

# FIRST QUARTER

## INTERIM REPORT

2015



### MANAGING DIRECTOR'S REVIEW

Our results for the first quarter of 2015 are very encouraging. Despite the rise in net claims incurred, we were able to generate additional commissions and control other operating expenses. The ultimate result being a 17% increase in net income from \$1,437,188 to \$1,683,390.

Agency and brokerage business led the way this period with income levels rising 46% from \$641,124 to \$935,285. An increase in net commissions and fees income together with a \$109,591 decrease in other expenses were the major contributors. Our underwriting business declined slightly due to a higher claims experience. However, this is to be expected given the exceptional year that The Insurance Company of The Bahamas Ltd. enjoyed

in 2014. Overall, we maintained our 16 cent quarterly dividend policy which is not forecast to change this year.

Operationally, preparations for the introduction of VAT as of 1 July, 2015 on all lines of business other than life products are well underway and we are in the final stages of our implementation plan. Financially, the year is off to a good start and we remain optimistic about 2015 going forward.

A handwritten signature in black ink, appearing to read 'Alister I. McKellar'.

**Alister I. McKellar, FCII**  
Managing Director



**J.S. JOHNSON**  
**PEACE OF MIND**  
INSURANCE AGENTS & BROKERS

PEACE OF MIND

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2015 (amounts expressed in Bahamian dollars)

	March 2015	December 2014
<b>ASSETS</b>		
Cash and bank balances	\$ 8,365,006	7,754,471
Term deposits	9,298,209	10,240,705
Accounts receivable	8,500,921	9,575,155
Due from insurance carriers	181,177	67,605
Investments in securities		
- fair value through profit or loss	3,521,130	3,500,603
- held-to-maturity	10,925,068	9,891,490
- available for sale	3,588,143	3,072,000
Prepayments and other assets	1,849,220	1,200,816
Prepaid reinsurance premiums	17,517,591	18,628,937
Reinsurance recoveries	9,633,396	9,758,298
Intangible assets	204,448	239,814
Investment properties	1,593,910	1,620,768
Property, plant and equipment	8,950,784	8,742,670
<b>Total assets</b>	<b>\$ 84,129,003</b>	<b>84,293,332</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 20,684,651	21,881,684
Outstanding claims	10,757,435	10,807,703
	<u>31,442,086</u>	<u>32,689,387</u>
Other liabilities:		
Due to related parties	776,196	415,530
Accounts payable	4,661,207	3,432,514
Due to reinsurers	3,704,315	3,935,439
Accrued expenses and other liabilities	2,187,694	1,994,995
Unearned commission reserve	4,762,101	4,990,985
<b>Total liabilities</b>	<b>47,533,599</b>	<b>47,458,850</b>
<b>EQUITY</b>		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	22,527,218	22,574,057
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	16,143	11,295
	<u>22,538,761</u>	<u>22,580,752</u>
Non-controlling interest	14,056,643	14,253,730
<b>Total equity</b>	<b>\$ 36,595,404</b>	<b>36,834,482</b>
<b>Total liabilities and equity</b>	<b>84,129,003</b>	<b>84,293,332</b>

(unaudited)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2015 (amounts expressed in Bahamian dollars)

	March 2015	March 2014
<b>INCOME</b>		
Net commission and fees	4,233,643	3,956,293
Net premiums earned	1,714,184	1,792,502
Investment income	427,580	453,120
Change in net unrealized gain on investments in securities	26,973	-
Total income	6,402,380	6,201,915
<b>EXPENSES</b>		
Salaries and employees benefits	2,509,085	2,520,531
Net claims incurred	503,244	406,771
Excess of loss reinsurance	600,261	657,798
Depreciation and amortization	170,044	150,119
Change in net unrealised loss on investments in securities	-	13,657
Impairment loss on investment properties	24,164	-
Other operating expenses	912,192	1,015,851
Total expenses	4,718,990	4,764,727
<b>Net income</b>	<b>1,683,390</b>	<b>1,437,188</b>
<b>Other comprehensive income</b>		
Unrealized gain on available for sale securities	4,848	-
<b>Total comprehensive income</b>	<b>1,688,238</b>	<b>1,437,188</b>
Equity holders of the Company	1,236,089	960,735
Non-controlling interests	452,149	476,453
	<b>1,688,238</b>	<b>1,437,188</b>
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.16	\$ 0.12

(unaudited)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2015 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Other Comprehensive Income	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2013	80,000	21,771,848	(84,600)	-	21,767,248	12,642,093	34,409,341
Total comprehensive income for the year:							
Net income	-	960,735	-	-	960,735	476,453	1,437,188
Distributions to owners:							
Dividends	-	(1,280,000)	-	-	(1,280,000)	-	(1,280,000)
<b>Balance at March 31, 2014</b>	<b>80,000</b>	<b>21,452,583</b>	<b>(84,600)</b>	<b>-</b>	<b>21,447,983</b>	<b>13,118,546</b>	<b>34,566,529</b>
Balance at December 31, 2014	80,000	22,574,057	(84,600)	11,295	22,580,752	14,253,730	36,834,482
Total comprehensive income for the year:							
Net income	-	1,231,241	-		1,231,241	452,149	1,683,390
Unrealised gain on available for sale securities				4,848	4,848		4,848
Distributions to owners:							
Dividends	-	(1,278,080)	-		(1,278,080)	(649,236)	(1,927,316)
<b>Balance at March 31, 2015</b>	<b>80,000</b>	<b>22,527,218</b>	<b>(84,600)</b>	<b>16,143</b>	<b>22,538,761</b>	<b>14,056,643</b>	<b>36,595,404</b>

(unaudited)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2015 (amounts expressed in Bahamian dollars)

	March 2015	March 2014
<b>Cash flows from operating activities:</b>		
Net income for the period	1,683,390	1,437,188
<i>Adjustments for:</i>		
Unearned premium reserve	85,685	223,814
Depreciation and amortization	170,044	150,119
Impairment loss on investment properties	24,164	-
Change in net unrealized (gains)/losses on investments in securities	(26,973)	13,657
Interest income	(253,657)	(257,079)
Dividend income	(104,060)	(96,605)
Bad Debts	12,000	12,000
<b>Cash from operations before changes in assets and liabilities</b>	<b>1,590,593</b>	<b>1,483,094</b>
<b>(Increase)/decrease in assets:</b>		
Accounts receivable	1,062,234	956,653
Due from insurance carriers	(113,572)	92,748
Prepayments and other assets	(648,404)	(544,729)
Prepaid reinsurance premiums	1,111,346	673,647
Reinsurance recoveries	124,902	54,316
<b>Increase/(decrease) in liabilities:</b>		
Unearned premium reserve	(1,282,719)	(1,121,276)
Outstanding claims	(50,268)	111,466
Due to related parties	360,666	(127,783)
Accounts payable, accrued expenses and other liabilities	1,421,392	532,196
Due to reinsurers	(231,124)	1,354,154
Unearned commission reserve	(228,884)	(112,386)
<b>Net cash provided by operating activities</b>	<b>3,116,162</b>	<b>3,352,100</b>
<b>Cash flows from investing activities:</b>		
Net maturity/(placement) of term deposits	747,814	(1,203,055)
Purchase of property, plant and equipment	(340,098)	(77,831)
Purchase of investments in securities	(1,505,036)	(32,335)
Interest received	414,949	418,568
Dividends received	104,060	96,605
<b>Net cash provided by/(used in) investing activities</b>	<b>(578,311)</b>	<b>(798,048)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to shareholders	(1,278,080)	(1,280,000)
Dividends paid to non-controlling interest	(649,236)	-
<b>Net cash used in financing activities</b>	<b>(1,927,316)</b>	<b>(1,280,000)</b>
<b>Net Increase in cash and cash equivalents</b>	<b>610,535</b>	<b>1,274,052</b>
Cash and cash equivalents at beginning of period	7,754,471	5,592,087
<b>Cash and cash equivalents at end of period</b>	<b>8,365,006</b>	<b>6,866,139</b>

(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, 2014.

## 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, 2015 are as follows:

		<b>AGENTS &amp; BROKERS</b>	<b>UNDERWRITING</b>	<b>TOTAL</b>
Net commission & fees	\$	4,181,447	52,196	4,233,643
Net premiums earned		-	1,714,184	1,714,184
Interest Income		43,059	210,599	253,658
Dividend Income		23,985	80,076	104,061
Other income		41,356	28,505	69,861
Change in net unrealized gain on investments in securities		-	26,973	26,973
	<b>\$</b>	<b>4,289,847</b>	<b>2,112,533</b>	<b>6,402,380</b>
Insurance expenses		-	1,103,505	1,103,505
Depreciation & amortization		159,442	10,602	170,044
Impairment loss on investment properties		24,164	-	24,164
Other expenses		3,170,956	250,321	3,421,277
	<b>\$</b>	<b>3,354,562</b>	<b>1,364,428</b>	<b>4,718,990</b>
<b>NET INCOME</b>	<b>\$</b>	<b>935,285</b>	<b>748,105</b>	<b>1,683,390</b>

The segment results for the period ended March 31, 2014 are as follows:

		<b>AGENTS &amp; BROKERS</b>	<b>UNDERWRITING</b>	<b>TOTAL</b>
Net commission & fees	\$	3,942,492	13,801	3,956,293
Net premiums earned		-	1,792,502	1,792,502
Interest Income		46,367	210,712	257,079
Dividend Income		23,840	72,765	96,605
Other income		51,576	47,860	99,436
	<b>\$</b>	<b>4,064,275</b>	<b>2,137,640</b>	<b>6,201,915</b>
Insurance expenses		-	1,064,569	1,064,569
Depreciation & amortization		142,604	7,515	150,119
Change in net unrealized losses on investments in securities		-	13,657	13,657
Other expenses		3,280,547	255,835	3,536,382
	<b>\$</b>	<b>3,423,151</b>	<b>1,341,576</b>	<b>4,764,727</b>
<b>NET INCOME</b>	<b>\$</b>	<b>641,124</b>	<b>796,064</b>	<b>1,437,188</b>

The segment assets and liabilities as at March 31, 2015 are as follows:

		<b>AGENTS &amp; BROKERS</b>	<b>UNDERWRITING</b>	<b>TOTAL</b>
Total assets	\$	25,427,000	58,702,003	84,129,003
Total liabilities		11,278,880	36,254,719	47,533,599

The segment assets and liabilities as at March 31, 2014 are as follows:

		<b>AGENTS &amp; BROKERS</b>	<b>UNDERWRITING</b>	<b>TOTAL</b>
Total assets	\$	25,251,255	57,982,281	83,233,536
Total liabilities		11,625,937	37,041,070	48,667,007