

# FIRST QUARTER

## INTERIM REPORT

2021

### MANAGING DIRECTOR'S REVIEW

As we enter 2021 and our economy slowly begins to open, we are pleased to advise that all of our staff's hard work and the support of our clients, in negotiating the Covid crisis, are beginning to show some positive results.

Thanks to a combination of strong net revenue from contracts with customers and an 8.4% decrease in total expenses, overall Net income rose by \$881,401 compared to the same period last year. As mentioned in a previous report, early measures to reduce operational costs after the onset of the pandemic proved largely successful in mitigating much of the expected income decline that it created.

We again witnessed the see-saw-like interplay of our Underwriting and Agency partnership this quarter, which produced favourable results overall. Underwriting managed a small profit of \$371,421--despite a decline of \$323,514 in net revenue from contracts with customers--and our Agency realized net income of \$1,986,402.

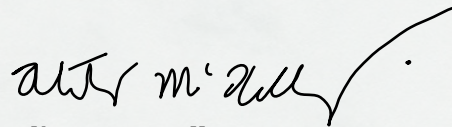
Whilst encouraging, several significant factors may yet impact results for the remainder of the year, including a predicted active hurricane season, a continued reluctance by re-insurers to increase coverage capacity

in the region and what we expect will be a longer-than-desired timeframe for life to return to normal.

The rollout of the Covid vaccine has begun, however slowly and we expect a further loosening of Government-mandated restrictions in the coming months.

We are thankful that, as a company and individually, we have managed to navigate this crisis, to date, but remain alert to the obstacles ahead.

As always, my sincere thanks for the continued dedication of all my colleagues and for the loyalty of our customers.



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, 2021 (amounts expressed in Bahamian dollars)

|  | March 2021            | December 2020      |
|--|-----------------------|--------------------|
| <b>ASSETS</b>                            |                       |                    |
| Cash and bank balances                   | \$ 19,708,627         | 32,605,631         |
| Term deposits                            | 7,228,678             | 7,188,678          |
| Accounts receivable                      | 16,746,374            | 12,798,548         |
| Due from insurance carriers              | 753,940               | 334,715            |
| Investments in securities                |                       |                    |
| - fair value through profit or loss      | 8,019,318             | 8,246,055          |
| - Amotized costs                         | 11,037,200            | 11,015,510         |
| Prepayments and other assets             | 1,633,109             | 1,102,055          |
| Prepaid reinsurance premiums             | 21,712,625            | 21,682,877         |
| Reinsurance recoveries                   | 18,146,740            | 20,909,905         |
| Right of use asset                       | 355,566               | 412,798            |
| Investment properties                    | 787,774               | 787,772            |
| Property, plant and equipment            | 7,952,508             | 8,003,843          |
| <b>Total assets</b>                      | <b>\$ 114,082,459</b> | <b>125,088,387</b> |
| <b>LIABILITIES</b>                       |                       |                    |
| General insurance funds:                 |                       |                    |
| Unearned premium reserve                 | \$ 25,442,778         | 25,314,896         |
| Outstanding claims                       | 19,234,210            | 21,050,996         |
|  | <u>44,676,988</u>     | <u>46,365,892</u>  |
| Other liabilities:                       |                       |                    |
| Accounts payable                         | 9,968,738             | 15,050,985         |
| Due to reinsurers                        | 5,578,477             | 9,015,906          |
| Lease Liability                          | 361,663               | 419,696            |
| Accrued expenses and other liabilities   | 2,705,831             | 4,688,460          |
| Unearned commission reserve              | 5,475,450             | 5,431,639          |
| <b>Total liabilities</b>                 | <b>68,767,147</b>     | <b>80,972,578</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                        | 28,296,345            | 27,364,731         |
| Interest in own shares                   | (84,600)              | (84,600)           |
|  | <u>28,291,745</u>     | <u>26,360,131</u>  |
| Non-controlling interest                 | 17,023,567            | 16,755,678         |
| <b>Total equity</b>                      | <b>\$ 45,315,312</b>  | <b>44,115,809</b>  |
| <b>Total liabilities and equity</b>      | <b>114,082,459</b>    | <b>125,088,387</b> |

(unaudited)



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2021 *(amounts expressed in Bahamian dollars)*

|   | March 2021       | March 2020       |
|---|------------------|------------------|
| <b>INCOME</b>   |                  |                  |
| Net revenue from contracts with customers   | 5,142,433        | 4,497,755        |
| Net premiums earned   | 1,163,188        | 1,215,070        |
| Investment income   | 323,659          | 427,509          |
| Total income  | 6,629,280        | 6,140,334        |
| <b>EXPENSES</b>   |                  |                  |
| Salaries and employees benefits   | 2,595,380        | 2,573,168        |
| Net claims incurred   | 250,628          | 428,551          |
| Depreciation and amortization   | 155,207          | 146,027          |
| Change in net unrealised loss on investments in securities                          | 226,736          | 379,909          |
| Other operating expenses  | 1,083,506        | 1,136,258        |
| Total expenses  | 4,311,457        | 4,663,913        |
| <b>Net income</b>   | <b>2,317,823</b> | <b>1,476,421</b> |
| <b>Total comprehensive income</b>   | <b>2,317,823</b> | <b>1,476,421</b> |
| Equity holders of the Company   | \$ 2,049,934     | 882,073          |
| Non-controlling interests   | 267,889          | 594,348          |
|   | <b>2,317,823</b> | <b>1,476,421</b> |
| Earnings per share for the profit attributable to the equity holders of the Company | \$ 0.26          | \$ 0.11          |

*(unaudited)*



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2021 (amounts expressed in Bahamian dollars)

|  | Share<br>Capital | Retained<br>Earnings | Interest<br>in own<br>Shares | Other<br>Comprehensive<br>Income | Total<br>Shareholders'<br>Equity | Non-<br>Controlling<br>Interest | Total<br>Equity   |
|--|------------------|----------------------|------------------------------|----------------------------------|----------------------------------|---------------------------------|-------------------|
| Balance at<br>December<br>31, 2018                     | 80,000           | 26,774,645           | (84,600)                     | -                                | 26,770,045                       | 15,428,622                      | 42,198,667        |
| Total comprehensive<br>income for the year:            |                  |                      |                              |                                  |                                  |                                 |                   |
| Net income   | -                | 882,073              | -                            | -                                | 882,073                          | 594,348                         | 1,476,421         |
| Unrealised gain on<br>available for sale<br>securities | -                | -                    | -                            | -                                | -                                | -                               | -                 |
| Distributions to owners:                               |                  |                      |                              |                                  |                                  |                                 |                   |
| Dividends  | -                | (1,280,000)          | -                            | -                                | (1,280,000)                      | -                               | (1,280,000)       |
| <b>Balance at<br/>March 31,<br/>2020</b>               | <b>80,000</b>    | <b>26,376,718</b>    | <b>(84,600)</b>              | <b>-</b>                         | <b>26,372,118</b>                | <b>16,022,970</b>               | <b>42,395,088</b> |
| Balance at<br>December<br>31, 2020                     | 80,000           | 27,364,731           | (84,600)                     | -                                | 27,360,131                       | 16,755,678                      | 44,115,809        |
| Total comprehensive<br>income for the year:            |                  |                      |                              |                                  |                                  |                                 |                   |
| Net income   | -                | 2,049,934            | -                            | -                                | 2,049,934                        | 267,889                         | 2,317,823         |
| Unrealised gain on<br>available for sale<br>securities | -                | -                    | -                            | -                                | -                                | -                               | -                 |
| Distributions to owners:                               |                  |                      |                              |                                  |                                  |                                 |                   |
| Dividends  | -                | (1,118,320)          | -                            | -                                | (1,118,320)                      | -                               | (1,118,320)       |
| <b>Balance at<br/>March 31,<br/>2021</b>               | <b>80,000</b>    | <b>28,296,345</b>    | <b>(84,600)</b>              | <b>-</b>                         | <b>28,291,745</b>                | <b>17,023,567</b>               | <b>45,315,312</b> |

(unaudited)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2021 (amounts expressed in Bahamian dollars)

|  | March 2021          | March 2020          |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                         |                     |                     |
| Net income for the period  | 2,317,823           | 1,476,421           |
| <i>Adjustments for:</i>  |                     |                     |
| Unearned premium reserve   | (477,407)           | 169,036             |
| Depreciation and amortization  | 155,207             | 146,027             |
| Change in net unrealized losses on investments in securities         | 226,736             | 379,909             |
| Interest income  | (155,513)           | (300,381)           |
| Dividend income  | (83,488)            | (81,786)            |
| Bad debts  | 12,000              | 12,000              |
| <b>Cash from operations before changes in assets and liabilities</b> | <b>1,995,358</b>    | <b>1,801,226</b>    |
| <b>(Increase)/decrease in assets:</b>                                |                     |                     |
| Accounts receivable  | (3,959,826)         | 1,556,800           |
| Due from insurance carriers  | (419,225)           | (219,873)           |
| Prepayments and other assets   | (531,055)           | 804,961             |
| Prepaid reinsurance premiums   | (29,748)            | 2,346,431           |
| Reinsurance recoveries   | 2,763,165           | 65,777,244          |
| <b>Increase/(decrease) in liabilities:</b>                           |                     |                     |
| Unearned premium reserve   | 605,289             | (3,375,148)         |
| Outstanding claims   | (1,816,786)         | (63,825,116)        |
| Due to related parties   | -                   | 826,102             |
| Accounts payable, accrued expenses and other liabilities             | (7,064,875)         | (4,784,638)         |
| Due to reinsurers  | (3,437,432)         | (10,466,014)        |
| Unearned commission reserve  | 43,811              | (660,937)           |
| <b>Net cash used in operating activities</b>                         | <b>(11,851,324)</b> | <b>(10,218,962)</b> |
| <b>Cash flows from investing activities:</b>                         |                     |                     |
| Net placement of term deposits                                       | (135)               | (99,675)            |
| Purchase of property, plant and equipment                            | (46,640)            | (118,593)           |
| Sale of investments in securities                                    | (23,965)            | 30,374              |
| Interest received  | 117,925             | 378,284             |
| Dividends received   | 83,488              | 81,786              |
| <b>Net cash provided by investing activities</b>                     | <b>130,673</b>      | <b>272,176</b>      |
| <b>Cash flows from financing activities:</b>                         |                     |                     |
| Dividends paid to shareholders                                       | (1,118,320)         | (1,280,000)         |
| Principal payment of lease liability                                 | (58,033)            | -                   |
| <b>Net cash used in financing activities</b>                         | <b>(1,176,353)</b>  | <b>(1,280,000)</b>  |
| <b>Net decrease in cash and cash equivalents</b>                     | <b>(12,897,004)</b> | <b>(11,226,786)</b> |
| Cash and cash equivalents at beginning of period                     | 32,605,631          | 74,940,376          |
| <b>Cash and cash equivalents at end of period</b>                    | <b>19,708,627</b>   | <b>63,713,590</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, 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 March 31, 2021 are as follows:

|  | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b>     |
|--|-----------------------------|---------------------|------------------|
| Net revenue from contracts with customers                  | \$ 5,465,947                | (323,514)           | 5,142,433        |
| Net premiums earned  | -                           | 1,163,188           | 1,163,188        |
| Interest Income  | 7,232                       | 148,281             | 155,513          |
| Dividend Income  | 19,478                      | 64,010              | 83,488           |
| Other income   | 618                         | 84,040              | 84,658           |
|  | <b>\$ 5,493,275</b>         | <b>1,136,005</b>    | <b>6,629,280</b> |
| Insurance expenses   | -                           | 250,628             | 250,628          |
| Depreciation & amortization                                | 143,188                     | 12,019              | 155,207          |
| Change in net unrealized loss on investments in securities | -                           | 226,736             | 226,736          |
| Other expenses   | 3,403,685                   | 275,201             | 3,678,886        |
|  | <b>\$ 3,546,873</b>         | <b>764,584</b>      | <b>4,311,457</b> |
| <b>NET INCOME</b>  | <b>\$ 1,946,402</b>         | <b>371,421</b>      | <b>2,317,823</b> |

The segment results for the period ended March 31, 2020 are as follows:

|  | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b>     |
|--|-----------------------------|---------------------|------------------|
| Net revenue from contracts with customers                  | \$ 4,009,112                | 488,643             | 4,497,755        |
| Net premiums earned  | -                           | 1,215,070           | 1,215,070        |
| Interest Income  | 109,100                     | 191,281             | 300,381          |
| Dividend Income  | 11,978                      | 69,808              | 81,786           |
| Other income   | 1,609                       | 43,733              | 45,342           |
|  | <b>\$ 4,131,799</b>         | <b>2,008,535</b>    | <b>6,140,334</b> |
| Insurance expenses   | -                           | 428,551             | 428,551          |
| Depreciation & amortization                                | 133,695                     | 12,332              | 146,027          |
| Change in net unrealized loss on investments in securities | -                           | 379,909             | 379,909          |
| Other expenses   | 3,409,066                   | 300,360             | 3,709,426        |
|  | <b>\$ 3,542,761</b>         | <b>1,121,152</b>    | <b>4,663,913</b> |
| <b>NET INCOME</b>  | <b>\$ 589,038</b>           | <b>887,383</b>      | <b>1,476,421</b> |

The segment assets and liabilities as at March 31, 2021 are as follows:

|                   | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b> |
|-------------------|-----------------------------|---------------------|--------------|
| Total assets      | \$ 41,105,156               | 72,977,303          | 114,082,459  |
| Total liabilities | 22,521,183                  | 46,245,964          | 68,767,147   |

The segment assets and liabilities as at March 31, 2020 are as follows:

|                   | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b> |
|-------------------|-----------------------------|---------------------|--------------|
| Total assets      | \$ 78,615,644               | 140,727,053         | 219,342,697  |
| Total liabilities | 61,282,142                  | 115,665,467         | 176,947,609  |

(unaudited)