

MANAGING DIRECTOR'S REVIEW

Our Agency/Brokerage and Underwriting segments both recorded declines in Net Income during the first quarter of 2012. As a result, Consolidated Net Income declined to \$1,506,122 compared to \$2,619,052 recorded in last year's first quarter.

Once again, the first quarter was sluggish and although premium income remained steady, there was a 28% drop in Net Commissions and Fees. One of the main reasons for this was the decline in Profit Commissions following the deterioration in 2011 underwriting results.

Net Claims Incurred is trending back to normalcy and is down by 59%. This was partly offset by an increase in Net Unrealised Loss on Investments in Securities; however, Total Expenses were down by 7%, a step in the right direction.

As indicated above, both segments experienced declines in Net Income during the first quarter. The Agency/Brokerage operation was impacted by the drop in Profit Commissions and Fees. Whilst Insurance Company of The Bahamas' results are also down, the good news is that all major classes of business recorded underwriting profits in the first quarter.

Although the first quarter is disappointing, we believe the results will begin to improve in the second quarter and are hopeful we will still achieve our budget projections for 2012.



Marvin V. Bethell, FCII
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at March 31, 2012 (amounts expressed in Bahamian dollars)

	December 31,	
	2012	2011
ASSETS		
Cash and bank balances	\$ 2,709,580	6,426,316
Term deposits	7,933,767	8,059,928
Accounts receivable	8,972,635	8,673,547
Due from insurance carriers	1,263,321	1,385,851
Investments in securities		
- fair value through profit or loss	2,625,440	2,782,298
- held-to-maturity	9,009,914	9,711,652
- available for sale	2,000,000	2,000,000
Prepayments and other assets	1,996,423	1,175,870
Prepaid reinsurance premiums	15,913,186	17,056,594
Reinsurance recoveries	11,231,370	15,293,640
Intangible asset	287,655	306,846
Investment property	1,564,056	1,526,516
Property, plant and equipment	8,879,003	8,843,327
Total assets	\$ 74,386,350	83,242,385
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 19,276,395	20,605,805
Outstanding claims	13,135,333	17,746,362
	32,411,728	38,352,167
Other liabilities:		
Due to related parties	1,337,881	578,454
Accounts payable	1,727,729	2,584,715
Due to reinsurers	1,630,193	3,221,643
Accrued expenses and other liabilities	1,727,651	2,937,011
Unearned commission reserve	4,133,687	4,379,196
Total liabilities	42,968,869	52,053,186
Net assets	\$ 31,417,481	31,189,199
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	20,645,285	20,849,873
Interest in own shares	(84,600)	(84,600)
	20,640,685	20,845,273
Non-controlling interest	10,776,796	10,343,926
Total equity	\$ 31,417,481	31,189,199

(unaudited)

LOCATIONS

Nassau	
Collins Avenue	242.397.2100
Thompson Boulevard	242.676.6300
Soldier Road	242.393.6286
Family Islands	
Freeport	242.352.7119
Abaco	242.367.2688
Exuma	242.336.2420
Turks and Caicos Islands	
Providenciales	649.946.4761

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months to March 31, 2012
(amounts expressed in Bahamian dollars)

	March 31,	
	2012	2011
INCOME		
Net commission and fees	4,011,353	5,599,338
Net premiums earned	1,855,941	1,820,501
Investment income	452,729	401,219
Total income	6,320,023	7,821,058
EXPENSES		
Salaries and employees benefits	2,442,920	2,421,266
Net claims incurred	347,511	849,649
Excess of loss reinsurance	829,935	828,180
Depreciation and amortization	187,065	152,293
Change in net unrealized (gain)/loss on investments in securities	156,858	77,647
Revaluation (gain)/loss on investment property	(39,375)	-
Other operating expenses	888,987	872,971
Total expenses	4,813,901	5,202,006
Net income and total comprehensive income	1,506,122	2,619,052
Attributable to:		
Equity holders of the Company	1,073,252	2,026,751
Non-controlling interests	432,870	592,301
	1,506,122	2,619,052
Earnings per share for the profit attributable to the equity holders of the Company (three months)	\$ 0.13	\$ 0.25

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months to March 31, 2012
(amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholder Equity	Non-Controlling Interest	Total Equity
Balance at January 1, 2011	80,000	19,337,415	(84,600)	19,332,815	10,444,766	29,777,581
Total comprehensive income for the year:						
Net income	-	2,026,751	-	2,026,751	592,301	2,619,052
Distributions to owners:						
Dividends	-	(1,278,080)	-	(1,278,080)	-	(1,278,080)
Balance at March 31, 2011	80,000	20,086,086	(84,600)	20,081,486	11,037,067	31,118,553
Balance at January 1, 2012	80,000	20,849,873	(84,600)	20,845,273	10,343,926	31,189,199
Total comprehensive income for the year:						
Net income	-	1,073,252	-	1,073,252	432,870	1,506,122
Distributions to owners:						
Dividends	-	(1,277,840)	-	(1,277,840)	-	(1,277,840)
Balance at March 31, 2012	80,000	20,645,285	(84,600)	20,640,685	10,776,796	31,417,481

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months to March 31, 2012
(amounts expressed in Bahamian dollars)

	March 2011	
Cash flows from operating activities:		
Net income for the period	1,506,122	2,619,052
Adjustments for:		
Unearned premium reserve	(186,002)	149,249
Depreciation and amortization	206,256	152,293
Change in net unrealized (gains)/loss on investments in securities	406,758	77,647
Revaluation (gain)/loss on investment properties	(39,375)	-
Interest income	(275,452)	30,509
Dividend income	(43,263)	66,490
Cash from operations before changes in assets and liabilities	1,575,044	3,095,240
(Increase)/decrease in current assets:		
Accounts receivable	(299,088)	1,148,709
Due from insurance carriers	122,530	224,466
Prepayments and other assets	(822,443)	(1,737,910)
Prepaid reinsurance premiums	1,143,408	557,585
Reinsurance recoveries	4,062,270	(434,925)
Increase/(decrease) in current liabilities:		
Unearned premium reserve	(1,143,408)	(856,083)
Outstanding claims	(4,611,029)	662,475
Due to related parties	759,427	195,382
Accounts payable, accrued expenses and other liabilities	(2,066,348)	(1,134,543)
Due to reinsurers	(1,591,450)	(2,197,173)
Unearned commission reserve	(245,509)	(76,202)
Net cash provided by operating activities	(3,116,596)	(552,979)
Cash flows from investing activities:		
Net maturity/(placement) of term deposits	98,901	67,985
Purchase of investment property	-	(2,546)
Purchase of property, plant and equipment	(220,906)	(66,996)
Purchase/maturity of investments in securities	426,579	263,994
Interest received	327,972	(162,506)
Dividends received	45,154	(66,490)
Net cash provided by (used) in investing activities	677,700	33,441
Cash flows from financing activities:		
Dividends paid to shareholders	(1,277,840)	(1,278,080)
Net cash used in financing activities	(1,277,840)	(1,278,080)
Net Increase/(Decrease) in cash and cash equivalents	(3,716,736)	(1,797,618)
Cash and cash equivalents at beginning of period	6,426,316	5,573,352
Cash and cash equivalents at end of period	2,709,580	3,775,734

(unaudited)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year December 31, 2011.

2. SEGMENT INFORMATION

The Group is organized into two business segments; Insurance Agents & Brokers and General Insurance.

The segment results for the period ended March 31, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 3,945,622	65,731	4,011,353
Net premiums earned	-	1,855,941	1,855,941
Interest Income	38,780	236,671	275,451
Dividend Income	-	67,248	67,248
Other income	71,720	38,310	110,030
	\$ 4,056,122	2,263,901	6,320,023

Insurance expenses	-	1,177,446	1,177,446
Depreciation	172,060	15,005	187,065
Revaluation (gain)/loss on investment property	-	(39,375)	(39,375)
Change in net unrealized loss on investment in securities	-	156,858	156,858
Other expenses	3,083,851	248,056	3,331,907
	\$ 3,255,911	1,557,990	4,813,901
NET INCOME	\$ 800,211	705,911	1,506,122

The segment results for the period ended March 31, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 4,813,463	785,875	5,599,338
Net premiums earned	-	1,820,501	1,820,501
Interest Income	47,019	259,189	306,208
Dividend Income	-	73,420	73,420
Other income	21,591	-	21,591
	\$ 4,882,073	2,938,985	7,821,058

Insurance expenses	-	1,677,829	1,677,829
Depreciation	135,316	16,977	152,293
Change in net unrealized loss on investments in securities	-	77,647	77,647
Other expenses	3,068,559	225,678	3,294,237
	\$ 3,203,875	1,998,131	5,202,006
NET INCOME	\$ 1,678,198	940,854	2,619,052

The segment assets and liabilities as at March 31, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 22,012,204	52,374,146	74,386,350
Total liabilities	8,241,989	34,726,880	42,968,869

The segment assets and liabilities as at March 31, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 23,319,556	53,684,976	77,004,532
Total liabilities	10,307,591	35,578,388	45,885,979

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