



INTERIM REPORT – THREE MONTHS ENDING MARCH 31, 2010

MESSAGE FROM THE CHAIRMAN

Dear Shareholder:

We continue to record strong growth in premium income with a 10% improvement over the first quarter of last year and annuity deposits surpassing prior year-to-date by 21.7%.

In spite of the strong growth, our net income was impacted by the increase in our health claims. At the end of the first quarter our net income stood at \$303.9 thousand, substantially lower than the \$1.57 million recorded prior year-to-date.

While our health claims experience is higher than prior year-to-date, the performance of this division is improving and showing positive variances against strategic measurement targets. We are continuing to review our premium levels against claims experience on a group-by-group basis as a means of restoring balance to our portfolio. We are also at the final stage of implementation of a new software system in this division which will further enhance operational efficiencies and customer service.

We are looking with optimism to the coming quarters as there are encouraging signs in the broader economy and in the further expansion of our business.

I am pleased to record that the Board of Directors declared a dividend of \$0.06 per share which was paid to shareholders on May 25, 2010.

Sincerely,

Norbert F. Boissiere
Chairman

CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT MARCH 31, 2010

(Amounts expressed in Bahamian dollars)

	2010 \$	DEC. 31 2009 \$
ASSETS		
Cash and bank balances	8,734,002	3,993,292
Short-term bank deposits	342,690	342,200
Other bank term deposits	3,152,989	3,078,323
Financial Investment Assets:		
Held-to-maturity	58,169,299	58,590,479
Available for sale	6,622,807	6,613,077
Loans	73,388,667	73,316,316
Total investment assets	150,410,444	145,933,687
Receivables and other assets	8,007,122	4,929,409
Premiums receivable	5,875,214	4,442,366
Property, plant and equipment, net	33,345,201	33,846,731
TOTAL	197,637,981	189,152,193
LIABILITIES & EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	120,036,500	115,575,718
Other policyholders' funds	10,062,391	8,282,762
Policy liabilities	130,098,891	123,858,480
Payables and accruals	9,088,649	6,556,857
Total liabilities	139,187,540	130,415,337
EQUITY:		
Preference shares	10,000,000	10,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation reserve	9,800,443	9,790,713
Retained earnings	25,848,918	26,145,063
Total equity	58,450,441	58,736,856
TOTAL	197,637,981	189,152,193

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts expressed in Bahamian dollars)

	3 MONTHS TO MARCH 31, 2010	3 MONTHS TO MARCH 31, 2009
Cash flows from operating activities		
Net income	303,855	1,570,838
Adjustment for:		
Depreciation	532,558	323,841
Change in mortgage provision	27,049	(6,642)
Reserve for policyholder benefits	4,460,782	1,921,295
Interest income	(2,395,448)	(2,303,409)
Dividend income	(107,571)	(112,932)
Operating profit before working capital changes	2,821,225	1,392,991
Decrease (increase) in receivables and other assets	(3,077,713)	575,610
(Increase) decrease in premiums in arrears	(1,432,848)	(336,769)
(Decrease) in payables and accruals	2,531,792	(2,141,586)
Increase (decrease) in other policyholder funds	1,779,629	2,142,192
Net cash from operating activities	2,622,085	1,632,438
Cash flows from investing activities		
Policy loans	(180,322)	44,996
Purchase of fixed assets	(31,028)	(618,423)
Construction in progress	-	84,948
Other loans repaid	102,382	96,451
Net mortgage loans issued	1,443	(367,843)
Purchase of Government bonds	-	(11,250,000)
Interest received	2,793,725	1,188,560
Dividends received	107,571	112,932
Net cash from investing activities	2,793,771	(10,708,379)
Cash flows from financing activities		
Dividends paid	(600,000)	(600,000)
Net cash used in financing activities	(600,000)	(600,000)
Net (decrease) increase in cash and cash equivalents	4,815,856	(9,675,941)
Cash and cash equivalents at beginning of the period	7,413,815	16,083,472
Cash and cash equivalents at end of the period	12,229,671	6,407,531
Cash and cash equivalents is comprised of:		
Cash and bank balances	8,734,002	1,833,305
Short-term bank deposits	342,680	340,635
Other bank term deposits	3,152,989	4,233,591
	12,229,671	6,407,531

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts expressed in Bahamian dollars)

	3 MONTHS TO MARCH 31, 2010	3 MONTHS TO MARCH 31, 2009
INCOME		
Gross premium income	22,506,384	20,484,476
Premium ceded to reinsurers	(2,937,430)	(2,283,130)
Net premium income	19,568,954	18,201,346
Annuity deposits	1,954,136	1,604,804
Net premium income and annuity deposits	21,523,090	19,806,150
Interest income	2,395,448	2,303,409
Dividend income	107,571	112,932
Realized gain from sale of assets	(10,736)	100
Other operating income	180,786	156,348
Total income	24,196,158	22,378,939
BENEFITS & EXPENSES		
BENEFITS:		
Policyholders' benefits	14,868,067	11,997,201
Reinsurance recoveries	(3,325,173)	(624,133)
Net policyholders' benefits	11,542,894	11,373,068
Increase in reserves for future policyholders benefits	4,460,782	1,921,295
Total benefits	16,003,676	13,294,363
EXPENSES:		
Commissions	3,020,924	2,908,194
Operating expenses	3,632,079	3,670,388
Premium tax	676,018	617,957
Depreciation and amortization expense	532,558	323,841
Bad debt expense	27,049	(6,642)
Total expenses	7,888,627	7,513,738
Total benefits and expenses	23,892,303	20,808,101
NET INCOME	303,855	1,570,838
Earnings per share	0.03	0.16

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

AS AT MARCH 31, 2010

1. ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2009.

These unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Family Guardian Insurance Company, FG General Insurance Agency Limited, FG Financial Limited, FG Capital Markets Limited and BahamaHealth Insurance Brokers and Benefit Consultants Limited.

2. EARNINGS PER SHARE

	3 MONTHS TO MARCH 31, 2010	3 MONTHS TO MARCH 31, 2009
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income	\$ 303,855	\$ 1,570,838

Earnings per share

\$ 0.03 \$ 0.16

3. COMMITMENTS

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$3,173,711 as at March 31, 2010 (December 31, 2009: \$1,742,378).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts expressed in Bahamian dollars)

	Preference Shares	Ordinary Shares	Share Premium	Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
Balance as of December 31, 2008	\$ 10,000,000	\$ 2,000,000	\$ 10,801,080	\$ 10,377,616	\$ 25,639,520	\$ 58,818,216
Net income for 2009	-	-	-	-	3,605,543	3,605,543
Adjustment to fair value of investment in equities	-	-	-	(586,903)	-	(586,903)
Dividends declared and paid					(700,000)	(700,000)
Preference shares	-	-	-	-	(700,000)	(700,000)
Ordinary shares (\$0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)
Balance as of December 31, 2009	10,000,000	2,000,000	10,801,080	9,790,713	26,145,063	58,736,856
Net income for the period	-	-	-	-	303,855	303,855
Adjustment to fair value of investment in equities	-	-	-	9,730	-	9,730
Dividends declared and paid					-	-
Preference shares	-	-	-	-	-	-
Ordinary shares (\$0.06 per share)	-	-	-	-	(600,000)	(600,000)
Balance as of March 31, 2010	\$ 10,000,000	\$ 2,000,000	\$ 10,801,080	\$ 9,800,443	\$ 25,848,918	\$ 58,450,441