

THIRD QUARTER

INTERIM REPORT

2 0 2 1

MANAGING DIRECTOR'S REVIEW

Despite the negative impact of Covid-related disruption we continue to face in the country, our overall financial results for the third quarter of 2021 were relatively solid and steady. Understandably, we've seen an increase in customer requests for premium installment payments, and some fall off in policy renewals, but we continue to monitor and manage the situation effectively. The result of these efforts has been an increase in Net Income to \$6.05M (+16% over the same period last year).

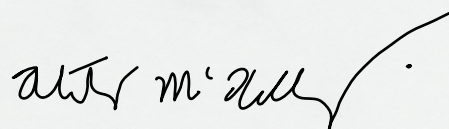
Total income for the quarter rose 7%, driven largely by strong performance from our Agency business. Net Revenue from Contracts with Customers in this segment rose to \$16.8M, a 17.5% increase over 2020. A sharp focus on expenses company wide also helped with profitability in Q3, by limiting the increase in total expenses to just 3% over last year.

However, Covid and reinsurance rate increases took their toll on our Underwriting segment for the quarter. The business posted a modest result of \$514,267 in Net Income, which is a substantial

decline from the \$1.3M it registered in Q3 2020. While we continually look for ways to mitigate rate adjustments for our customers, it proves extremely challenging in such a tight market.

Finally, I want to thank our customers, shareholders and Board of Directors for your continued support. In the ever-changing world we find ourselves in these days, it's comforting to know we can rely on something that has withstood the test of time so well.

Be safe.



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, 2021 (amounts expressed in Bahamian dollars)

	September 2021	December 2020
ASSETS		
Cash and bank balances	\$ 20,935,790	32,605,631
Term deposits	7,250,901	7,188,678
Accounts receivable	23,281,809	12,798,548
Due from insurance carriers	252,230	334,715
Investments in securities		
- fair value through profit or loss	9,023,317	8,246,055
- Amortized costs	10,942,490	11,015,510
Prepayments and other assets	1,022,132	1,102,055
Prepaid reinsurance premiums	24,822,850	21,682,877
Reinsurance recoveries	11,523,502	20,909,905
Right of use asset	301,196	412,798
Investment properties	536,916	787,772
Property, plant and equipment	7,855,179	8,003,843
Total assets	\$ 117,748,312	125,088,387
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 29,115,961	25,314,896
Outstanding claims	12,462,239	21,050,996
	<u>41,578,200</u>	<u>46,365,892</u>
Other liabilities:		
Accounts payable	11,512,407	15,050,985
Due to reinsurers	7,882,952	9,015,906
Lease Liability	304,216	419,696
Accrued expenses and other liabilities	3,896,351	4,688,460
Unearned commission reserve	6,106,918	5,431,639
Total liabilities	71,281,044	80,972,578
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	29,712,237	27,364,731
Interest in own shares	(84,600)	(84,600)
	<u>29,707,637</u>	<u>27,360,131</u>
Non-controlling interest	16,759,631	16,755,678
Total equity	\$ 46,467,268	44,115,809
Total liabilities and equity	117,748,312	125,088,387

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2021 *(amounts expressed in Bahamian dollars)*

	September 2021	September 2020
INCOME		
Net revenue from contracts with customers	15,088,725	13,783,488
Net premiums earned	3,418,412	3,434,551
Investment income	1,031,632	1,104,764
Total income	19,538,769	18,322,803
EXPENSES		
Salaries and employees benefits	8,299,460	7,843,348
Net claims incurred	934,519	1,098,713
Depreciation and amortization	497,068	558,091
Change in net unrealised loss on investments in securities	91,837	440,200
Other operating expenses	3,661,160	3,168,112
Total expenses	13,484,044	13,108,464
Net income	6,054,725	5,214,339
Other comprehensive income		
Unrealized gain on available for sale securities	-	-
Total comprehensive income	6,054,725	5,214,339
Equity holders of the Company	\$ 5,702,466	4,397,332
Non-controlling interests	352,259	817,007
	6,054,725	5,214,339
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.72	\$ 0.55

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 2021 (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, 2019	80,000	26,774,645	(84,600)	-	26,770,045	15,428,622	42,198,667
Total comprehensive income for the year:							
Net income	-	4,397,332	-	-	4,397,332	817,007	5,214,339
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(3,520,000)	-	-	(3,520,000)	-	(3,520,000)
Balance at September 30, 2020	80,000	27,651,977	(84,600)	-	27,647,377	16,245,629	43,893,006
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	-	5,702,466	-	-	5,702,466	352,259	6,054,725
Unrealised loss on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(3,354,960)	-	-	(3,354,960)	(348,306)	(3,703,266)
Balance at September 30, 2021	80,000	29,712,237	(84,600)	-	29,707,637	16,759,631	46,467,268

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2021 (amounts expressed in Bahamian dollars)

	September 2021	September 2020
Cash flows from operating activities:		
Net income for the period	6,054,725	5,214,339
Adjustments for:		
Unearned premium reserve	(1,040,365)	(673,520)
Depreciation and amortization	497,068	558,091
Change in net unrealized losses on investments in securities	91,837	440,200
Interest income	(486,176)	(692,475)
Dividend income	(295,162)	(255,271)
Bad debts	36,000	36,000
Cash from operations before changes in assets and liabilities	4,857,927	4,627,364
(Increase)/decrease in assets:		
Accounts receivable	(10,519,261)	(13,027,465)
Due from insurance carriers	82,485	717,669
Prepayments and other assets	79,924	546,103
Prepaid reinsurance premiums	(3,139,973)	(862,885)
Reinsurance recoveries	9,386,403	114,423,083
Increase/(decrease) in liabilities:		
Unearned premium reserve	4,841,430	1,519,280
Outstanding claims	(8,588,757)	(110,922,857)
Due to related parties	-	14,438,255
Accounts payable, accrued expenses and other liabilities	(4,330,687)	(9,684,460)
Due to reinsurers	(1,132,956)	(27,262,176)
Unearned commission reserve	675,280	(155,316)
Net cash used in operating activities	(7,788,185)	(25,643,405)
Cash flows from investing activities:		
Net placement of term deposits	(82,554)	(140,587)
Purchase of property, plant and equipment	14,054	(291,598)
Sale of investments in securities	(849,750)	627,684
Interest received	560,178	786,829
Dividends received	295,162	255,272
Net cash (used in)/provided by investing activities	(62,910)	1,237,600
Cash flows from financing activities:		
Dividends paid to shareholders	(3,354,960)	(3,520,000)
Principal payment of lease liability	(115,480)	(139,461)
Dividends paid to non-controlling interest	(348,306)	-
Net cash used in financing activities	(3,818,746)	(3,659,461)
Net decrease in cash and cash equivalents	(11,669,841)	(28,065,266)
Cash and cash equivalents at beginning of period	32,605,631	74,940,376
Cash and cash equivalents at end of period	20,935,790	46,875,110

(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, 2020.

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, 2021 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 16,867,899	(1,779,174)	15,088,725
Net premiums earned	-	3,418,412	3,418,412
Interest income	37,427	448,750	486,177
Dividend income	290,637	236,729	527,366
Other income	(200,652)	218,740	18,088
	\$ 16,995,312	2,543,457	19,538,769
Insurance expenses	-	934,519	934,519
Depreciation & amortization	462,196	34,872	497,068
Change in net unrealized loss on investment in securities	-	91,837	91,837
Other expenses	10,992,658	967,962	11,960,620
	\$ 11,454,854	2,029,190	13,484,044
NET INCOME	\$ 5,540,458	514,267	6,054,725

The segment results for the period ended September 30, 2020 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 14,354,941	(571,453)	13,783,488
Net premiums earned	-	3,434,551	3,434,551
Interest income	155,643	536,832	692,475
Dividend income	35,933	219,338	255,271
Other income	4,684	152,334	157,018
	\$ 14,551,201	3,771,602	18,322,803
Insurance expenses	\$ -	1,098,713	1,098,713
Depreciation and amortization	520,727	37,364	558,091
Change in net unrealized gain on investment in securities	-	440,200	440,200
Other expenses	10,117,671	893,789	11,011,460
	\$ 10,638,398	2,470,066	13,108,464
NET INCOME	\$ 3,912,803	1,301,536	5,214,339

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

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 48,279,614	69,468,698	117,748,312
Total liabilities	28,084,919	43,196,125	71,281,044

The segment assets and liabilities as at September 30, 2020 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 81,675,587	88,401,489	170,077,076
Total liabilities	63,233,322	62,950,748	126,184,070