



Brian M. Moree, QC
Chairman



Chairman's Statement



We at J. S. Johnson are preparing to celebrate our centennial in 2019. By any standards, 100 years in business is a huge and impressive accomplishment and we look forward to recognizing this milestone event. For the time being, our history of success over the past 99 years is incontrovertible evidence of the sustained and widespread endorsement of J.S. Johnson by the Bahamian people. You do not survive in the business world for 99 years unless you are consistently and efficiently meeting market demands through a service, product and delivery platform which fulfils the expectations of your customer and stakeholder base. Throughout this period, J. S. Johnson has not only survived but has grown into a market leader in the insurance industry in the Bahamas with a total premium volume of approximately \$83 million dollars and total income of just over \$18.5 million dollars. The Company employs 142 staff members and has approximately 800 public shareholders. For many years J.S. Johnson has consistently provided its shareholders with one of the highest dividend yields in the Bahamian market and has achieved a proven record of financial stability throughout the vicissitudes of changing business cycles caused by macro-economic factors.

As we contemplate the future challenges and opportunities for the Company and work towards achieving continued growth and expansion of our business operations, we pause to acknowledge the founders and visionary men and women who have made J.S. Johnson what it is has become today and express our gratitude to all of them. I cannot do better than to invoke the words of the well known adage that we are 'standing on their shoulders' as we approach our 100th anniversary and the next chapter in the exciting and inspirational story of entrepreneurial success that we call J.S. Johnson.

One of the enduring memories of 2017 will be the three massive hurricanes which devastated multiple countries and cost scores of billions of dollars of damage. The Southern Bahamas was hit by Irma packing category 4 winds on its way to Florida leaving in its wake damage estimated to be in the region of \$135 million dollars.

While not as severe as Hurricane Matthew in 2016, Irma negatively affected our national economy and its adverse impact was felt throughout the business community. Notwithstanding these difficult circumstances, J.S. Johnson achieved in 2017 an 8% increase in consolidated net income from \$5,226,788 to \$5,637,794 and we saw our share price increase from \$11.93 to \$12.51 per share. In his report, the Managing Director noted that the Company's equity ratio, return on equity and the earnings per share all increased in 2017 demonstrating the financial depth and strength of the Company.

During that period Agent and Brokers operating expenses were reduced by 3% as the Company sought to mitigate the effects of Hurricane Irma and a struggling economy on overall profitability.

Having regard to the impact of hurricanes on our business and our recent experiences with Matthew and Irma, the directors of the Company deemed it prudent to slightly reduce the annual dividend in 2017 to 58 cents per share which resulted in a yield of 4.6%. This is still one of the highest dividend yields for public companies in the local market. The Company has a strong track record of providing our shareholders with a steady and reliable dividend flow as we have focused on strategies to enhance shareholder value. The increases in earnings per share and the price of our shares in 2017 are indicators that these strategies are working.

The aftermath of a natural disaster is when policyholders most need the support and assistance of their insurance agent and their insurer. That is when the promises of customer service and financial resources are put to the true test. Based on reports from management, the Company's response to Matthew and Irma in processing and settling claims was exemplary. Our staff were efficient and aggressive in meeting the needs of our policyholders. In the case of Matthew in 2016, the Company settled policyholder claims of \$115 million dollars and claims totaling \$30 million dollars were paid in 2017 after Irma passed through the Bahamas and Turks & Caicos Islands. This once again validated the position of J.S. Johnson as a market leader in the insurance industry in our country and further attests to the financial strength of the company.

The economic outlook for the Bahamas over the next few years is encouraging even though we face significant challenges as major decisions will have to be made on a number of national issues. High unemployment, the rate of crime, the size of the national debt, the ease of doing business in the Bahamas, the future of the Financial Services Industry in the wake of increasing pressure from supra national agencies and organizations, diversification of the economy, WTO membership, our future tax platform and social fragmentation in our communities are amongst the issues confronting our nation. However, we are seeing for the first time in many years forecasts of real growth in Gross Domestic Product, signs of increasing fiscal discipline and austerity in the public sector, higher volumes of Foreign Direct Investment projects and growth in our tourism industry on the back of the opening of the Baha Mar resort. These are interesting times in the Bahamas and we at J.S. Johnson are closely monitoring national developments as we plan for the future.

The Company remains committed to high levels of customer service, product enhancement to meet the changing needs of the market, upgrading our technology platform to better serve our policyholders and contain costs through increased efficiency, continued training and career enhancement opportunities for our staff and growth strategies both organically and through targeted acquisitions. At a macro level, the industry indicators suggest that insurance rates will stabilize in 2018 in the wake of substantial losses in 2017 caused by one of the most destructive hurricane seasons in recent history. Also, the economy of the United States of America has significantly improved and this bodes well for the Bahamas given that the U.S. is the source of substantial investment dollars into this country.

Overall, there is cause for guarded optimism as we approach 2018. The Company will focus on its core business as we seek to improve the service platform, expand the product offering, take advantage of market opportunities and enhance shareholder value.

Once again, I wish to take this opportunity to thank senior management, staff members, customers, shareholders and directors of the Company for their support and loyalty throughout the past year. The success of the Company is based on the effective collaboration of all these parties and we are grateful for the role which each of you have played in this process in 2017. In closing I want to officially welcome Mr. William Mills to the Board of Directors who was appointed as a director on 14th February, 2018. Mr. Mills is the Deputy Managing Director of J.S. Johnson and is a valuable and long standing member of the Company's senior management team. His experience, technical expertise and knowledge of the industry will benefit the Board as we discharge our duties.

A handwritten signature in black ink, appearing to read 'B. Moree', with a long horizontal line extending to the right.

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