



**BRIAN M. MOREE, QC**  
*Chairman*

# CHAIRMAN'S STATEMENT

Throughout its ninety (90) plus years of experience in serving the Bahamian public in the insurance sector, J. S. Johnson has successfully navigated the diverse economic cycles affecting the country ranging from periods of growth and expansion to times of recession and contraction. When natural disasters affected the Bahamas, including three category 5 hurricanes in 1928, 1932 and 1992, J. S. Johnson was there to protect its customers under their insurance policies. Our long and distinguished history has demonstrated that the Company is a dependable and secure resource for its customers in troubled times. That proved to be the case again in the aftermath of Hurricane Matthew in 2016. The islands of New Providence and Grand Bahama were most affected by that hurricane which brought widespread damage to property as it swept through the country. The aggregate amount of claims submitted to the Company relating to Hurricane Matthew was in excess of \$112 million dollars. The statistics show that 73% of the dollar value of gross claims originated in New Providence and 22% from Grand Bahama. As of the date of this report over 95% of all claims have been settled. That is irrefutable evidence of the value and quality of the service of the Company to its customers in their time of greatest need. In this regard I wish to pay tribute to the staff of J. S. Johnson who worked tirelessly and efficiently from early October, 2016 to the end of April, 2017 to process the substantial number of claims arising from Hurricane Matthew. The fact that over 95% of those claims have now been settled is an impressive accomplishment and once again validates our claim that the Staff and Management of J. S. Johnson are amongst the best and brightest insurance professionals in the country who are committed to protecting the interests of our customers.

The financial impact of Hurricane Matthew on the Company in 2016 was significant. The reduction of the consolidated net income from \$7,548,638.00 in 2015 to \$5,226,788.00 in 2016 was largely attributable to the substantial increase in net claims incurred as a result of that hurricane. There was also minimal growth in the sales market with net commission and fees and net premiums earned remaining basically the same as in previous years. On a more positive note, the cost containment policies of management were largely successful as there was an overall reduction in operating costs. I am pleased to report that notwithstanding the sluggish national economy and the continuing high rate of unemployment, the share price of J. S. Johnson increased from \$11.81 per share in 2015 to \$11.93 in 2016. This positive trend has continued in the early part of 2017

as there was a further increase of the Company's share price to \$12.01. Therefore, even during these difficult and challenging economic times, the Company is providing increased value to its shareholders.

The Company has consistently paid an annual dividend of 64 cents to its shareholders for the past eight years with the exception of 2012, when an extraordinary dividend of an additional 2 cents was paid in the first quarter. Even though 2016 was a particularly challenging financial year, the Company maintained its dividend policy and once again paid its shareholders an annual dividend of 64 cents which represents a dividend return of 5.36%. This reflects the financial strength and stability of the Company particularly when it is noted that, at a national level, interest rates have been declining, deficits have been increasing and Gross Domestic Product has been flat. The sustained strong financial performance of the Company demonstrates that it has been and continues to be a safe harbour for investors.

The current state of the national economy combined with the increasing competitive environment in the insurance sector and the future forecasts for modest and slow growth in GDP indicate that 2017 is likely to be a challenging year for business and commerce in the Bahamas. The Directors of the Company are cognizant of these factors and will closely follow the macro economic developments to assess their impact on the operations of the Company. Adjustments will be made where necessary and Management will continue to focus on operational issues to ensure that the Company remains a market leader in the insurance sector. Innovation, greater efficiencies in the delivery of core services, cost containment, product development, staff training and the continued upgrade of the Company's technology platform will be some of the issues which will be addressed. The Company will remain vigilant to identify and embrace strategic opportunities within the country to increase its market share and grow its business base.

On the subject of technology, I acknowledge the hard work and industry of the Company's Information Technology Department in upgrading the website. Customers can now view their account balance and make payments through direct deposits. The IT staff are currently working on further enhancements to allow customers to pay their balance online by credit card. I also recognize the very able oversight of these projects by

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one of our Directors, Ms. Sharon Brown, who has brought her extensive experience to these IT initiatives. Our aim is to provide our customers with a modern online platform to make it more convenient for them to conduct their business with the Company.

Management has reported to the Board that the introduction of Value Added Tax on insurance products and services since 1 July, 2015 has not created any serious problems for the Company. It has in some cases resulted in the reduction in cover as the cost of insurance has increased under the VAT regime, but savings on reinsurance has to some extent mitigated the cost increases on property insurance.

In my report for 2015 I foreshadowed the retirement of Mr. Barrett McDonald from the Company after 45 years of loyal and able service. He has now retired and on behalf of the J. S. Johnson family I again convey to him and his family our very best wishes for the future. I stated in my last report that Barrett *"...has contributed to the growth and development of the Company in his role as a member of the senior management team. I applaud Barrett's loyalty, his professionalism, his competence and his contributions to the Company..."* I echo those sentiments today and express again our gratitude and respect for Barrett as a colleague and as a friend.

I have mixed emotions in reporting to you that one of our Directors, Mr. Dionisio D'Aguilar, resigned as a Director of the Company on 15 May, 2017 and therefore he will not be standing for re-election to the Board. The date of his resignation reveals the reason for that action. On that date he was elected as a Member of Parliament in the General election and shortly thereafter appointed to Cabinet as the Minister of Tourism and Aviation. On behalf of all of the Directors I congratulate Dionisio for his success in the election and extend to him our best wishes as he enters public service at the highest level. On the one hand, we are sorry to lose the experience, business acumen and insights of Dionisio as a Director of J. S. Johnson. On the other hand, we acknowledge the call of Dionisio to serve his country and applaud his sense of duty and commitment to the Bahamian people. Dionisio has been a constant source of guidance, wise counsel and leadership for the Company and has made an indelible contribution to the development of J. S. Johnson. He leaves a legacy worthy of his father and the pivotal role he played in the life of the Company. His unpretentious business

pragmatism, his ability to adeptly analyse and get to the essence of issues, his sound and balanced judgment and his colourful and engaging personality will be greatly missed around the Board table. I thank Dionisio for his many years of service as a Director of J. S. Johnson.

The ultimate success of the Company is directly related to the performance of our Staff and Management. Under the capable leadership of the Managing Director, Mr. Alister McKellar, the J. S. Johnson team has provided stellar service to the Company during 2016. The Directors are grateful for their professionalism, their hard work and their loyalty over the past twelve months.

We will continue to seek to enhance value for the Shareholders of the Company and to earn the loyalty and trust of our customers. We are grateful for your support as we carry out our duties.

Finally, I once again express my personal appreciation to my fellow Directors for all their contributions to the Company. Together they bring decades of business and management experience from different sectors in our economy and have provided the Company with stable and prudential leadership.



**Brian M. Moree, QC**  
Chairman