

FOURTH QUARTER

INTERIM REPORT

2 0 2 3

MANAGING DIRECTOR'S REVIEW

A quick glance at the calendar tells me it's safe to officially celebrate another hurricane-free season. Yet, just as I get comfortable basking in the satisfaction of another natural disaster-less year, I begin to hear a voice inside my head repeating Murphy's Eighth Law: If everything seems to be going well, you have obviously overlooked something.

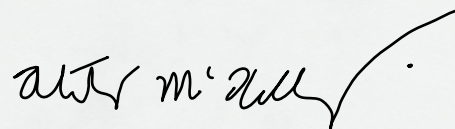
Post Covid, The Bahamas has enjoyed record tourism numbers, multiple foreign direct investment projects, and enviable weather. Add a new cruise port, stabilizing energy costs from record-high summer levels, and gradually declining unemployment levels and you've got a potent formula for post-pandemic economic growth.

Our Q4 financials reflect these advancements to some degree, with an 8.2% gain in Agency Net income (\$6.55M to \$7.09M) and a nearly 15% increase in Insurance revenue from our Underwriting segment (\$81M to \$93M). Underwriting also enjoyed a 31.9% bump in Unrealized gain on investments in securities that mitigated a 20% rise in Insurance service expenses. All these factors contributed to a 34.2% increase in consolidated net income for the 12 months ended December 31, 2023, resulting in a nearly 48% increase in Earnings per share for the company (\$0.80 to \$1.18) for the period.

But clouds have gathered on the horizon and deserve some recognition. We continue to grapple with a lack of reinsurance capacity, despite surging demand for property coverage in the region. In such a "hard" global insurance market—impacted by everything from wars in Europe and the Middle East to energy supply chain interruptions—this translates into higher costs. In addition, the potential for another Dorian-like storm has even prompted some insurers to reconsider their very presence in the region. Not a welcome situation for any local insurer.

We're committed to controlling our own costs and working with our partners to assuage the impact of higher rates on both existing and new customers. But the struggle is real and it continues.

I'm again thankful to our Board of Directors, for their continued support and guidance, and to our staff, who provide an unmatched level of professional service in the face of these challenges. To conclude in a spirit of positive thinking, I hope to have successfully quieted Mr. Murphy's narrative in my head by the time I post my next quarterly report.



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 December 31, 2023 *(amounts expressed in Bahamian dollars)*

	December 2023	December 2022
ASSETS		
Cash and bank balances	\$ 25,794,251	20,557,403
Term deposits	12,355,036	10,961,017
Accounts receivable	12,167,921	11,641,954
Due from insurance carriers	516,626	217,151
Investments in securities		
- fair value through profit or loss	11,371,383	10,152,703
- Amortized costs	20,222,658	13,815,579
Prepayments and other assets	117,662	689,610
Reinsurance Contract Assets	25,918,274	34,431,701
Right of use assets	726,823	209,276
Investment properties	536,916	536,914
Property, plant and equipment	7,614,604	7,673,346
Total assets	\$ 117,342,154	110,886,654
LIABILITIES		
Insurance Contract Liabilities:		
Liability for Remaining Coverage	\$ 31,245,576	27,987,177
Liability for Claims Incurred	3,924,225	11,231,733
	<u>35,169,801</u>	<u>39,218,910</u>
Other liabilities:		
Due to related parties	-	492,901
Accounts payable	8,362,598	5,684,062
Reinsurance contract liabilities	10,773,993	10,806,625
Lease liability	727,587	213,531
Accrued expenses and other liabilities	4,577,089	3,658,071
Total liabilities	59,611,068	60,074,100
EQUITY		
Share capital		
Authorized, issued and fully paid: - 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	35,989,321	32,010,719
Interest in own shares	(84,600)	(84,600)
	<u>35,984,721</u>	<u>32,006,119</u>
Non-controlling interest	21,746,365	18,806,435
Total equity	\$ 57,731,086	50,812,554
Total liabilities and equity	117,342,154	110,886,654

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months to December 31, 2023 (amounts expressed in Bahamian dollars)

	December 2023	December 2022
INCOME		
Insurance Revenue	93,105,919	81,022,855
Net revenue from contracts with customers	23,383,855	22,367,884
Reinsurance Finance Income	2,299,884	1,780,884
Change in net unrealized gain on investments in securities	1,074,081	813,832
Total income	119,863,738	105,984,981
EXPENSES		
Net expense from Reinsurance contracts held	78,124,020	70,258,704
Salaries and employees benefits	11,898,247	11,685,768
Insurance service expense	10,052,763	8,429,946
Depreciation and amortization	721,780	680,677
Provision for expected credit loss	-	51,933
Other operating expenses	5,862,932	5,045,411
Total expenses	106,659,742	96,152,439
Net income	13,203,996	9,832,542
Total comprehensive income	13,203,996	9,832,542
Equity holders of the Company	\$ 9,412,482	7,826,976
Non-controlling interests	3,791,514	2,005,556
	13,203,996	9,832,542
Earnings per share for the profit attributable to the equity holders of the Company	\$ 1.18	\$ 0.80

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months to December 31, 2023 (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, 2021	80,000	29,134,984	(84,600)	29,130,384	17,553,319	46,683,703
Total comprehensive income for the year:						
Net income	-	7,826,976	-	7,826,976	2,005,566	9,832,542
Unrealised gain on available for sale securities	-	-	-	-	-	-
Distributions to owners:						
Dividends	-	(4,951,240)	-	(4,951,240)	(752,450)	(5,703,690)
Balance at December 31, 2022	80,000	32,010,720	(84,600)	32,006,120	18,806,436	50,812,555
Balance at December 31, 2022	80,000	32,010,720	(84,600)	32,006,120	18,806,436	50,812,555
Total comprehensive income for the year:						
Net income	-	9,412,482	-	9,412,482	3,791,514	13,203,996
Unrealised loss on available for sale securities	-	-	-	-	-	-
Distributions to owners:						
Dividends	-	(5,433,880)	-	(5,433,880)	(851,585)	(6,285,465)
Balance at December 31, 2023	80,000	35,989,322	(84,600)	35,984,722	21,746,365	57,731,086

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months to December 31, 2023 (amounts expressed in Bahamian dollars)

	December 2023	December 2022
Cash flows from operating activities:		
Net income for the period	13,203,996	10,500,908
Adjustments for:		
Unearned premium reserve	(3,950,597)	(131,641)
Depreciation and amortization	721,780	680,677
Provision for expected credit loss	-	51,933
Interest expense	-	12,912
Change in net unrealized losses on investments in securities	-	(813,832)
Interest Income	(943,025)	(652,964)
Dividend income	(455,936)	(352,229)
Bad debts	163,860	48,000
Cash from operations before changes in assets and liabilities	8,740,078	9,343,764
(Increase)/decrease in assets:		
Accounts receivable	(689,827)	450,486
Due from insurance carriers	(299,475)	(215,801)
Prepayments and other assets	571,949	45,789
Reinsurance contract assets	8,513,427	(1,121,542)
Reinsurance recoveries	-	3,620,980
Increase/(decrease) in liabilities:		
Unearned premium reserve	7,208,996	1,384,824
Liability for remaining coverage	(7,307,508)	(3,477,000)
Due to related parties	(492,901)	376,196
Accounts payable, accrued expenses and other liabilities	3,597,552	288,399
Reinsurance contract assets	(32,632)	(1,850,333)
Unearned commission reserve	-	261,049
Net cash provided by operating activities	19,809,660	9,106,811
Cash flows from investing activities:		
Net placement of term deposits	(1,242,836)	(50,252)
Proceeds from principal payments	-	1,896,233
(Purchase) of property, plant and equipment	(1,180,587)	(326,522)
(purchase)/Sale of investments in securities	(7,660,462)	(5,057,122)
Interest received	826,544	549,917
Dividends received	455,936	352,229
Net cash used in investing activities	(8,801,404)	(2,635,517)
Cash flows from financing activities:		
Dividends paid to shareholders	(5,433,880)	(4,951,240)
Principal payment of lease liability	514,056	(183,973)
Dividends paid to non-controlling interest	(851,585)	(752,450)
Interest paid	-	(12,912)
Net cash used in financing activities	(5,771,409)	(5,900,575)
Net increase in cash and cash equivalents	5,236,847	570,719
Cash and cash equivalents at beginning of period	20,557,403	19,986,684
Cash and cash equivalents at end of period	25,794,251	20,557,403

(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, 2023.

2. SEGMENT INFORMATION

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

The segment results for the period ended December 31, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Insurance Revenue	\$ -	93,105,919	93,105,919
Net revenue from contracts with customers	23,452,382	(68,527)	23,383,855
Interest income	224,533	718,491	943,024
Change in net unrealized gain on investments in securities	-	1,074,081	1,074,081
Dividend income	257,452	399,007	656,459
Other income	-	700,400	700,400
Change in net unrealized gain on investments in securities	\$ 23,934,367	95,929,371	119,863,738
Net expense from Reinsurance contracts held	\$ -	78,124,020	78,124,020
Insurance service expense	-	10,052,765	10,052,765
Depreciation and amortization	645,761	76,019	721,780
Other expenses	16,190,462	1,570,715	17,761,177
	\$ 16,836,223	89,823,519	106,659,742
Net income	\$ 7,098,144	6,105,852	13,203,996

The segment results for the period ended December 31, 2022 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Insurance revenue	\$ -	81,022,855	81,022,855
Net revenue from contracts with customers	22,337,692	30,192	22,367,884
Interest income	46,921	606,043	652,964
Dividend income	-	352,229	352,229
Change in net unrealized gain on investments in securities	-	813,832	813,832
Other income	174,805	600,412	775,217
	\$ 22,559,418	83,425,563	105,984,981
Net expense from Reinsurance contracts held	\$ -	70,258,704	70,258,704
Insurance service expense	-	8,429,946	8,429,946
Depreciation and amortization	631,203	49,474	680,677
Provision for expected credit loss	-	51,933	51,933
Other expenses	15,368,296	1,362,883	16,731,179
	\$ 15,999,499	80,152,940	96,152,439
Net income	\$ 6,559,919	3,272,623	9,832,542

The segment assets and liabilities as at December 31, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 41,534,324	75,807,830	117,342,154
Total liabilities	25,367,676	34,243,392	59,611,068

The segment assets and liabilities as at December 31, 2022 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 27,830,998	83,055,656	110,886,654
Total liabilities	19,962,818	40,111,282	60,074,100