

THIRD QUARTER

INTERIM REPORT

2015



MANAGING DIRECTOR'S REVIEW

Net income for the company increased 2% year on year rising from \$6,026,779 to \$6,152,283 which is encouraging given the business climate prevailing throughout The Bahamas currently. A rise in net commissions and fees accounted for the majority of our gains, resulting in total income being up by \$328,599. This gain was offset by an increase in expenses of \$203,095 due predominantly to rising claims incurred.

Under our operating segments, both the Agency and Underwriting divisions have shown increases in quarter to date results. Our Agency business was bolstered by a 4% growth in net commissions and fees whilst Underwriting profits advanced on the strength of unrealized gains. The net result was an increase in Agency profits to \$4,373,437 and Underwriting profits to \$1,778,846.

Looking ahead to year end, the impact of Hurricane Joaquin in The Bahamas and Turks & Caicos Islands may affect our fourth quarter results. However, despite damages in our Southern Islands being significant, early assessments suggest that losses will not be excessive as our risk exposure was not great within the affected islands.



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 September 30, 2015 (amounts expressed in Bahamian dollars)

| | September 2015 | December 2014 |
|--|----------------------|-------------------|
| ASSETS | | |
| Cash and bank balances | \$ 4,857,421 | 7,754,471 |
| Term deposits | 9,883,456 | 10,240,705 |
| Accounts receivable | 13,488,207 | 9,575,155 |
| Due from insurance carriers | 70,376 | 67,605 |
| Investments in securities | | |
| - fair value through profit or loss | 3,993,879 | 3,500,603 |
| - held-to-maturity | 10,883,543 | 9,891,490 |
| - available for sale | 4,883,088 | 3,072,000 |
| Prepayments and other assets | 1,522,578 | 1,200,816 |
| Prepaid reinsurance premiums | 18,648,928 | 18,628,937 |
| Reinsurance recoveries | 9,257,473 | 9,758,298 |
| Intangible assets | 152,216 | 239,814 |
| Investment properties | 1,588,520 | 1,620,768 |
| Property, plant and equipment | 9,009,437 | 8,742,670 |
| Total assets | \$ 88,239,122 | 84,293,332 |
| LIABILITIES | | |
| General insurance funds: | | |
| Unearned premium reserve | \$ 22,299,675 | 21,881,684 |
| Outstanding claims | 10,293,636 | 10,807,703 |
| | <u>32,593,311</u> | <u>32,689,387</u> |
| Other liabilities: | | |
| Due to related parties | 625,677 | 415,530 |
| Accounts payable | 3,756,328 | 3,432,514 |
| Due to reinsurers | 5,607,555 | 3,935,439 |
| Accrued expenses and other liabilities | 1,994,365 | 1,994,995 |
| Unearned commission reserve | 5,147,304 | 4,990,985 |
| Total liabilities | \$ 49,724,540 | 47,458,850 |
| EQUITY | | |
| Share capital | | |
| Authorized, issued and fully paid:- | | |
| 8,000,000 ordinary shares of \$0.01 each | \$ 80,000 | 80,000 |
| Retained earnings | 23,821,373 | 22,574,057 |
| Interest in own shares | (84,600) | (84,600) |
| Other comprehensive income | 22,588 | 11,295 |
| | <u>23,839,361</u> | <u>22,580,752</u> |
| Non-controlling interest | 14,675,221 | 14,253,730 |
| Total equity | \$ 38,514,582 | 36,834,482 |
| Total liabilities and equity | \$ 88,239,122 | 84,293,332 |

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2015 (amounts expressed in Bahamian dollars)

| | September 2015 | September 2014 |
|---|----------------------|-------------------|
| INCOME | | |
| Net commission and fees | \$ 13,847,322 | 13,314,354 |
| Net premiums earned | 5,092,893 | 5,315,384 |
| Investment income | 1,175,952 | 1,591,112 |
| Change in net unrealized gain on investments in securities | 493,277 | 53,245 |
| Profit on sale of property plant & equipment | - | 6,750 |
| Total income | <u>\$ 20,609,444</u> | <u>20,280,845</u> |
| EXPENSES | | |
| Salaries and employees benefits | 7,921,052 | 7,757,525 |
| Net claims incurred | 1,295,555 | 1,110,734 |
| Excess of loss reinsurance | 1,802,186 | 1,951,393 |
| Depreciation and amortization | 523,616 | 466,414 |
| Impairment loss on investment properties | 24,164 | - |
| Other operating expenses | 2,890,588 | 2,968,000 |
| Total expenses | <u>14,457,161</u> | <u>14,254,066</u> |
| Net income | \$ 6,152,283 | 6,026,779 |
| Other comprehensive income | | |
| Unrealized gain on available for sale securities | 11,293 | - |
| Total comprehensive income | \$ 6,163,576 | 6,026,779 |
| Equity holders of the Company | \$ 5,092,849 | 4,990,353 |
| Non-controlling interests | 1,070,727 | 1,036,426 |
| | \$ 6,163,576 | 6,026,779 |
| Earnings per share for the profit attributable to the equity holders of the Company | \$ 0.64 | 0.63 |

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 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 | - | 4,990,353 | - | - | 4,990,353 | 1,036,426 | 6,026,779 |
| Distributions to owners: | | | | | | | |
| Dividends | - | (3,834,239) | - | - | (3,834,239) | (463,285) | (4,297,524) |
| Balance at September 30, 2014 | 80,000 | 22,927,962 | (84,600) | - | 22,923,362 | 13,215,234 | 36,138,596 |
| 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 | - | 5,081,556 | - | - | 5,081,556 | 1,070,727 | 6,152,283 |
| Unrealised gain on available for sale securities | | | | 11,293 | 11,293 | | 11,293 |
| Distributions to owners: | | | | | | | |
| Dividends | - | (3,834,240) | - | - | (3,834,240) | (649,236) | (4,483,476) |
| Balance at September 30, 2015 | 80,000 | 23,821,373 | (84,600) | 22,588 | 23,839,361 | 14,675,221 | 38,514,582 |

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2015 (amounts expressed in Bahamian dollars)

| | September 2015 | September 2014 |
|--|-----------------------|--------------------|
| Cash flows from operating activities: | | |
| Net income for the period | \$ 6,152,283 | 6,026,779 |
| <i>Adjustments for:</i> | | |
| Unearned premium reserve | (398,001) | (126,250) |
| Depreciation and amortization | 523,616 | 466,414 |
| Profit on sale of property, plant and equipment | - | (6,750) |
| Impairment loss on investment properties | 24,164 | |
| Change in net unrealized gains on investments in securities | (493,277) | (53,245) |
| Interest income | (707,341) | (762,467) |
| Dividend income | (335,997) | (297,502) |
| Bad Debts | 36,000 | 36,000 |
| Cash from operations before changes in assets and liabilities | \$ 4,801,447 | 5,282,979 |
| (Increase)/decrease in assets: | | |
| Accounts receivable | \$ (3,949,052) | (1,776,163) |
| Due from insurance carriers | (2,772) | 205,345 |
| Prepayments and other assets | (321,762) | (524,203) |
| Prepaid reinsurance premiums | (19,991) | (1,129,448) |
| Reinsurance recoveries | 500,825 | 842,579 |
| Increase/(decrease) in liabilities: | | |
| Unearned premium reserve | 815,992 | 1,381,948 |
| Outstanding claims | (514,067) | (957,534) |
| Due to related parties | 210,147 | (447,077) |
| Accounts payable, accrued expenses and other liabilities | 323,186 | 3,038,134 |
| Due to reinsurers | 1,672,116 | 623,971 |
| Unearned commission reserve | 156,319 | 332,342 |
| Net cash provided by operating activities | \$ 3,672,388 | 6,872,873 |
| Cash flows from investing activities: | | |
| Net maturity/(placement) of term deposits | \$ 232,492 | (721,255) |
| Purchase of intangible asset | - | (25,000) |
| Purchase of property, plant and equipment | (694,701) | (577,518) |
| Proceeds from sale of property, plant and equipment | - | 6,750 |
| (Purchase)/maturity of investments in securities | (2,756,767) | 8,380 |
| Interest received | 797,017 | 787,587 |
| Dividends received | 335,997 | 297,501 |
| Net cash (used in) investing activities | \$ (2,085,962) | (223,555) |
| Cash flows from financing activities: | | |
| Dividends paid to shareholders | \$ (3,834,240) | (3,834,239) |
| Dividends paid to non-controlling interest | (649,236) | (463,285) |
| Net cash used in financing activities | \$ (4,483,476) | (4,297,524) |
| Net (decrease)/increase in cash and cash equivalents | \$ (2,897,050) | 2,351,794 |
| Cash and cash equivalents at beginning of period | 7,754,471 | 5,592,087 |
| Cash and cash equivalents at end of period | \$ 4,857,421 | 7,943,881 |

(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 September 30, 2015 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|---|----|-----------------------------|---------------------|-------------------|
| Net commission & fees | \$ | 14,699,975 | (852,653) | 13,847,322 |
| Net premiums earned | | - | 5,092,893 | 5,092,893 |
| Interest Income | | 76,215 | 631,126 | 707,341 |
| Dividend Income | | 71,955 | 264,043 | 335,998 |
| Other income | | 29,312 | 103,301 | 132,613 |
| Change in net unrealized gain on investments in securities | | - | 493,277 | 493,277 |
| | \$ | 14,877,457 | 5,731,987 | 20,609,444 |
| Insurance expenses | | - | 3,097,741 | 3,097,741 |
| Depreciation & amortization | \$ | 489,696 | 33,920 | 523,616 |
| Impairment loss on investment properties | | 24,164 | - | 24,164 |
| Other expenses | | 9,990,160 | 821,480 | 10,811,640 |
| | \$ | 10,504,020 | 3,953,141 | 14,457,161 |
| NET INCOME | \$ | 4,373,437 | 1,778,846 | 6,152,283 |

The segment results for the period ended September 30, 2014 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|---|----|-----------------------------|---------------------|-------------------|
| Net commission & fees | \$ | 14,106,539 | (792,185) | 13,314,354 |
| Net premiums earned | | - | 5,315,384 | 5,315,384 |
| Interest Income | | 119,578 | 642,889 | 762,467 |
| Dividend Income | | 71,954 | 225,548 | 297,502 |
| Change in net unrealized gain on investments in securities | | - | 53,245 | 53,245 |
| Profit on sale of property plant & equipment | | 6,750 | - | 6,750 |
| Other income | | 397,945 | 133,198 | 531,143 |
| | \$ | 14,702,766 | 5,578,079 | 20,280,845 |
| Insurance expenses | \$ | - | 3,062,127 | 3,062,127 |
| Depreciation & amortization | | 444,131 | 22,283 | 466,414 |
| Other expenses | | 9,940,700 | 784,825 | 10,725,525 |
| | \$ | 10,384,831 | 3,869,235 | 14,254,066 |
| NET INCOME | \$ | 4,317,935 | 1,708,844 | 6,026,779 |

The segment assets and liabilities as at September 30, 2015 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|-------------------|----|-----------------------------|---------------------|--------------|
| Total assets | \$ | 28,995,057 | 59,244,065 | 88,239,122 |
| Total liabilities | | 13,943,782 | 35,780,758 | 49,724,540 |

The segment assets and liabilities as at September 30, 2014 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|-------------------|----|-----------------------------|---------------------|--------------|
| Total assets | \$ | 29,933,294 | 57,857,658 | 87,790,952 |
| Total liabilities | | 14,796,929 | 36,855,427 | 51,652,356 |