

THIRD QUARTER

INTERIM REPORT

2 0 2 3

MANAGING DIRECTOR'S REVIEW

I've prematurely celebrated the waning of hurricane season in past reviews, only to get blindsided by the advancement of a late storm heading toward our shores. This year I checked the radar before penning this message and noticed a few colourful cloud blobs still swirling around in the Caribbean. So, I'm not celebrating anything yet.

Insurance companies get uneasy each year from June through November, thanks to the increased potential for tropical storm damage and loss. (El Nino's calming influence on Caribbean hurricane activity may have indeed been our friend again this year, but I'll reserve any victory dance until my Q4 report!)

In the meantime, industry headwinds negatively affected both segments of our business through September. Despite an increase in Net revenue from contracts with customers (\$17.5M to \$17.9M) and a three-fold increase in Interest income (\$33,911 to \$108,558), a 16% increase in Other expenses dampened results for our Agency division, which registered a 2% decline in Net income (\$6.1M to \$6M) for the period.

Our Underwriting division, as well, continued to struggle with the fallout from a hardening of the global reinsurance market and an inability to expand sufficient coverage capacity within our region. Although several line items in this segment remained relatively steady compared to last year (Insurance service expense and Other expenses), an increase of nearly 6.0% in Net expense from

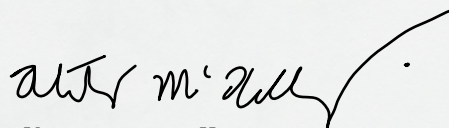
Reinsurance contracts held (premiums ceded) contributed to a precipitous decline in Net income, from \$813,007 to just \$91,802.

As a result, consolidated net income through September decreased 12.54% over the same period last year, from \$6.93M to \$6.06M.

The Bahamian economy, however, seems to be forging ahead nicely, as the opening of the renovated port area in Nassau and record numbers of visitors bolster our tourism industry. Let's hope this success can translate into a more positive and productive economic environment for all Bahamians.

As always, I'd like to thank our Board of Directors for their continued support and guidance, and our staff, who continue to work hard every day to provide the level of service our customers both expect and deserve.

Now, let me check that radar again . . .



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, 2023 (amounts expressed in Bahamian dollars)

	September 2023	December 2022
ASSETS		
Cash and bank balances	\$ 26,616,648	20,557,403
Term deposits	11,090,642	10,961,017
Accounts receivable	27,508,403	11,641,954
Due from insurance carriers	2,129,311	217,151
Investments in securities		
- fair value through profit or loss	10,566,124	10,152,703
- Amotized costs	18,137,870	13,815,579
Prepayments and other assets	880,309	689,610
Reinsurance Contract Assets (formally prepaid reins. premiums, reins recoveries, unearned comm resv liab. & asset side of due to reinsurers)	31,041,087	34,431,701
Right of use asset	81,231	209,276
Investment properties	536,916	536,914
Property, plant and equipment	7,603,204	7,673,346
Total assets	\$ 136,191,745	110,886,654
LIABILITIES		
Insurance Contract Liabilities:		
Liability for Remaining Coverage (Unearned premium reserve)	\$ 38,788,533	27,987,177
Liability for Claims Incurred (Outstanding claims)	9,412,722	8,964,000
	<u>48,201,255</u>	<u>36,951,177</u>
Other liabilities:		
Due to related parties	-	492,901
Accounts payable	17,943,584	5,684,062
Reinsurance contract liabilities (Liability side of due to reinsurers)	10,132,094	10,806,625
Lease Liability	80,956	213,531
Accrued expenses and other liabilities	5,515,557	3,658,071
Total liabilities	81,873,446	57,806,367
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	34,698,131	32,917,812
Interest in own shares	(84,600)	(84,600)
	<u>34,693,531</u>	<u>32,913,212</u>
Non-controlling interest	19,624,768	20,167,075
Total equity	\$ 54,318,299	53,080,287
Total liabilities and equity	136,191,745	110,886,654

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2023 (amounts expressed in Bahamian dollars)

	September 2023	September 2022
INCOME		
Insurance Revenue (formally premiums earned)	51,542,210	49,431,146
Net revenue from contracts with customers	15,579,918	15,458,330
Reinsurance Finance Income (formally investment income)	1,280,791	1,044,311
Change in net unrealised gain on investments in securities	268,823	719,084
Total income	68,671,742	66,652,871
EXPENSES		
Net expense from Reinsurance contracts held (premiums ceded) (claims recovered & excess of loss reinsurance)	42,224,524	39,851,533
Salaries and employees benefits	8,864,765	8,675,096
Insurance service expense (gross claims incurred)	7,128,914	7,164,485
Depreciation and amortization	519,103	428,224
Other operating expenses (2/3 reclassified to net exp from reins)	3,869,429	3,598,533
Total expenses	62,606,735	59,717,870
Net income	6,065,007	6,935,001
Total comprehensive income	6,065,007	6,935,001
Equity holders of the Company	\$ 5,855,729	6,377,926
Non-controlling interests	209,278	557,075
	6,065,007	6,935,001
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.73	\$ 0.80

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 2023 (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, 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	-	6,377,926	-	-	6,377,926	557,075	6,935,001
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(3,594,960)	-	-	(3,594,960)	(682,450)	(4,277,410)
Balance at September 30, 2022	80,000	32,557,696	(84,600)	-	32,553,096	18,387,564	50,940,660
Balance at December 31, 2022	80,000	32,917,812	(84,600)	-	32,913,212	20,167,075	53,080,287
Total comprehensive income for the year:							
Net income	-	5,855,729	-	-	5,855,729	209,278	6,065,007
Unrealised loss on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(4,075,410)	-	-	(4,075,410)	(751,585)	(4,826,995)
Balance at September 30, 2023	80,000	34,698,131	(84,600)	-	34,693,531	19,624,768	54,318,299

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2022 (amounts expressed in Bahamian dollars)

	September 2023	September 2022
Cash flows from operating activities:		
Net income for the period	6,065,007	6,935,001
Adjustments for:		
Unearned premium reserve	(5,976,270)	(1,102,706)
Depreciation and amortization	519,103	428,224
Interest income	(644,431)	(491,175)
Dividend income	(329,320)	(286,973)
Bad debts	36,000	36,000
Cash (used in)/from operations operations before changes in assets and liabilities	(329,911)	5,518,371
(Increase)/decrease in assets:		
Accounts receivable	(15,902,449)	(8,066,653)
Due from insurance carriers	(1,912,159)	(255,728)
Prepayments and other assets	(190,699)	(111,647)
Reinsurance contract assets	3,390,614	(3,583,414)
Reinsurance recoveries	-	3,843,672
Increase/(decrease) in liabilities:		
Unearned premium reserve	16,777,626	5,370,731
Liability for remaining coverage	448,722	(3,773,770)
Due to related parties	(492,901)	(116,705)
Accounts payable, accrued expenses and other liabilities	14,117,006	16,747,166
Reinsurance contract liabilities	(674,531)	2,416,259
Unearned commission reserve	-	788,744
Net cash provided by operating activities	15,231,319	18,777,026
Cash flows from investing activities:		
Net placement of term deposits	131,723	(38,368)
(Purchase) of property, plant and equipment	(320,918)	(255,041)
(Purchase)/sale of investments in securities	(4,813,246)	466,971
Interest received	460,616	472,813
Dividends received	329,320	286,973
Net cash (used)/provided investing activities	(4,212,505)	933,348
Cash flows from financing activities:		
Dividends paid to shareholders	(4,075,410)	(3,594,960)
Principal payment of lease liability	(132,575)	(62,538)
Dividends paid to non-controlling interest	(751,585)	(682,450)
Net cash used in financing activities	(4,959,570)	(4,339,948)
Net increase in cash and cash equivalents	6,059,244	15,370,426
Cash and cash equivalents at beginning of period	20,557,403	19,986,684
Cash and cash equivalents at end of period	26,616,648	35,357,110

(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, 2022.

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, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Insurance Revenue	\$ -	51,542,210	51,542,210
Net revenue from contracts with customers	17,919,151	(2,339,233)	15,579,918
Interest income	108,558	535,872	644,430
Change in net unrealized gain on investment in securities	-	268,823	268,823
Dividend income	83,443	284,368	367,811
Other income	-	268,550	268,550
	\$ 18,111,152	50,560,590	68,671,742
Net expense from Reinsurance contracts held (premiums ceded)	-	42,224,524	42,224,524
Insurance service expense	-	7,128,914	7,128,914
Depreciation & amortization	465,179	53,924	519,103
Other expenses	11,672,768	1,061,426	12,734,194
	\$ 12,137,947	50,468,788	62,606,735
Net Income	\$ 5,973,205	91,802	6,065,007

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

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Insurance revenue	\$ -	49,431,146	49,431,146
Net revenue from contracts with customers	17,480,024	(2,021,694)	15,458,330
Interest income	33,911	457,264	491,175
Dividend income	76,292	230,950	307,242
Change in net unrealized gain on investment in securities	-	719,084	719,084
Other income	24,242	221,652	245,894
	\$ 17,614,469	49,038,402	66,652,871
Net expense from Reinsurance contracts held	\$ -	39,851,533	39,851,533
Insurance service expense	-	7,164,485	7,164,485
Depreciation and amortization	394,754	33,470	428,224
Other expenses	11,097,721	1,175,907	12,273,628
	\$ 11,492,475	48,225,395	59,717,870
Net income	\$ 6,121,994	813,007	6,935,001

The segment assets and liabilities As at September 30, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 58,330,580	77,861,165	136,191,745
Total liabilities	42,350,551	39,552,895	81,873,446

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

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 57,941,551	71,710,667	129,652,218
Total liabilities	35,936,639	42,774,919	78,711,558

(unaudited)