

SECOND QUARTER

INTERIM REPORT

2 0 2 2

MANAGING DIRECTOR'S REVIEW

For obvious reasons, most of us pay closer attention to weather systems around this time of year. You may have noticed that since 1 June we've already seen three named Tropical Storms in the Atlantic: Alex, Bonnie and Colin. And, according to a recent report from global insurance giant Aon on global disasters and insurance losses, we could be in for a bumpy ride heading into the third quarter. The influence of "La Nina" conditions, the report suggests, may aid in the development of more frequent and stronger hurricanes. "Be prepared" is sound advice.

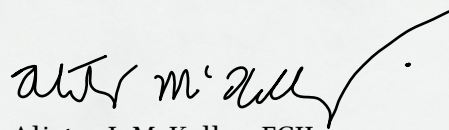
I'm pleased to say that our financial results for this quarter are largely positive, with highlights that include a 19% increase in overall net income compared to the same period last year and a 23% increase in earnings per share (from \$0.41 to \$0.51). Our operating divisions have performed well again this year with Agency profits up 26% and Underwriting profits only down 12% despite its stellar midyear performance in 2021. These results have been driven by a 10% increase in net revenue from contracts on our Agents and Brokers side and a fortuitous \$599K unrealized gain on the Underwriting investment portfolio. Our financial position also continues to strengthen with total equity approaching \$50M.

The Aon report also reiterates something I've mentioned in several prior reports: an extremely "hard" global reinsurance market continues to

affect our property underwriting efforts here and is expected to remain that way into the foreseeable future. As much as we'd like it to be different for all our customers, it has directly affected both rates and available capacity across the industry.

The Bahamas, however, has continued its robust economic rebound from the debilitating effects of the Covid pandemic, with a year-over-year 946% increase in total tourist arrivals for the month of April, according to the Central Bank's Monthly Economic Development report for May 2022. Increased economic activity has had a beneficial effect on Government coffers too, as taxes on goods and services grew by \$325 million (+42%) while tax revenue related to international trade and transactions more than doubled to \$346 million.

As always, we'd like to thank our Board of Directors and our dedicated staff for their ongoing support. Most of all, however, we'd like to thank our loyal customers, who are truly the business of our business! Let's all keep our fingers crossed that the active storm months ahead actually end up just like the past two years: uneventful!



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 June 30, 2022 (amounts expressed in Bahamian dollars)

	June 2022	December 2021
ASSETS		
Cash and bank balances	\$ 24,442,887	19,986,684
Term deposits	10,869,468	10,783,123
Accounts receivable	16,839,782	12,140,440
Due from insurance carriers	394,671	1,350
Investments in securities		
- fair value through profit or loss	9,937,547	9,338,871
- Amortized costs	9,583,729	10,731,218
Prepayments and other assets	870,510	735,399
Prepaid reinsurance premiums	25,082,389	23,063,154
Reinsurance recoveries	9,789,221	11,331,776
Right of use asset	174,855	235,392
Investment properties	536,916	536,914
Property, plant and equipment	7,798,904	7,843,126
Total assets	\$ 116,320,879	106,727,447
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 29,130,419	26,733,994
Outstanding claims	11,117,808	12,441,000
	40,248,227	39,174,994
Other liabilities:		
Due to related parties	-	116,705
Accounts payable	8,518,961	5,787,220
Due to reinsurers	8,533,405	4,136,453
Lease liability	176,709	239,248
Accrued expenses and other liabilities	2,944,285	3,266,511
Unearned commission reserve	6,233,098	5,723,247
Total liabilities	\$ 66,654,685	58,444,378
EQUITY		
Share capital		
Authorized ordinary shares-40,000,000 of \$0.01 each	\$ 400,000	400,000
Unissued ordinary shares- 32,000,000 of \$0.01 each	(320,000)	(320,000)
Issued and fully paid ordinary shares-8,000,000 of \$0.01 each	\$ 80,000	80,000
Retained earnings	31,416,060	29,774,730
Interest in own shares	(84,600)	(84,600)
	31,411,460	29,770,130
Non-controlling interest	18,254,734	18,512,939
Total equity	\$ 49,666,194	48,283,069
Total liabilities and equity	\$ 116,320,879	106,727,447

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2022 (amounts expressed in Bahamian dollars)

	June 2022	June 2021
INCOME		
Net revenue from contracts with customers	\$ 9,895,228	9,676,533
Net premiums earned	2,203,069	2,294,397
Investment income	662,302	687,465
Change in net unrealised gain on investments in securities	598,676	-
Total income	<u>\$ 13,359,275</u>	<u>12,658,395</u>
EXPENSES		
Salaries and employees benefits	\$ 5,720,190	5,368,278
Net claims incurred	503,623	524,259
Depreciation and amortization	289,610	297,150
Change in net unrealised loss on investments in securities	-	296,864
Other operating expenses	2,382,917	2,419,452
Total expenses	<u>\$ 8,896,340</u>	<u>8,906,003</u>
Net income	\$ 4,462,935	3,752,392
Total comprehensive income	\$ 4,462,935	3,752,392
Equity holders of the Company	\$ 4,036,290	3,280,243
Non-controlling interests	426,645	472,149
	\$ 4,462,935	3,752,392
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.51	\$ 0.41

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2022 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2020	80,000	27,364,731	(84,600)	27,360,131	16,755,678	44,115,809
Total comprehensive income for the year:						
Net income	-	3,280,243	-	3,280,243	472,149	3,752,392
Unrealised gain on available for sale securities	-	-	-	-	-	-
Distributions to owners:						
Dividends	-	(2,236,640)	-	(2,236,640)	(348,306)	(2,584,946)
Balance at June 30, 2021	80,000	28,408,334	(84,600)	28,403,734	16,879,521	45,283,255
Balance at December 31, 2021	80,000	29,774,730	(84,600)	29,770,130	18,512,939	48,283,069
Total comprehensive income for the year:						
Net income	-	4,036,290	-	4,036,290	426,645	4,462,935
Unrealised loss on available for sale securities	-	-	-	-	-	-
Distributions to owners:						
Dividends	-	(2,394,960)	-	(2,394,960)	(684,850)	(3,079,810)
Balance at June 30, 2022	80,000	31,416,060	(84,600)	31,411,460	18,254,734	49,666,194

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2022 (amounts expressed in Bahamian dollars)

	June 2022	June 2021
Cash flows from operating activities:		
Net income for the period	4,462,935	3,752,392
Adjustments for:		
Unearned premium reserve	(795,284)	(335,920)
Depreciation and amortization	289,610	297,150
Change in net unrealized losses on investments in securities	-	296,864
Interest income	(330,892)	(325,353)
Dividend income	(186,694)	(194,257)
Bad debts	24,000	24,000
Cash from operations before changes in assets and liabilities	3,463,675	3,514,876
(Increase)/decrease in assets:		
Accounts receivable	(4,723,342)	(2,165,868)
Due from insurance carriers	(393,321)	289,080
Prepayments and other assets	(135,113)	(128,220)
Prepaid reinsurance premiums	(2,019,235)	(805,792)
Reinsurance recoveries	1,542,555	7,446,644
Increase/(decrease) in liabilities:		
Unearned premium reserve	3,191,709	1,098,359
Outstanding claims	(1,323,192)	(6,976,408)
Due to related parties	(116,705)	-
Accounts payable, accrued expenses and other liabilities	2,409,515	(10,502,030)
Due to reinsurers	4,396,952	(3,164,248)
Unearned commission reserve	509,851	205,416
Net cash provided by/(used in) operating activities	6,803,349	(11,188,191)
Cash flows from investing activities:		
Net placement of term deposits	(38,368)	(82,554)
Purchase/(sale) of property, plant and equipment	(184,852)	126,845
Sale/(purchase) of investments in securities	524,164	(846,726)
Interest received	307,564	368,005
Dividends received	186,694	194,257
Net cash provided by/(used in) investing activities	795,202	(240,173)
Cash flows from financing activities:		
Dividends paid to shareholders	(2,394,960)	(2,236,640)
Principal payment of lease liability	(62,538)	(115,480)
Dividends paid to non-controlling interest	(684,850)	(348,306)
Net cash used in financing activities	(3,142,348)	(2,700,426)
Net increase/(decrease) in cash and cash equivalents	4,456,203	(14,128,790)
Cash and cash equivalents at beginning of period	19,986,684	32,605,631
Cash and cash equivalents at end of period	24,442,887	18,476,841

(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, 2021.

2. SEGMENT INFORMATION

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

The segment results for the period ended June 30, 2022 are as follows:

	<u>AGENTS & BROKERS</u>	<u>UNDERWRITING</u>	<u>TOTAL</u>
Net revenue from contracts with customers	\$ 11,366,314	(1,471,086)	9,895,228
Net premiums earned	-	2,203,069	2,203,069
Interest Income	26,316	304,576	330,892
Change in net unrealized gain on investments in securities	-	598,676	598,676
Dividend Income	57,618	150,945	208,563
Other income	(0)	122,847	122,847
	\$ 11,450,248	1,909,027	13,359,275
Insurance expenses	-	503,623	503,623
Depreciation & amortization	267,322	22,288	289,610
Other expenses	7,331,735	771,372	8,103,107
	\$ 7,599,057	1,297,283	8,896,340
NET INCOME	\$ 3,851,191	611,744	4,462,935

The segment results for the period ended June 30, 2021 are as follows:

	<u>AGENTS & BROKERS</u>	<u>UNDERWRITING</u>	<u>TOTAL</u>
Net revenue from contracts with customers	\$ 10,372,474	(695,941)	9,676,533
Net premiums earned	-	2,294,397	2,294,397
Interest Income	27,145	298,208	325,353
Dividend Income	271,160	155,301	426,461
Other income	(230,447)	166,098	(64,349)
	\$ 10,440,332	2,218,063	12,658,395
Insurance expenses	-	524,259	524,259
Depreciation & amortization	273,674	23,476	297,150
Change in net unrealized loss on investments in securities	-	296,864	296,864
Other expenses	7,111,160	676,570	7,787,730
	\$ 7,384,833	1,521,169	8,906,003
NET INCOME	\$ 3,055,498	696,894	3,752,392

The segment assets and liabilities as at June 30, 2022 are as follows:

	<u>AGENTS & BROKERS</u>	<u>UNDERWRITING</u>	<u>TOTAL</u>
Total assets	\$ 45,850,143	70,470,736	116,320,879
Total liabilities	24,926,933	41,727,752	66,654,685

The segment assets and liabilities as at June 30, 2021 are as follows:

	<u>AGENTS & BROKERS</u>	<u>UNDERWRITING</u>	<u>TOTAL</u>
Total assets	\$ 38,235,145	68,230,378	106,465,523
Total liabilities	19,417,910	41,764,358	61,182,268