

THIRD QUARTER

INTERIM REPORT

2018



MANAGING DIRECTOR'S REVIEW

With the absence of any catastrophic event, through the peak of the 2018 hurricane season in our Islands, the third quarter posted a strong result for the Company. Net income rose to \$4,196,671 a 13% increase over last year (2017 - \$3,723,345). Revenue showed improvement while continuing to hold expenses in check.

Both our Agents & Brokers and Underwriting segments reported an increase in performance for the year to date. Total income stood at \$17,407,875 a 2.4% increase over last year (2017 - \$16,997,967). New business closed was strong together with claims expense containment. Unrealized loss on investments was the one negative but with the upturn in the economy we are hopeful for a reversal in this trend.

Overall, the Company has performed well during the quarter and reversed the sluggish start to the year. The outlook is encouraging in the short term and we look forward to posting an improved year end result. As we move towards our Centenary of providing unrivaled service to the insurance sector in The Bahamas we look forward to celebrating the 100th with you all.

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, 2018 (amounts expressed in Bahamian dollars)

	September 2018	December 2017
ASSETS		
Cash and bank balances	\$ 13,279,973	13,797,166
Term deposits	5,059,781	5,059,413
Accounts receivable	15,431,009	15,762,743
Due from insurance carriers	144,582	451,226
Investments in securities		
- fair value through profit or loss	4,070,920	4,673,511
- held-to-maturity	9,705,827	9,961,448
- available for sale	5,761,671	5,773,060
Prepayments and other assets	1,554,437	5,076,801
Prepaid reinsurance premiums	19,533,685	18,421,096
Reinsurance recoveries	7,790,039	15,499,181
Intangible assets	14,703	42,510
Investment properties	974,496	976,180
Property, plant and equipment	8,274,310	8,452,834
Total assets	\$ 91,595,433	103,947,169
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 23,270,202	21,778,705
Outstanding claims	12,090,747	20,751,023
	<u>35,360,949</u>	<u>42,529,728</u>
Other liabilities:		
Due to related parties	732,869	146,914
Accounts payable	5,485,792	6,189,734
Due to reinsurers	2,597,099	7,204,336
Accrued expenses and other liabilities	2,411,034	3,719,210
Unearned commission reserve	5,348,021	4,984,489
Total liabilities	51,935,764	64,774,411
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	24,561,108	23,972,941
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	57,002	50,530
	<u>24,613,510</u>	<u>24,018,871</u>
Non-controlling interest	15,046,159	15,153,887
Total equity	\$ 39,659,669	39,172,758
Total liabilities and equity	91,595,433	103,947,169

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2018 *(amounts expressed in Bahamian dollars)*

	September 2018	September 2017
INCOME		
Net commission and fees	13,250,103	12,807,544
Net premiums earned	2,946,000	3,091,974
Investment income	1,211,772	1,098,449
Total income	17,407,875	16,997,967
EXPENSES		
Salaries and employees benefits	7,280,697	6,943,147
Net claims incurred	1,570,473	2,525,797
Depreciation and amortization	433,167	493,596
Change in net unrealised loss on investments in securities	602,591	220,046
Other operating expenses	3,324,276	3,092,036
Total expenses	13,211,204	13,274,622
Net income	4,196,671	3,723,345
Other comprehensive income		
Unrealized gain on available for sale securities	6,472	10,445
Total comprehensive income	4,203,143	3,733,790
Equity holders of the Company	\$ 4,189,237	3,972,561
Non-controlling interests	13,906	(238,771)
	4,203,143	3,733,790
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.53	\$ 0.50

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 2018 (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, 2016	80,000	23,314,875	(84,600)	40,727	23,351,002	14,837,199	38,188,201
Total comprehensive income for the year:							
Net income	-	3,962,116	-	-	3,962,116	(238,771)	3,723,345
Unrealised gain on available for sale securities	-	-	-	10,445	10,445	-	10,445
Distributions to owners:							
Dividends	-	(3,514,720)	-	-	(3,514,720)	-	(3,514,720)
Balance at September 30, 2017	80,000	23,762,271	(84,600)	51,172	23,808,843	14,598,428	38,407,271
Balance at December 31, 2017	80,000	23,972,943	(84,600)	50,530	24,018,873	15,153,887	39,172,760
Total comprehensive income for the year:							
Net income	-	4,182,765	-	-	4,182,765	13,906	4,196,671
Unrealised loss on available for sale securities	-	-	-	6,472	6,472	-	6,472
Distributions to owners:							
Dividends	-	(3,594,600)	-	-	(3,594,600)	(121,634)	(3,716,234)
Balance at September 30, 2018	80,000	24,561,108	(84,600)	57,002	24,613,510	15,046,159	39,659,669

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2018 (amounts expressed in Bahamian dollars)

	September 2018	September 2017
Cash flows from operating activities:		
Net income for the period	4,196,671	3,723,345
Adjustments for:		
Unearned premium reserve	(483,771)	(441,444)
Depreciation and amortization	433,167	493,596
Change in net unrealized losses on investments in securities	602,591	220,046
Interest income	(508,710)	(579,419)
Dividend income	(360,988)	(382,786)
Bad debts	36,000	36,000
Cash from operations before changes in assets and liabilities	3,914,960	3,069,338
(Increase)/decrease in assets:		
Accounts receivable	295,734	(1,459,158)
Due from insurance carriers	306,644	70,033
Prepayments and other assets	3,522,364	(1,142,870)
Prepaid reinsurance premiums	(1,112,589)	(861,782)
Reinsurance recoveries	7,709,142	28,086,834
Increase/(decrease) in liabilities:		
Unearned premium reserve	1,975,268	1,854,175
Outstanding claims	(8,660,276)	(22,518,317)
Due to related parties	585,955	(247,316)
Accounts payable, accrued expenses and other liabilities	(2,012,115)	(3,351,298)
Due to reinsurers	(4,607,237)	(16,528,746)
Unearned commission reserve	363,532	131,939
Net cash provided by (used in) operating activities	2,281,382	(12,897,168)
Cash flows from investing activities:		
Net (placement)/maturity of term deposits	(120,248)	5,037,540
Purchase of property, plant and equipment	(225,153)	(177,955)
Sale of investments in securities	224,958	49,465
Interest received	677,114	682,556
Dividends received	360,988	382,786
Net cash provided by investing activities	917,659	5,974,392
Cash flows from financing activities:		
Dividends paid to shareholders	(3,594,600)	(3,514,720)
Dividends paid to non-controlling interest	(121,634)	-
Net cash used in financing activities	(3,716,234)	(3,514,720)
Net decrease in cash and cash equivalents	(517,193)	(10,437,496)
Cash and cash equivalents at beginning of period	13,797,166	19,862,120
Cash and cash equivalents at end of period	13,279,973	9,424,624

(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, 2017.

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, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 14,224,114	(974,011)	13,250,103
Net premiums earned	-	2,946,000	2,946,000
Interest Income	51,806	456,903	508,709
Dividend Income	36,104	324,883	360,987
Other income	70,544	271,532	342,076
	\$ 14,382,568	3,025,307	17,407,875
Insurance expenses	-	1,570,473	1,570,473
Depreciation & amortization	398,352	34,815	433,167
Change in net unrealized loss on investments in securities	-	602,591	602,591
Other expenses	9,767,251	837,722	10,604,973
	\$ 10,165,603	3,045,601	13,211,204
NET INCOME	\$ 4,216,965	(20,294)	4,196,671

The segment results for the period ended September 30, 2017 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 13,611,872	(804,328)	12,807,544
Net premiums earned	-	3,091,974	3,091,974
Interest Income	73,204	506,215	579,419
Dividend Income	61,846	320,939	382,785
Other income	55,193	81,052	136,245
	\$ 13,802,115	3,195,852	16,997,967
Insurance expenses	-	2,525,797	2,525,797
Depreciation & amortization	456,811	36,785	493,596
Change in net unrealized loss on investment in securities	-	220,046	220,046
Other expenses	9,185,951	849,232	10,035,183
	\$ 9,642,762	3,631,860	13,274,622
NET INCOME	\$ 4,159,353	(436,008)	3,723,345

The segment assets and liabilities as at September 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 31,852,131	59,743,302	91,595,433
Total liabilities	15,803,281	36,132,483	51,935,764

The segment assets and liabilities as at September 30, 2017 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 32,866,265	65,862,515	98,728,780
Total liabilities	17,489,818	42,831,691	60,321,509