-	-	-	(4,372)	-	(4,372)
Write-off	-	-	342	-	-	342
Charge for the year	2,500	1,955	1,524	1,642	4,643	12,264
At 31 December	2,500	23,258	41,100	1,752	38,133	106,743
Net Book Value -						
31 December	187,500	1,365	4,828	3,380	30,456	227,529

Land and buildings were valued at current market values as at 31 December 2022. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2022 $'000	2021 $'000
Cost	133,391	133,391
Accumulated depreciation	(13,960)	(11,530)
	119,431	121,861

21. Other Payables

	2022 $'000	2021 $'000
Accrued expenses	105,883	99,627
Statutory liabilities	5,844	19,483
Due to related parties	-	77,393
Other	33,827	16,702
	145,554	213,205

22. 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 set off current tax assets against current tax liabilities.

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

	2022 $'000	2021 $'000
At the beginning of the year	380,047	428,158
Deferred tax credited/(charged) to other comprehensive income (Note 26)	3,966	(7,943)
Deferred tax charged to profit or loss in the statement of comprehensive income (Note 12)	(12,501)	(40,168)
At end of year	371,512	380,047

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

	Tax Losses $'000	Accelerated Tax Depreciation $'000	Revaluation Gains on Buildings $'000	Fair Value Reserves $'000	Interest Accrued $'000	Total $'000
At 1 January 2021	458,364	2,605	(32,235)	-	(576)	428,158
Deferred tax credited to profit in the statement of comprehensive income	-	-	4,975	(12,920)		(7,945)
Deferred tax credited to profit in the statement of comprehensive income	(37,054)	317	-	-	(3,429)	(40,166)
At 31 December 2021	421,310	2,922	(27,260)	(12,920)	(4,005)	380,047
Deferred tax (charged)/credited to other comprehensive income	-	-	(8,954)	12,920	-	3,966
Deferred tax (charged)/credited to profit in the statement of comprehensive income	1,699	(3,930)	-	-	(10,270)	(12,501)
At 31 December 2022	423,009	(1,008)	(36,214)	-	(14,275)	371,512

22. Deferred Taxation (Continued)

	2022 $'000	2021 $'000
Deferred tax liabilities that are expected to be settled after more than 12 months after the year end	(36,215)	(27,260)
Deferred tax assets that are expected to be recovered after more than 12 months after the year end	423,009	421,310

23. Insurance Reserves

	2022 $'000	2021 $'000
Provision for unexpired risks	5,439	25,913
Provision for unearned premiums	898,537	823,686
Unearned commissions	48,801	46,974
Provision for claims, IBNR & UCAE	590,571	519,447
Claims outstanding	1,146,765	964,944
	2,690,113	2,380,964

An actuarial valuation was performed by the company's appointed actuary, Mid Atlantic Actuaries, to value the policy and claims liabilities of the company as at 31 December 2022, in accordance with the Insurance Act of Jamaica. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles.

	Gross Liabilities 2022 $'000	Ceded 2022 $'000	Net Liabilities 2022 $'000
Provision for unexpired risks	5,439	-	5,439
Provision for unearned premiums	898,537	220,989	677,548
Unearned commissions	48,801	-	48,801
Provision for claims IBNR & UCAE	590,571	256,023	334,548
Claims outstanding	1,146,765	611,625	535,140
	2,690,113	1,088,637	1,601,476

	Gross Liabilities 2021 $'000	Ceded 2021 $'000	Net Liabilities 2021 $'000
Provision for unexpired risks	25,913	-	25,913
Provision for unearned premiums	823,686	220,361	603,325
Unearned commissions	46,974	-	46,974
Provision for claims IBNR & UCAE	519,447	257,018	262,429
Claims outstanding	964,944	580,614	384,330
	2,380,964	1,057,993	1,322,971

23. Insurance Reserves (Continued)

In his opinion dated 1 March 2023, the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2022 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 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 2022 were as follows, grouped by each accident year from 2006 to 2022:

(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 2022.

(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.

23. 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

	2022 $'000	2021 $'000
Unexpired risk reserve:		
At the beginning of the year	25,913	110,500
Recognised in profit or loss	(20,474)	(84,587)
At the end of the year	5,439	25,913
Provision for unearned premium:		
At the beginning of the year	823,686	618,973
Premiums written during the year	2,217,543	1,914,966
Premiums earned during the year	(2,142,692)	(1,710,253)
At the end of the year	898,537	823,686
Unearned commissions:		
At the beginning of the year	46,974	38,230
Commissions on reinsurance premium written during the year	121,942	105,349
Earned commission recognised in profit or loss	(120,115)	(96,605)
At the end of the year	48,801	46,974

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

23. Insurance Reserves (Continued)

(e) Change in insurance liabilities

	2022 $'000	2021 $'000
Provision for claims IBNR, net:		
At the beginning of the year	262,429	617,272
Current year recognised as part of claims expense – IBNR, net	71,124	(126,242)
Current year not recognised as part of claims expense – IBNR recoverable	24,415	(146,155)
Current year recognised as part of claims expense – IBNR recoverable	(23,420)	(82,446)
At the end of the year	334,548	262,429
Gross Claims Outstanding:		
At the beginning of the year	964,944	936,058
Recognised as part of claims expense in profit or loss	1,166,477	779,781
Gross amount paid during the year	(984,656)	(750,895)
At the end of the year	1,146,765	964,944
Deferred policy acquisition cost:		
At the beginning of the year	82,957	62,622
Commissions on premium written during the year	211,413	180,730
Direct premium expense incurred during the year	(205,020)	(160,395)
At the end of the year	89,350	82,957
Unearned reinsurance premiums		
At the beginning of the year	220,361	180,520
Reinsurance premium ceded	682,474	599,099
Reinsurance premium incurred during the year	(681,846)	(559,258)
At the end of the year	220,989	220,361

23. 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.

	2022	
	Gross IBNR	**Net IBNR**
	$'000	**$'000**
10% increase in loss development	4,731	999
10% decrease in loss development	(10,118)	(1,838)

	2021	
	Gross IBNR	**Net IBNR**
	$'000	**$'000**
10% increase in loss development	1,128	264
10% decrease in loss development	(266)	(222)

24. Share Capital

	2022 $'000	2021 $'000
Authorised -		
700,000,000 (2021 – 700,000,000) ordinary stock units		
Issued and fully paid -		
559,323,101 (2021 – 559,323,101) ordinary stock units at no par value	903,300	903,300

In January 2021, the company raised $668 million by way of a rights issue whereby an additional 190,862,238 ordinary stock units were issued to new and existing stockholders.

25. Capital Reserve

	2022 $'000	2021 $'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.

26. Fair Value Reserves

This represents unrealised gains and losses on the valuation of property, plant and equipment, net of deferred taxes. In the prior year fair value gains on investment properties were transferred from the fair value reserve to retained earnings subsequent to the disposal of all the investment properties held by the company.

	2022 $'000	2021 $'000
At beginning of year	62,105	479,936
Realised loss on disposal of FVOCI investment through OCI	(45,674)	(4,723)
Revaluation gains on property, plant and equipment	35,000	-
Realised gains on disposal of investment properties transferred to retained earnings	-	(405,165)
Deferred tax credited/(charged) to other comprehensive income (Note 22)	3,966	(7,943)
At end of year	55,397	62,105

27. Earnings Per Stock Unit

	2022	2021
Net profit from operations ($'000)	54,298	160,389
Weighted average number of ordinary stock units used in the denominator in calculating basic earnings per stock unit ('000)	559,323	537,884
Earnings per stock unit	**$0.10**	**$0.30**

28. 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 underwriting profit/(loss), as included in the internal management reports that are reviewed by the company's General Manager.

28. Segment Information (Continued)

Segment results 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.

The company's operations are located entirely in Jamaica.

	2022		
	Motor	Non-Motor	Total
	$'000	$'000	$'000
Gross premiums written	1,601,805	615,738	2,217,543
Reinsurance ceded	(113,277)	(568,569)	(681,846)
Net premiums written	1,488,528	47,169	1,535,697
Underwriting expenses	(1,550,004)	(119,566)	(1,669,570)
Underwriting loss	(61,476)	(72,397)	(133,873)

No single customer accounted for 10% or more of total gross premium of the company either in 2022 or in 2021.

	2021		
	Motor	Non-Motor	Total
	$'000	$'000	$'000
Gross premiums written	1,372,259	542,707	1,914,966
Reinsurance ceded	(110,072)	(489,027)	(599,099)
Net premiums written	1,262,187	53,680	1,315,867
Underwriting expenses	(1,144,098)	(92,636)	(1,236,734)
Underwriting (loss)/profit	118,089	(38,956)	79,133

29. 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.

30. Leases

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to right of use asset and leases:

	2022	2021
	$'000	**$'000**
Right-of-use assets		
Properties	24,870	10,124
Lease liabilities		
Current	10,615	7,511
Non-current	13,792	3,471
	24,407	10,982

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to right of use assets and lease liabilities:

	2022	2021
	$'000	**$'000**
Depreciation charge of right-of-use assets		
Properties	8,514	9,003
Interest expense	938	1,204

Liabilities from financing activity – leases

	2022	2021
	$'000	**$'000**
Lease liabilities at the beginning of the year	10,982	8,648
Addition during the year	28,089	13,476
Disposal	(4,829)	-
Cash flows	(10,773)	(12,346)
Interest expense	938	1,204
Lease liabilities at the end of the year	24,407	10,982

30. 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 leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations. Extension and termination options held are exercisable only by the company and not by the respective lessor.

31. Subsequent Event

Minimum Capital Test (MCT)

On 30 January 2023, the Financial Service Commission issued a communication to general insurance companies and advised that the minimum capital ratio is 150% from 1 January 2023.

FORM OF PROXY

We, of , being a member of Key Insurance Company Limited hereby appoint or failing him/her of as our proxy to vote for us on our behalf at the Annual General Meeting of the Company to be held virtually on Wednesday, 21st June 2023, at 2:00 p.m., and at any adjournment thereof.

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2a		
RESOLUTION 2b		
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.

Dated this day of 2023

Place
Stamp
Here
J$100

....
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 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.