

THIRD QUARTER

INTERIM REPORT

2016



MANAGING DIRECTOR'S REVIEW

For the third consecutive quarter we have enjoyed better results over the year prior. Although competitive market conditions have driven down total income, our ability to control expenses has produced an overall increase in net income of 2%.

Our Underwriting arm continues to be the major contributor with profit levels rising by 31% on quarter to date from \$1,778,846 to \$2,332,394. This is due to an overall increase in total income together with a significant decrease in insurance expenses. Agents & Brokers business struggled again this quarter given the ongoing soft market and overall depressed business climate. The result was a 10% decrease in their net income.

Our attention is now squarely focused on events following the passage of Hurricane Matthew that struck multiple islands of The Bahamas on 5th and 6th October, 2016. With winds in excess of 140 mph, Matthew left a path of destruction everywhere it touched and the recovery process will be lengthy. Early industry estimates indicate

overall damages of \$400m+ throughout The Bahamas but thankfully there was no loss of life reported. There is no doubt that this hurricane will have a significant impact on both year end and future results as we sustained the largest single event loss in our history. With over 90% of losses falling between New Providence and Grand Bahama, our focus now is ensuring that we quickly assist our clients in restoring their lives and assets back to normal. We take pride in our ability to stand by them in their hour of need and provide comfort, counsel and most importantly peace of mind.

To our valued shareholders and customers, we appreciate your patience during these trying times and remain committed to deliver excellent customer service, while addressing all your needs.

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, 2016 (amounts expressed in Bahamian dollars)

	September 2016	December 2015
ASSETS		
Cash and bank balances	\$ 7,707,416	4,066,278
Term deposits	10,086,188	9,963,416
Accounts receivable	10,924,798	10,835,493
Due from insurance carriers	340	122,943
Investments in securities		
- fair value through profit or loss	4,344,397	4,052,340
- held-to-maturity	10,670,053	10,705,373
- available for sale	5,897,818	4,890,840
Prepayments and other assets	2,643,751	1,350,038
Prepaid reinsurance premiums	17,176,048	17,410,387
Reinsurance recoveries	8,013,426	8,358,602
Intangible assets	151,072	138,130
Investment properties	1,577,742	1,585,826
Property, plant and equipment	8,892,246	9,076,569
Total assets	\$ 88,085,295	82,556,235
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 20,597,212	20,702,877
Outstanding claims	9,107,312	9,477,799
	<u>29,704,524</u>	<u>30,180,676</u>
Other liabilities:		
Due to related parties	707,835	331,326
Accounts payable	5,245,358	3,679,373
Due to reinsurers	4,750,089	3,422,086
Accrued expenses and other liabilities	2,411,072	1,472,228
Unearned commission reserve	4,745,032	4,849,937
Total liabilities	47,563,910	43,935,626
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	24,249,954	23,267,294
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	37,318	30,340
	<u>24,282,672</u>	<u>23,293,034</u>
Non-controlling interest	16,238,713	15,327,575
Total equity	\$ 40,521,385	38,620,609
Total liabilities and equity	88,085,295	82,556,235

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2016 *(amounts expressed in Bahamian dollars)*

	September 2016	September 2015
INCOME		
Net commission and fees	13,541,455	13,847,322
Net premiums earned	4,991,145	5,092,893
Investment income	1,263,675	1,175,952
Change in net unrealized gain on investments in securities	206,329	493,277
Total income	20,002,604	20,609,444
EXPENSES		
Salaries and employees benefits	7,690,459	7,921,052
Net claims incurred	1,142,426	1,295,555
Excess of loss reinsurance	1,491,027	1,802,186
Impairment loss on investment properties	-	24,164
Depreciation and amortization	569,469	523,616
Other operating expenses	2,853,922	2,890,588
Total expenses	13,747,303	14,457,161
Net income	6,255,301	6,152,283
Other comprehensive income		
Unrealized gain on available for sale securities	6,978	11,293
Total comprehensive income	6,262,279	6,163,576
Equity holders of the Company	\$ 4,823,878	5,092,849
Non-controlling interests	1,438,401	1,070,727
	6,262,279	6,163,576
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.61	\$ 0.64

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 2016 *(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, 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
Balance at December 31, 2015	80,000	23,267,294	(84,600)	30,340	23,293,034	15,327,575	38,620,609
Total comprehensive income for the year:							
Net income	-	4,816,900	-	-	4,816,900	1,438,401	6,255,301
Unrealised gain on available for sale securities	-	-	-	6,978	6,978	-	6,978
Distributions to owners:							
Dividends	-	(3,834,240)	-	-	(3,834,240)	(527,263)	(4,361,503)
Balance at September 30, 2016	80,000	24,249,954	(84,600)	37,318	24,282,672	16,238,713	40,521,385

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2016 (amounts expressed in Bahamian dollars)

	September 2016	September 2015
Cash flows from operating activities:		
Net income for the period	6,255,301	6,152,283
Adjustments for:		
Unearned premium reserve	(168,418)	(398,001)
Depreciation and amortization	569,469	523,616
Impairment loss on investment property	-	24,164
Change in net unrealized gains on investments in securities	(206,329)	(493,277)
Interest income	(702,217)	(707,341)
Dividend income	(388,799)	(335,997)
Bad debts	36,000	36,000
Cash from operations before changes in assets and liabilities	5,395,007	4,801,447
(Increase)/decrease in assets:		
Accounts receivable	(125,304)	(3,949,052)
Due from insurance carriers	122,603	(2,772)
Prepayments and other assets	(1,293,714)	(321,762)
Prepaid reinsurance premiums	234,339	(19,991)
Reinsurance recoveries	345,176	500,825
Increase/(decrease) in liabilities:		
Unearned premium reserve	62,753	815,992
Outstanding claims	(370,487)	(514,067)
Due to related parties	376,508	210,147
Accounts payable, accrued expenses and other liabilities	2,504,829	323,186
Due to reinsurers	1,328,003	1,672,116
Unearned commission reserve	(104,905)	156,319
Net cash provided by operating activities	8,474,808	3,672,388
Cash flows from investing activities:		
Net (placement)/maturity of term deposits	(42,221)	232,492
Purchase of property, plant and equipment	(390,004)	(694,701)
Purchase of investments in securities	(1,038,764)	(2,756,767)
Interest received	610,022	797,017
Dividends received	388,799	335,997
Net cash used in investing activities	(472,168)	(2,085,962)
Cash flows from financing activities:		
Dividends paid to shareholders	(3,834,240)	(3,834,240)
Dividends paid to non-controlling interest	(527,262)	(649,236)
Net cash used in financing activities	(4,361,502)	(4,483,476)
Net Increase/(Decrease) in cash and cash equivalents	3,641,138	(2,897,050)
Cash and cash equivalents at beginning of period	4,066,278	7,754,471
Cash and cash equivalents at end of period	7,707,416	4,857,421

(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, 2015.

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, 2016 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 14,017,018	(475,563)	13,541,455
Net premiums earned	-	4,991,145	4,991,145
Interest Income	68,895	633,322	702,217
Dividend Income	77,449	311,350	388,799
Other income	12,949	159,710	172,659
Change in net unrealized gain on investments in securities	-	206,329	206,329
	\$ 14,176,311	5,826,293	20,002,604
Insurance expenses	-	2,633,453	2,633,453
Depreciation & amortization	536,124	33,345	569,469
Other expenses	9,717,280	827,101	10,544,381
	\$ 10,253,404	3,493,899	13,747,303
NET INCOME	\$ 3,922,907	2,332,394	6,255,301

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
Change in net unrealized gain on investment in securities	-	493,277	493,277
Other income	29,312	103,301	132,613
	\$ 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 assets and liabilities as at September 30, 2016 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 29,783,357	58,301,938	88,085,295
Total liabilities	15,189,015	32,374,895	47,563,910

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