



Key Insurance Company Limited

**Financial Statements
31 December 2024**

Key Insurance Company Limited

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31 December 2024

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I have examined the financial condition and valued the policy and claims liabilities of Key for its balance sheet as at December 31, 2024 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.

Expression of Opinion

I certify that:

I am a member in good standing with my governing actuarial body, American Academy of Actuaries and comply with its Code of Professional Conduct.

I meet the qualification standards of the Financial Services Commission to value the actuarial reserves and other policy liabilities of KICL; and

The valuation of actuarial reserves and other policy liabilities of KICL was conducted in accordance with the Insurance Act, 2001 and its regulations, International Financial Reporting Standards, generally accepted actuarial practice in Jamaica and guidelines issued by the Financial Services Commission.

In my opinion the amount of the actuarial reserves and other policy liabilities of KICL reported in its annual financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2024 is appropriate for this purpose and the annual financial statements presents fairly the results of the valuation.

Josh Worsham, FCAS, MAAA

Name of Appointed Actuary

A handwritten signature in black ink that reads "Josh Worsham". The signature is written in a cursive style with a large, sweeping initial "J".

Signature of Appointed Actuary

February 20, 2025
Date



Independent auditor's report

To the Members or Shareholders 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards 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 2024;
- 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, comprising material accounting policy information 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.



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
<p>Valuation of insurance contract liabilities <i>Refer to notes 2(n), 4(a) and 23 to the financial statements for disclosures of related material accounting policies, estimates and balances.</i></p> <p>As at 31 December 2024, total insurance contract liabilities amounted to \$3.0 billion. Insurance contract liabilities are determined in accordance with IFRS 17 - Insurance Contracts. 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. Management uses qualified external actuaries to assist in determining the valuation of insurance liabilities to which management apply a discount and risk adjustment factor for non-financial risk.</p> <p>The cost of capital method was used to derive the overall risk adjustment for non-financial risk. In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk.</p>	<p>The approach to addressing the matter, with the assistance of our actuarial experts, involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Evaluated the accounting policies for any material changes. • Updated our understanding of management's end to end process and controls supporting the determination of insurance contract liabilities. • Tested, on a sample basis, the completeness, accuracy and reliability of the insurance contracts and related claims to underlying source documents as it pertained to premiums, unearned premiums, claims outstanding and claims paid. • Assessed the independence, experience and objectivity of management's actuarial experts.



Key audit matter	How our audit addressed the key audit matter
<p>The bottom-up approach was used to derive the discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free was derived using government bond rates available in the market denominated in the same currency as the product being measured.</p> <p>We focused on this area due to complexity in actuarial methods and significant management judgement applied to the discount rate, risk adjustment factor and claims settlement pattern.</p>	<ul style="list-style-type: none">• Evaluated the suitability of the methodology used by management's actuary in establishing insurance contract liabilities against established actuarial practice and our knowledge and experience.• Performed a methodology and assumptions assessment of management's determination of discount rates and risk adjustment in the actuarial valuation considering market data, and Company specific facts.• Evaluated and tested the reasonableness of management claim settlement pattern by inspecting historical information and sensitised the outputs to evaluate for management bias.• Compared the loss development pattern, which is used to discount the reserves, to the claims settlement pattern and recalculated the discount rate applied to the insurance contract liability.• Recalculated the risk adjustment factor based on management's selected distribution and confidence level for future loss emergence.

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 Accounting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

Report on other legal and regulatory requirements

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

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

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
Kingston, Jamaica
February 28, 2025

Key Insurance Company Limited

Statement of Comprehensive Income

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 \$'000	2023 \$'000
Insurance revenue		3,058,362	2,503,105
Insurance service expense		(2,214,718)	(1,786,365)*
Net expenses from reinsurance contracts held		<u>(862,673)</u>	<u>(738,271)*</u>
Insurance service result		(19,029)	(21,531)
Interest revenue from financial assets	10	229,314	192,414
Finance expense from insurance contracts held		(77,817)	(40,755)*
Finance income from reinsurance contracts held		<u>67,162</u>	<u>15,776*</u>
Net insurance and investment result		199,630	145,904
Other operating income	11	43,750	45,937
Other operating expenses	8	<u>(140,813)</u>	<u>(114,580)</u>
Profit Before Taxation		102,567	77,261
Taxation	12	<u>(35,619)</u>	<u>(35,319)</u>
Net Profit		<u>66,948</u>	<u>41,942</u>
Other Comprehensive Income:			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Revaluation gains/(losses) on property, plant and equipment, net of taxes		<u>24,583</u>	<u>(334)</u>
Other Comprehensive Income		<u>24,583</u>	<u>(334)</u>
Total Comprehensive Income for the Year		<u>91,531</u>	<u>41,608</u>
Earnings per Stock Unit	27	<u>\$0.12</u>	<u>\$0.07</u>
Net Profit			
Attributable to:			
Owners of Key Insurance Company Limited		49,051	30,730
Non-Controlling Interests		<u>17,897</u>	<u>11,212</u>
Total		<u>66,948</u>	<u>41,942</u>
Total Comprehensive income			
Attributable to:			
Owners of Key Insurance Company Limited		67,062	30,430
Non-Controlling Interests		<u>24,469</u>	<u>11,178</u>
Total		<u>91,531</u>	<u>41,608</u>

* - Reclassified to conform with current year presentation.

Key Insurance Company Limited

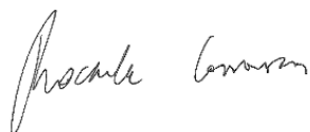
Statement of Financial Position

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

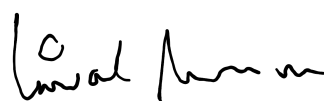
	Note	2024 \$'000	2023 \$'000
ASSETS			
Cash and cash equivalents	13	753,209	845,772
Investment securities	14	2,176,655	1,876,505
Due from brokers	15	367,591	442,108
Reinsurance contract assets	16	255,601	9,699
Taxation recoverable		321,727	286,714
Other receivables		24,286	1,405
Right-of-use assets	30	20,992	20,575
Intangible assets	19	569	1,908
Property, plant and equipment	20	373,225	261,527
Deferred taxation	22	315,342	348,989
		<u>4,609,197</u>	<u>4,095,202</u>
LIABILITIES AND EQUITY			
Liabilities			
Other payables	21	139,774	179,288
Lease liabilities	30	22,344	27,014
Insurance contract liabilities	23	3,018,777	2,552,129
		<u>3,180,895</u>	<u>2,758,431</u>
Equity			
Share capital	24	903,300	903,300
Capital reserve	25	57,371	57,371
Fair value reserves	26	79,646	55,063
Retained earnings		387,985	321,037
		<u>1,428,302</u>	<u>1,336,771</u>
		<u>4,609,197</u>	<u>4,095,202</u>

Approved for issue on behalf of the Board of Directors on 28 February 2025 and signed on its behalf by:



Rochelle Cameron

Chairman



Linval Freeman

Director

Key Insurance Company Limited

Statement of Changes in Equity

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2023	903,300	57,371	55,397	279,095	1,295,163
Profit for the year	-	-	-	41,942	41,942
Revaluation gain on property, plant and equipment, net of taxes	-	-	(334)	-	(334)
Balance at 31 December 2023	903,300	57,371	55,063	321,037	1,336,771
Profit for the year	-	-	-	66,948	66,948
Revaluation gain on property, plant and equipment, net of taxes	-	-	24,583	-	24,583
Balance at 31 December 2024	903,300	57,371	79,646	387,985	1,428,302

Key Insurance Company Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 \$'000	2023 \$'000
Cash Flows from Operating Activities			
Net profit		66,948	41,942
Adjustments for:			
Amortisation and depreciation	8	25,956	28,582
Expected credit losses		21,702	11,936
Losses/(gains) on sale of property, plant and equipment		92	(1,069)
Net foreign exchange (gains)/losses		(2,477)	14,227
Interest expense	30	2,066	1,788
Interest income	10	(229,314)	(192,414)
Taxation	12	35,619	35,319
		<u>(79,408)</u>	<u>(59,689)</u>
Changes in operating assets and liabilities			
Due from brokers		74,517	(145,481)
Reinsurance contract assets		(245,902)	119,464
Insurance contract liabilities		466,648	179,154
Other assets		(22,879)	(758)
Other liabilities		(39,514)	111,264
Cash generated from operations		153,462	203,954
Interest paid		(2,066)	(1,788)
Taxation paid		(606)	(19,784)
Net cash provided by operating activities		<u>150,790</u>	<u>182,382</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	20	(79,758)	(21,280)
Acquisition of intangible asset	19	-	(904)
Proceeds on disposal of property, plant and equipment		-	2,294
Investment securities (net)		(391,384)	(307,183)
Interest received		233,704	172,092
Net cash used in investing activities		<u>(237,438)</u>	<u>(154,981)</u>
Cash Flows from Financing Activity			
Lease principal payments	30	(8,392)	(11,688)
Net cash used in financing activity		<u>(8,392)</u>	<u>(11,688)</u>
Net (decrease)/increase in cash and cash equivalents		(95,040)	15,713
Effect of changes in exchange rate on cash and cash equivalents		2,477	(14,227)
Cash and cash equivalents at beginning of year		845,772	844,286
Cash and Cash Equivalents at the End of the Year	13	<u>753,209</u>	<u>845,772</u>

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(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 73%.
- (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 26 February 2025. The Directors have the power to amend and reissue the financial statements.

2. Basis of Preparation and Material 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.

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

IFRS Accounting Standards

IAS® Standards

Interpretations developed by the IFRS Interpretations Committee (IFRIC® Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC® Interpretations).

These financial statements 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 IFRS Accounting Standards (IFRS).

The preparation of financial statements in conformity with IFRS Accounting Standards require 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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Basis of preparation (continued)

Accounting pronouncements effective in 2024 which are relevant to the Company's operations

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

Amendment to IAS 1 – Non-current liabilities with covenants, (effective for annual periods beginning on or after 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. This amendment did not have a significant impact on the Company's financial statements.

IFRS S1, 'General requirements for disclosure of sustainability-related financial information, (effective for annual periods beginning on or after 1 January 2024). This standard includes the core framework for the disclosure of material information about sustainability related risks and opportunities across an entity's value chain. The adoption of the new standard did not have a significant impact on the Company's financial statements.

IFRS S2, 'Climate-related disclosures', (effective for annual periods beginning on or after 1 January 2024). This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. The adoption of the new standard did not have a significant impact on the Company's financial statements.

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 2025 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:

Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments, (effective for annual periods beginning on or after 1 January 2026). These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The Company is currently assessing the impact of these standards on the financial statements.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Basis of preparation (continued)

IFRS 18 Presentation and Disclosure in Financial Statements, (effective for annual periods beginning on or after 1 January 2027). This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Company is currently assessing the impact of this standard on the financial statements.

Annual improvements to IFRS – Volume 11, (effective for annual periods beginning on or after 1 January 2026). Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

The Company is currently assessing the impact of these amendments on the financial statements.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies

(a) Insurance contracts Classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgment to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

All of the Company's insurance contracts transfer significant insurance risk. 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's requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary. Reinsurance contracts held may contain non-distinct investment components and such amounts are not presented as part of the Company's revenue or insurance service expenses.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Company measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach ("PAA").

Unit of account

The Company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Unit of account (continued)

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses judgment to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

- (i) contracts for which there is a net gain at initial recognition;
- (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- (iii) remaining contracts in the portfolio.

Reinsurance contracts held are assessed for aggregation requirements at the line of business level. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
 - i. the beginning of the coverage period of the group; and
 - ii. the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Recognition and derecognition (continued)

Unless the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised when it is:

- extinguished; or
- the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as an adjustment to the Liability for Remaining Coverage ("LRC"), unless the conditions for the derecognition of the original contract are met.

The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- a. if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
 - i. is not within the scope of IFRS 17;
 - ii. results in different separable components;
 - iii. results in a different contract boundary; or
 - iv. belongs to a different group of contracts;
- b. the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Fulfillment cash flows and contract boundary

The fulfillment cash flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- a. are based on a probability-weighted mean of the full range of possible outcomes;
- b. are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- c. reflect conditions existing at the measurement date.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Fulfillment cash flows and contract boundary (continued)

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- a. to that group; and
- b. to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio. Before a group of insurance contracts is recognised, the Company could pay for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

Before a group of insurance contracts is recognised, the Company could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Measurement

The Company uses the PAA for measuring contracts with a coverage period of one year or less. For contracts with longer periods, the PAA simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the General Measurement Model ("GMM") based on qualitative assessment.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the Liability for Incurred Claims ("LIC"), comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b. decreased for insurance acquisition cash flows paid in the period;
- c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- d. increased for the amortization of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the period;
- b. increased for broker fees paid in the period; and
- c. decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Measurement (continued)

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For LIC, the estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. It reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfills insurance contracts.

Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company adjusts the assets for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are recognized as insurance service expenses.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts. Where applicable, changes in the loss-recovery component are recognized as net income from reinsurance contracts held.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Insurance service result from insurance contracts issued

The Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts. The amount of insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the effect of financial risk) allocated to the period.

Insurance service expenses include the following:

- a. incurred claims and benefits, reduced by loss component allocations;
- b. other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- c. insurance acquisition cash flows amortization;
- d. changes that relate to past service – changes in the FCF relating to the LIC; and
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- f. insurance acquisition cash flows assets impairment.

Amortization of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

Insurance service result from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- a. reinsurance expenses;
- b. incurred claims recovery, reduced by loss-recovery component allocations;
- c. other incurred directly attributable expenses;
- d. changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- e. effect of changes in the risk of reinsurers' non-performance; and
- f. amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Some reinsurance contracts held contain non-distinct investment components which do not relate to the provision of insurance services; therefore, such amounts are not presented as part of the Company's revenue or insurance service expenses.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services. Broker fees are included within reinsurance expenses.

The Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(a) Insurance contracts (continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- a. the effect of the time value of money and changes in the time value of money; and
- b. the effect of financial risk and changes in financial risk.

The Company chooses not to apply the OCI option to disaggregate insurance finance income or expenses between profit or loss and OCI. The Company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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 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 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).

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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 at amortised cost which are assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest. 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.

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.

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. 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.

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(c) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

Application of the General Model (continued)

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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) 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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(h) 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.

(i) 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.

(j) 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 2023 and 31 December 2024 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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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 to 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 contract liabilities

Under the Insurance Regulations, 2001, the Company is required to actuarially value its insurance contract liabilities annually. The actuary reviews management's estimate of the claims outstanding and apply discounting and risk adjustment to claims outstanding.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material Accounting Policies (continued)

(n) Insurance contract liabilities (continued)

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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.

Key Insurance Company Limited

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2. Basis of Preparation and Material Accounting Policies (Continued)

Material 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

Insurance revenue 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.

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.

Key Insurance Company Limited

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3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

(a) Critical judgements in applying the Company's accounting policies

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

(b) Key sources of estimation uncertainty

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

Estimates of claims liabilities

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the Company based on contracts for the insurance business in force at the statement of financial position date using several methods, including the Loss Development method and the Bornhuetter-Ferguson Projection method. These liabilities represent the amount of future payments that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. 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 \$385,960,000 (2023 - \$404,830,000) 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.

Insurance contracts

See note 4 a) for details on this critical accounting estimate.

Key Insurance Company Limited

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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 and Risk Committee
The Audit and Risk 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 and Risk 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 and Risk Committee.

Key Insurance Company Limited

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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.

Key Insurance Company Limited

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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.

Key Insurance Company Limited

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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:

	2024		2023	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US\$ 6,500	US\$ 38	US\$ 6,500	US\$ 38
Boiler and machinery	US\$ 1,500	US\$ 38	US\$ 1,500	US\$ 38
Miscellaneous accident	US\$ 160	US\$ 64	US\$ 160	US\$ 64
Bankers' blanket	US\$ 300	US\$ 32	US\$ 300	US\$ 32
Contractor's All Risk	US\$ 2,500	US\$ 38	US\$ 2,500	US\$ 38
Liability	US\$ 2,500	US\$ 38	US\$ 2,500	US\$ 38
Travel	US\$ 150	US\$ 15	US\$ 150	US\$ 15
Other	US\$ 50	US\$ 25	US\$ 50	US\$ 25
Motor	J\$ 75,000	J\$ 13,300	J\$ 75,000	J\$ 7,000
Pecuniary loss -				
Fidelity	US\$ 480	US\$ 33	US\$ 480	US\$ 33
Personal accident	US\$ 10,000	US\$ 33	US\$ 10,000	US\$ 33

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)

	Analysis of net claims development					
	accident year					
	2020	2021	2022	2023	2024	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims						
at end of accident year	882,621	923,995	1,245,754	1,392,273	1,563,533	6,008,176
- one year later	608,874	889,722	1,121,371	1,237,509		
- two years later	590,433	867,351	1,193,017			
- three years later	568,391	889,676				
- four years later	828,048					
Estimate of cumulative claims	828,048	889,676	1,193,017	1,237,509	1,563,533	5,711,783
Cumulative payments to date	(578,275)	(751,801)	(964,778)	(888,139)	(536,327)	(3,719,320)
Gross undiscounted outstanding claims liability	249,773	137,875	228,239	349,370	1,027,206	1,992,463
Gross Miscellaneous reserve and ULAE	2,359	8,328	9,504	15,967	86,386	122,544
Total Gross	252,132	146,203	237,743	365,337	1,113,592	2,115,007
Ceded claims liability	(2,602)	(9,809)	(13,442)	(15,189)	(892,750)	(933,792)
Net undiscounted claims liabilities	249,530	136,394	224,301	350,148	220,842	1,181,215
Discounting	(10,024)	(20,206)	(31,183)	(40,138)	(53,033)	(154,584)
Risk adjustment	2,704	5,718	9,772	2,745	12,763	33,702
Net outstanding claims liability	242,210	121,906	202,890	312,755	180,572	1,060,333

Key Insurance Company Limited

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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.

	2024				
	Liability	Property	Motor	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	21,967	371,548	1,696,862	24,630	2,115,007
Net of reinsurance	11,357	166,569	744,508	11,357	933,791

	2023				
	Liability	Property	Motor	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	16,268	139,565	1,558,657	14,317	1,728,807
Net of reinsurance	13,229	94,991	736,828	11,278	856,326

Key Insurance Company Limited

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity analysis to underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to how underwriting risk variables impact insurance liabilities before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	LIC as at 31 December \$'000	Impact on LIC \$'000	Impact on profit before income tax \$'000
Liability for incurred claims	1,855,253	-	-
Increase development by 10%		6,951	6,951
Decrease development by 10%		(13,382)	(13,382)

	LIC as at 31 December \$'000	Impact on LIC \$'000	Impact on profit before income tax \$'000
Liability for incurred claims	1,534,900	-	-
Increase development by 10%		6,487	6,487
Decrease development by 10%		(40,069)	(40,069)

The impact on equity for 2023 and 2024 is nil.

Key Insurance Company Limited

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Judgements

Areas of potential judgment	Applicable to the Company
For insurance contracts issued measured under the PAA, management judgment might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgment is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgment is applicable to the Company. The Company sets premiums considering recent experience. There are no recent circumstances where there have been onerous contracts. In 2023 and 2024, the Company reviewed gross combined ratios which indicated that contracts are expected to be profitable. All contracts measured by the Company in 2023 and 2024 under the PAA were determined to be non-onerous on initial recognition.
An entity can use judgment to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfillment of the contracts.	The Company performs regular expense studies and uses judgment to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

Estimates and assumptions

In applying IFRS 17 measurement requirements, inputs and methods will be used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

Discount rates

The bottom-up approach was used to derive the discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The Financial Services Commission ("FSC") has provided these rates. The risk-free rate was derived using Government of Jamaica (GOJ) bond data obtained from Bloomberg excluding outliers and bonds with terms less than 1 year, 3 months, 6 months and 9 months Treasuries. Insurance contracts are considered less liquid than the financial assets used to derive the risk-free yield. For these contracts, the illiquidity premium was estimated based on Bid-mid spread on GOJ bonds for liquid insurance contracts and a flat 75 basis points (bps) over the liquid curve for illiquid insurance contracts.

Observable market information is available for up to 20 years. The FSC has provided yields at six-month intervals so no interpolation is required.

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Risk exposure and concentrations of risk (continued)

The yield curves that were used to discount the estimates of future cash flows are as follows:

Product	2024			2023		
	1 year	5 years	10 years	1 year	5 years	10 years
General insurance (issued and reinsurance held)	5.74%	7.12%	8.28%	5.72%	4.92%	4.05%

Estimates of future cash flows to fulfill insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as the activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. Claims settlement-related expenses are typically allocated based on the number of claims expected.

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Estimates of future cash flows to fulfill insurance contracts (continued)

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

The Company projects estimates of future expenses relating to fulfillment of contracts using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads. In addition, under certain methods used to assess claims incurred for the general insurance contracts, estimates of future claim payments are adjusted for inflation.

Methods used to measure general insurance contracts

Judgment is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred.

Estimates are performed on an accident year basis. In its claims incurred assessments, the Company uses internal data consisting of historical paid claims, case reserves, and allocated claims expenses. This information is used to develop ultimate incurred claims and allocated claim adjustment expense estimates by accident year.

The Incurred Development, Bornhuetter-Ferguson and Expected Loss Ratio methods are used to arrive at the estimates of incurred but not reported claims, which are industry standards for this type of claim. The Incurred Development method projects current reported incurred claims to their ultimate values by accident year based on historical incurred development patterns.

The Bornhuetter-Ferguson gives some weight to historically based development patterns and the balancing weight to historically based expected ultimate loss ratios. The Expected Loss Ratio method derives the ultimate incurred losses by applying the expected loss ratios to the earned premium. This method gives no weight to the losses reported as at the valuation date.

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The cost of capital method was used to derive the overall risk adjustment for non-financial risk.

Key Insurance Company Limited

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Estimates of future cash flows to fulfill insurance contracts (continued)

In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at 6% per annum, representing the return required to compensate for the exposure to non-financial risk. The capital is determined at a 99.5% confidence level, and it is projected in line with the run-off of the business. The diversification benefit is included to reflect the diversification in contracts sold across geographies, because this reflects the compensation that the entity requires.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 70% (2023: 70%). The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2024.

(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 paid a 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\$100,750,000 and J\$1,639,422,512 respectively (2023 - J\$126,450,000 and US\$26,000,000) per any one loss.

Key Insurance Company Limited

Notes to the Financial Statements

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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	A+
Hannover Re	A+
Odyssey Re	A+
GIC Re	A
Patria Re	A
Scor Re	A

At 31 December 2024 and 31 December 2023, 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:

	2024	2023
	\$'000	\$'000
Property	87,643	38,706
Motor	15,860	13,930
Engineering	15,331	1,523
Accident	(811)	(581)
Liability	1,171	4,105
	<u>119,194</u>	<u>57,683</u>

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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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Exposure to credit risk

	2024	2023
	\$'000	\$'000
<i>Subject to expected credit losses:</i>		
Cash and short-term investments (Note 13)	753,209	845,772
Financial assets at amortised cost (Note 14)	2,183,123	1,879,363
Receivables from brokers	367,591	442,108
<i>Not subject to expected credit losses:</i>		
Reinsurance contract assets	255,601	9,699
	<u>3,559,524</u>	<u>3,176,942</u>

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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:

	2024	2023
	\$'000	\$'000
Government of Jamaica	459,774	257,995
Corporate (certificate of deposits and reverse repurchase agreements)	1,723,349	1,621,368
	<u>2,183,123</u>	<u>1,879,363</u>

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 brokers;
- InterCompany receivables;
- Cash and cash equivalents;
- Debt investments carried at amortized cost and
- Debt investments carried at FVOCI.

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

Receivables from brokers

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 brokers.

To measure the expected credit losses, receivables from brokers have been grouped based on shared credit risk characteristics and the days past due.

Key Insurance Company Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Impairment of financial assets

Receivables from brokers (continued)

The expected loss rates are based on the liquidation profiles of sales over a period of 36 months before 31 December 2024 or 31 December 2023, 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 broker receivables is \$391,217,000 (2023 - \$471,257,000). Movement in impairment is reconciled below.

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows for receivables from brokers:

31 December 2024	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	299,136	25,256	12,897	53,928	391,217
Expected loss rate	2.33%	4.75%	6.62%	27.06%	
Loss allowance	6,981	1,200	854	14,592	23,627
31 December 2023	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	167,888	136,658	123,610	43,101	471,257
Expected loss rate	2.37%	4.75%	6.62%	24.34%	
Loss allowance	3,976	6,493	8,181	10,498	29,148

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Impairment of financial assets (continued)

Receivables from brokers (continued)

The movement in the loss allowance is as follows:

	2024	2023
	\$'000	\$'000
At 1 January	29,149	35,868
Movement on loss allowance recognised in profit or loss during the year	<u>(5,522)</u>	<u>(6,719)</u>
At 31 December	<u>23,627</u>	<u>29,149</u>

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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).

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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 Company does not have any asset carried at fair value through other comprehensive income (FVOCI).

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:

	2024	2023
	\$'000	\$'000
At 1 January	2,858	2,072
Movement on loss allowance recognised in profit or loss during the year	<u>3,610</u>	<u>786</u>
At 31 December	<u><u>6,468</u></u>	<u><u>2,858</u></u>

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
2024					
Financial and Insurance Liabilities					
Other payables	13,547	126,227	-	-	139,774
Lease liabilities	2,488	7,749	12,107	-	22,344
Insurance contract	256,596	769,788	1,793,154	199,239	3,018,777
	272,631	903,764	1,805,261	199,239	3,180,895
2023					
Financial and Insurance Liabilities					
Other payables	77,420	-	-	-	77,420
Lease liabilities	3,120	8,427	18,016	-	29,563
Insurance contract	216,931	650,793	1,515,965	168,440	2,552,129
	297,471	659,220	1,533,981	168,440	2,659,112

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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.

	2024		
	Jamaican \$ J\$'000	US\$ J\$'000	Total J\$'000
Financial and Insurance assets			
Cash and deposits	612,013	141,196	753,209
Due from brokers	312,078	55,513	367,591
Investment securities	2,176,655	-	2,176,655
Reinsurance contract assets	-	255,601	255,601
Total financial and insurance assets	3,100,746	452,310	3,553,056
Financial and Insurance liabilities			
Other payables	139,774	-	139,774
Lease liabilities	22,344	-	22,344
Insurance contract liabilities	2,821,923	196,854	3,018,777
Total financial and insurance liabilities	2,984,041	196,854	3,180,895
Net financial position	116,705	255,456	372,161

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

	2023		
	Jamaican \$ J\$'000	US\$ J\$'000	Total J\$'000
Financial and Insurance assets			
Cash and deposits	777,107	68,665	845,772
Due from brokers	278,276	163,832	442,108
Investment securities	1,876,505	-	1,876,505
Reinsurance contract assets	-	9,699	9,699
Total financial and insurance assets	2,931,888	242,196	3,174,084
Financial and Insurance liabilities			
Other payables	178,791	497	179,288
Lease liabilities	27,014	-	27,014
Insurance contract liabilities	2,543,675	8,454	2,552,129
Total financial and insurance liabilities	2,749,480	8,951	2,758,431
Net financial position	182,408	233,245	415,653

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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% (2023 - appreciation of 1% and a depreciation of 4%) 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
	2024		2023	
United States Dollar				
Appreciation of JMD	1	(2,555)	1	(2,332)
Depreciation of JMD	4	10,218	4	9,330

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

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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.

	2024						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
Financial and Insurance assets							
Cash and deposits	109,307	351,261	-	-	-	292,641	753,209
Investment securities	105,967	230,069	1,397,263	439,372	-	3,984	2,176,655
Due from brokers	-	-	-	-	-	367,591	367,591
Reinsurance contract assets	-	-	-	-	-	255,601	255,601
	215,274	581,330	1,397,263	439,372	-	919,817	3,553,056
Financial and Insurance liabilities							
Other payables	-	-	-	-	-	139,774	139,774
Lease liabilities	824	1,664	7,749	12,107	-	-	22,344
Insurance contract liabilities	-	-	-	-	-	3,018,777	3,018,777
	824	1,664	7,749	12,107	-	3,158,551	3,180,895
Total interest repricing gap	214,450	579,666	1,389,514	427,265	-	(2,238,734)	372,161

Key Insurance Company Limited

Notes to the Financial Statements

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4. Insurance and Financial Risk Management (Continued)

c. Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	2023						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
Financial and Insurance assets							
Cash and deposits	469,530	65,063	-	-	-	311,179	845,772
Investment securities	369,576	314,655	1,016,411	111,109	-	64,754	1,876,505
Due from brokers	-	-	-	-	-	442,108	442,108
Reinsurance contract assets	-	-	-	-	-	9,699	9,699
	839,106	379,718	1,016,411	111,109	-	827,740	3,174,084
Financial and Insurance liabilities							
Other payables	-	-	-	-	-	179,288	179,288
Lease liability	1,059	1,635	7,333	16,987	-	-	27,014
Insurance contract liabilities	-	-	-	-	-	2,552,129	2,552,129
	1,059	1,635	7,333	16,987	-	2,731,417	2,758,431
Total interest repricing gap	838,047	378,083	1,009,078	94,122	-	(1,903,677)	415,653

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

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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.

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.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

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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 \$1,428,302,000 (2023 - \$1,336,771,000) 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, 2023. The revised test stipulated a MCT of 150% for 2024 and 150% for 2023. The MCT disclosed below for the current year was calculated using the revised test.

Under Section 15(1) of the Insurance Act, 2001, the FSC may cancel the registration of a general insurance Company if it is considered to be insolvent.

As at 31 December 2024 and 31 December 2023, the Company achieved the minimum required level of capital based on the MCT ratio.

	2024	2023
Actual MCT ratio	<u>197.54%</u>	<u>186.88%</u>
Minimum required MCT ratio	<u>150%</u>	<u>150%</u>

Key Insurance Company Limited

Notes to the Financial Statements

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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 amortised cost
- (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.

Key Insurance Company Limited

Notes to the Financial Statements

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6. Fair Value Estimation (Continued)

- 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.

The Company's financial instruments are measured at amortized cost at 31 December 2024 and 2023 as presented in Note 14.

Key Insurance Company Limited

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31 December 2024

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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

	2024			Total
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 9)	193,535	120,924	61,102	375,561
Advertising	-	-	27,389	27,389
Amortisation and depreciation (Notes 19, 20, 30)	17,088	8,351	517	25,956
Asset tax	-	-	8,046	8,046
Auditor's remuneration	8,491	4,245	9,906	22,642
Donations and subscriptions	-	-	4,292	4,292
Computer and data processing expenses	35,620	20,006	1,969	57,595
Legal and professional fees	62,711	2,114	-	64,825
Other expenses	1,937	69,836	27,592	99,365
Total	319,382	225,476	140,813	685,671

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

8. Expenses by Nature (Continued)

	2023			Total
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 9)	155,806	107,180	49,456	312,442
Advertising	-	-	31,029	31,029
Amortisation and depreciation (Notes 19, 20, 30)	18,817	9,196	569	28,582
Asset tax	-	-	7,176	7,176
Auditor's remuneration	4,172	2,086	4,867	11,125
Donations and subscriptions	-	-	5,143	5,143
Computer and data processing expenses	33,287	18,696	1,840	53,823
Legal and professional fees	32,620	851	1,680	35,151
Other expenses	15,541	54,841	12,820	83,202
Total	260,243	192,850	114,580	567,673

Key Insurance Company Limited

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9. Staff Costs

	2024	2023
	\$'000	\$'000
Wages and salaries	287,744	250,859
Payroll taxes - employer's portion	30,566	24,299
Pension costs - defined contribution	14,156	8,815
Other staff costs	43,095	28,469
	<u>375,561</u>	<u>312,442</u>

10. Investment Income

	2024	2023
	\$'000	\$'000
Interest income	229,314	192,414
	<u>229,314</u>	<u>192,414</u>

11. Other Income

	2024	2023
	\$'000	\$'000
Rental income	2,996	1,342
Net foreign exchange gains/(losses)	2,477	(14,227)
Loss/gain on sale of property, plant & equipment	(92)	1,069
Service fees	38,369	36,696
Miscellaneous income	-	21,057
	<u>43,750</u>	<u>45,937</u>

Key Insurance Company Limited

Notes to the Financial Statements

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12. Taxation

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

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

The migration to the main market in 2020 disqualified the Company from tax remission entitlements post the date of migration. Deferred taxes 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 33 $\frac{1}{3}$ %.

	2024	2023
	\$'000	\$'000
Current year taxation charge	18,870	13,130
Deferred taxation (Note 22)	16,749	22,189
	<u>35,619</u>	<u>35,319</u>

Key Insurance Company Limited

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12. Taxation (Continued)

Subject to agreement with Tax Administration Jamaica, the Company has losses available for offset against future taxable profits of approximately \$1,163,225,000 (2023 - \$1,214,490,000) 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 33 $\frac{1}{3}$ % as follows:

	2024 \$'000	2023 \$'000
Profit before taxation	<u>102,567</u>	<u>77,261</u>
Tax calculated at a rate of 33 $\frac{1}{3}$ %	34,189	25,754
Adjusted for the effects of:		
Expenses not deductible for tax purposes	2,808	6,378
Net effect of other charges and allowance	<u>(1,378)</u>	<u>3,187</u>
Tax expense	<u>35,619</u>	<u>35,319</u>

13. Cash and Cash Equivalents

	2024 \$'000	2023 \$'000
Cash at bank and in hand	292,641	308,803
Short-term deposits (including reverse repurchase agreements)	<u>460,568</u>	<u>536,969</u>
Cash and cash equivalents	<u>753,209</u>	<u>845,772</u>

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

	2024 %	2023 %
Jamaican dollar deposits	<u>8.66</u>	<u>7.55</u>

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14. Investment Securities

	Years to Maturity				Total \$'000
	2024				
	Within 1 year \$'000	1 to 5 years \$'000	5 to 10 years \$'000	Over 10 years \$'000	
At amortised cost:					
Issued by:					
Bank of Jamaica	230,452	221,281	-	-	451,733
Interest receivable	4,582	3,458	-	-	8,040
Corporate bond	90,000	215,000	-	-	305,000
Interest receivable	1,875	4,889	-	-	6,764
Corporate (certificate of deposits and reverse repurchase agreements)	1,365,073	-	-	-	1,365,073
Interest receivable	42,528	-	-	-	42,528
Corporate other	3,983	-	-	-	3,983
	<u>1,738,494</u>	<u>444,628</u>	<u>-</u>	<u>-</u>	<u>2,183,123</u>
Expected credit losses	<u>(1,211)</u>	<u>(5,256)</u>	<u>-</u>	<u>-</u>	<u>(6,468)</u>
	<u>1,737,283</u>	<u>439,372</u>	<u>-</u>	<u>-</u>	<u>2,176,655</u>
	Years to Maturity				Total \$'000
	2023				
	Within 1 year \$'000	1 to 5 years \$'000	5 to 10 years \$'000	Over 10 years \$'000	
At amortised cost:					
Issued by:					
Bank of Jamaica	251,825	-	-	-	251,825
Interest receivable	6,170	-	-	-	6,170
Corporate bond	50,000	60,000	-	-	110,000
Interest receivable	483	1,994	-	-	2,477
Corporate (certificate of deposits and reverse repurchase agreements)	1,400,784	52,000	-	-	1,452,784
Interest receivable	51,121	969	-	-	52,090
Corporate other	4,017	-	-	-	4,017
	<u>1,764,400</u>	<u>114,963</u>	<u>-</u>	<u>-</u>	<u>1,879,363</u>
Expected credit losses	<u>(1,967)</u>	<u>(891)</u>	<u>-</u>	<u>-</u>	<u>(2,858)</u>
	<u>1,762,433</u>	<u>114,072</u>	<u>-</u>	<u>-</u>	<u>1,876,505</u>

Investment securities include securities with a face value of \$45,000,000 (2023 - \$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.

Key Insurance Company Limited

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15. Due From Brokers

	2024	2023
	\$'000	\$'000
Premium receivable	391,217	471,257
Less: Provision for impairment	<u>(23,626)</u>	<u>(29,149)</u>
	<u><u>367,591</u></u>	<u><u>442,108</u></u>

Ageing of premium receivable

	2024	2023
	\$'000	\$'000
Within 1 month	252,438	59,107
1-3 months	57,182	197,956
Over 3 months	<u>81,597</u>	<u>214,194</u>
	<u><u>391,217</u></u>	<u><u>471,257</u></u>

Key Insurance Company Limited

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16. Reinsurance Contract Assets

Reinsurance contracts held	Remaining coverage		Incurred claims		Total-2024	Remaining coverage		Incurred claims		Total-2023
	Excluding loss-recovery comp.	Loss-recovery comp.	Present value of future cash flows	Risk adj. for non-fin. risk		Excluding loss-recovery comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. risk	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reinsurance contract assets as at 1 January	(802,275)	-	751,634	60,340	9,699	(679,690)	-	774,022	34,831	129,163
Reinsurance expenses	(882,907)	-	-	-	(882,907)	(671,064)	-	-	-	(671,064)
Incurred claims recovery	-	-	71,719	4,151	75,870	-	-	(39,826)	25,509	(14,317)
Finance income from reinsurance contracts held recognised	-	-	67,162	-	67,162	-	-	15,776*	-	15,776*
Cash flows										
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,047,671	-	-	-	1,047,671	548,479	-	-	-	548,479
Recoveries from reinsurance	-	-	(61,894)	-	(61,894)	-	-	1,662*	-	1,662*
Reinsurance contract assets as at 31 December	(637,511)	-	828,621	64,491	255,601	(802,275)	-	751,634	60,340	9,699

* - Reclassified to conform with current year presentation.

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. The current portion of the reinsurance asset is \$255,601,000 (2023: \$9,699,000).

Key Insurance Company Limited

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17. 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:

	2024	2023
	\$'000	\$'000
Directors' emoluments -		
Fees	4,701	4,775
Key management compensation -		
	2024	2023
	\$'000	\$'000
Wages and salaries	61,311	48,582
Payroll taxes – employer's portion	6,028	4,663
Pension costs	5,787	3,269
	<u>73,126</u>	<u>56,514</u>
Fellow subsidiaries -		
	2024	2023
	\$'000	\$'000
Interest income	17,344	16,064
Commission expense	(18,684)	(24,038)
Commission income	6,998	-
	<u>6,998</u>	<u>-</u>
Ultimate parent Company -		
	2024	2023
	\$'000	\$'000
Other expense	20,385	-
	<u>20,385</u>	<u>-</u>

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

	2024 \$'000	2023 \$'000
Fellow subsidiaries -		
Cash and short-term investments	179,230	1,153,421
Due from brokers	77,231	-
	<u>256,461</u>	<u>1,153,421</u>

Key Insurance Company Limited

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19. Intangible Assets

	Computer Software \$'000
At Cost -	
At 31 December 2023	21,062
Additions	<u>(904)</u>
At 31 December 2024	<u>20,158</u>
Accumulated amortisation -	
At 1 January 2023	<u>18,339</u>
Amortisation	<u>815</u>
At 31 December 2023	<u>19,154</u>
Amortisation	<u>435</u>
At 31 December 2024	<u>19,589</u>
Net Book Value -	
At 31 December 2024	<u>569</u>
At 31 December 2023	<u>1,908</u>

Key Insurance Company Limited

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20. Property, Plant and Equipment

	Land and Buildings	Leasehold Improvements	Computer Equipment	Motor Vehicles	Furniture and Fixtures	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2024						
At Cost/Valuation -						
At 1 January	220,000	13,075	22,095	14,822	64,487	334,479
Adjustment	-	(74)	-	-	-	(74)
Disposals	-	-	-	-	(825)	(825)
Revaluation	41,481	-	-	-	-	41,481
Additions	63,519	-	1,958	-	14,280	79,757
At 31 December	325,000	13,001	24,053	14,822	77,942	454,818
Depreciation -						
At 1 January	3,125	12,341	12,372	4,206	40,908	72,952
Adjustment	-	-	13	-	(13)	-
Disposals	-	-	-	-	(733)	(733)
Charge for the year	3,470	255	3,116	2,623	6,505	15,969
Revaluation	(6,595)	-	-	-	-	(6,595)
At 31 December	-	12,596	15,501	6,829	46,667	81,593
Net Book Value -						
31 December	325,000	405	8,552	7,993	31,275	373,225

Key Insurance Company Limited

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20. Property, Plant and Equipment (Continued)

	Land and Buildings	Leasehold Improvements	Computer Equipment	Motor Vehicles	Furniture and Fixtures	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2023						
At Cost/Valuation -						
At 1 January	220,000	12,941	17,212	5,132	62,002	317,287
Disposal	-	-	(456)	(3,632)	-	(4,088)
Additions	-	134	5,339	13,322	2,485	21,280
At 31 December	220,000	13,075	22,095	14,822	64,487	334,479
Depreciation -						
At 1 January	-	11,991	9,897	3,463	35,033	60,384
Disposal	-	-	(240)	(2,623)	-	(2,863)
Charge for the year	3,125	350	2,715	3,366	5,875	15,431
At 31 December	3,125	12,341	12,372	4,206	40,908	72,952
Net Book Value -						
31 December	216,875	734	9,723	10,616	23,579	261,527

Land and buildings were valued at current market values as at 31 December 2024. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2024 \$'000	2023 \$'000
Cost	133,391	133,391
Accumulated depreciation	(20,422)	(16,390)
	<u>112,969</u>	<u>117,001</u>

21. Other Payables

	2024 \$'000	2023 \$'000
Accrued expenses	78,782	101,869
Due to related parties	13,547	41,096
Other	47,445	36,323
	<u>139,774</u>	<u>179,288</u>

Key Insurance Company Limited

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22. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 $\frac{1}{3}$ %. 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:

	2024 \$'000	2023 \$'000
At the beginning of the year	348,989	371,512
Deferred tax debited to other comprehensive income (Note 26)	(16,898)	(334)
Deferred tax charged to profit or loss in the statement of comprehensive income (Note 12)	<u>(16,749)</u>	<u>(22,189)</u>
At end of year	<u>315,342</u>	<u>348,989</u>

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 2023	423,009	(1,008)	(36,214)	-	(14,275)	371,512
Deferred tax debited to other comprehensive income	-	-	(334)	-	-	(334)
Deferred tax (charged)/credited to profit in the statement of comprehensive income	<u>(18,179)</u>	<u>2,765</u>	<u>-</u>	<u>-</u>	<u>(6,775)</u>	<u>(22,189)</u>
At 31 December 2023	<u>404,830</u>	<u>1,757</u>	<u>(36,548)</u>	<u>-</u>	<u>(21,050)</u>	<u>348,989</u>
Deferred tax debited to other comprehensive income	-	-	(16,898)	-	-	(16,898)
Deferred tax (charged)/credited to profit in the statement of comprehensive income	<u>(18,870)</u>	<u>658</u>	<u>-</u>	<u>-</u>	<u>1,463</u>	<u>(16,749)</u>
At 31 December 2024	<u>385,960</u>	<u>2,415</u>	<u>(53,446)</u>	<u>-</u>	<u>(19,587)</u>	<u>315,342</u>

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22. Deferred Taxation (Continued)

	2024 \$'000	2023 \$'000
Deferred tax liabilities that are expected to be settled after more than 12 months after the year end	(53,446)	(36,548)
Deferred tax assets that are expected to be recovered after more than 12 months after the year end	<u>385,960</u>	<u>404,830</u>

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23. Insurance Contract Liabilities

Reconciliation of the insurance contract liabilities and reinsurance contract assets

The following tables present reconciliations of insurance contract liabilities and reinsurance contract assets excluding insurance acquisition cash flows assets and other pre-recognition cash flows

Insurance contracts issued	LRC		LIC		Total-2024	LRC		LIC		Total-2023
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. risk		Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. risk	
Insurance contract liabilities as at 1 January	975,431		1,534,899	41,798	2,552,129	719,363		1,583,414	70,198	2,372,975
Insurance revenue	(3,058,362)				(3,058,362)	(2,503,105)				(2,503,105)
Incurred claims and other directly attributable expenses			1,803,167	56,395	1,859,561			1,332,666	(28,400)	1,304,266
Other pre-recognition cash flows assets derecognised at the date of initial recognition										
Changes that relate to past service – changes in the FCF relating to the LIC										
Insurance acquisition cash flows amortization	555,216				555,216	510,975				510,975
Insurance service expenses										
Insurance service result										
Finance expense from insurance contract			77,817		77,817			40,755*		40,755*
Total amounts recognised in comprehensive income										
Investment components										
Insurance acquisition cash flows asset derecognised										
Other pre-recognition cash flows derecognised and other changes										
Cash flows										
Premiums received	3,190,153				3,190,153	2,830,735				2,830,735
Claims and other directly attributable expenses paid			(1,560,630)		(1,560,630)			1,421,935*		(1,421,935)*

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23. Insurance Contract Liabilities (Continued)

Insurance acquisition cash flows	(597,106)				(597,106)	(582,537)				(582,537)
Total cash flows										
Insurance contract liabilities as at 31 December	1,065,331		1,855,253	98,193	3,018,777	975,431		1,534,900	41,798	2,552,129

* - Reclassified to conform with current year presentation.

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 2024, in accordance with the Insurance Act of Jamaica. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles.

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23. Insurance Contract Liabilities (Continued)

In his opinion dated February 2025, the actuary found that the amount of insurance contract liabilities represented in the statement of financial position at 31 December 2024 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 2024 were as follows, grouped by each accident year from 2006 to 2024:

- (i) Claims incurred and paid for accident years 2006 onwards.
- (ii) Loss adjustment expenses paid for accident years 2006 onwards.
- (iii) Earned premiums for each year from 2006 to 2024.

(b) Actuarial assumptions

In accordance with IFRS 17, relevant methodologies have been applied. 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.

Key Insurance Company Limited

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23. Insurance Contract Liabilities (Continued)

(c) 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.

	2024	
	Gross IBNR	Net IBNR
	\$'000	\$'000
10% increase in loss development factor	2,462	1,402
10% decrease in loss development factor	(4,741)	(2,699)
	<u> </u>	<u> </u>

	2023	
	Gross IBNR	Net IBNR
	\$'000	\$'000
10% increase in loss development factor	1,628	1,506
10% decrease in loss development factor	(10,059)	(9,302)
	<u> </u>	<u> </u>

24. Share Capital

	2024	2023
	\$'000	\$'000
Authorised -		
700,000,000 (2023 – 700,000,000) ordinary stock units		
Issued and fully paid -		
559,323,101 (2023 – 559,323,101) ordinary stock units at no par value	<u>903,300</u>	<u>903,300</u>

25. Capital Reserve

	2024	2023
	\$'000	\$'000
At end of year	<u>57,371</u>	<u>57,371</u>

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

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26. Fair Value Reserves

This represents unrealised gains and losses on the valuation of property, plant and equipment, net of deferred taxes.

	2024	2023
	\$'000	\$'000
At beginning of year	55,063	55,397
Revaluation gains on property, plant and equipment	41,481	-
Deferred tax charged to other comprehensive income (Note 22)	<u>(16,898)</u>	<u>(334)</u>
At end of year	<u>79,646</u>	<u>55,063</u>

27. Earnings Per Stock Unit

	2024	2023
Net profit from operations (\$'000)	66,948	41,942
Weighted average number of ordinary stock units used in the denominator in calculating basic earnings per stock unit ('000)	559,323	559,323
Earnings per stock unit	<u>\$0.12</u>	<u>\$0.07</u>

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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.

Key Insurance Company Limited

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28. Segment Information (Continued)

Segment result 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.

	2024		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Insurance revenue	2,001,126	1,057,236	3,058,362
Insurance service expenses	(1,928,508)	(286,210)	(2,214,718)
Net expenses from reinsurance contracts held	(123,131)	(739,542)	(862,673)
Insurance service result	(50,513)	31,484	(19,029)

No single customer accounted for 10% or more of total gross premium of the Company either in 2024 or in 2023.

	2023		
	Motor	Non-Motor	Total
	\$'000	\$'000	\$'000
Insurance revenue	1,705,447	797,658	2,503,105
Insurance service expenses	(1,579,006)*	(207,359)*	(1,786,365)*
Net expenses from reinsurance contracts held	(218,041)*	(520,231)*	(738,272)*
Insurance service result	(91,600)	70,068	(21,532)

* - Reclassified to conform with current year presentation.

Key Insurance Company Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

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:

	2024	2023
	\$'000	\$'000
Right-of-use assets		
Properties	<u>20,992</u>	<u>20,575</u>
Lease liabilities		
Current	10,237	10,027
Non-current	<u>12,107</u>	<u>16,987</u>
	<u><u>22,344</u></u>	<u><u>27,014</u></u>

(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:

	2024	2023
	\$'000	\$'000
Depreciation charge of right-of-use assets		
Properties	<u>9,551</u>	<u>12,349</u>
Interest expense	<u>2,066</u>	<u>1,788</u>

Liabilities from financing activity – leases

	2024	2023
	\$'000	\$'000
Lease liabilities at the beginning of the year	27,014	24,407
Addition during the year	3,580	11,766
Disposal	(1,924)	741
Cash flows	(8,392)	(11,688)
Interest expense	2,066	1,788
Lease liabilities at the end of the year	<u><u>22,344</u></u>	<u><u>27,014</u></u>

Key Insurance Company Limited

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(expressed in Jamaican dollars unless otherwise indicated)

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.