



J.S. JOHNSON
PEACE OF MIND
INSURANCE AGENTS & BROKERS

KEEPING YOU
IN MIND



MIND

ANNUAL REPORT / 2017

Our Mission

To provide the highest quality of professional service by giving our personal best to our Clients, our Co-Workers and the Community at large, thus remaining the leader in the insurance market through continued growth and innovation.



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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.

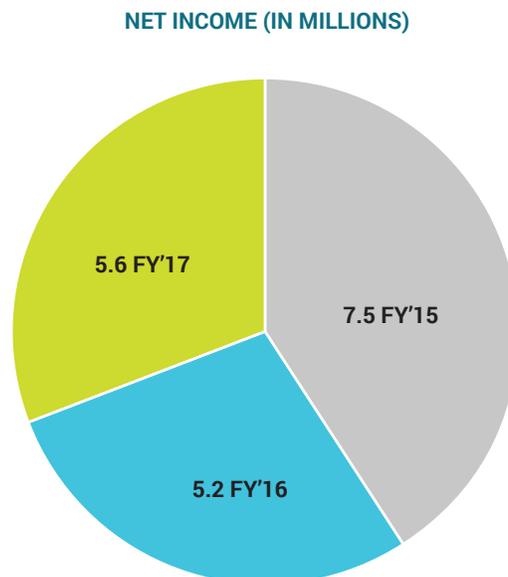
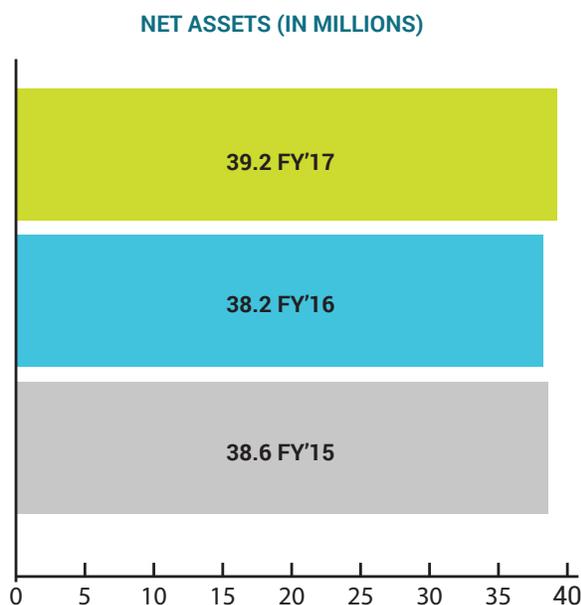
Overall, there is cause for guarded optimism as we approach 2018. The Company will focus on its core business as we seek to improve the service platform, expand the product offering, take advantage of market opportunities and enhance shareholder value.

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 horizontal line extending to the right.

Brian M. Moree, QC
Chairman

Financial Highlights

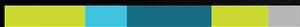


(Expressed in Bahamian dollars)

	2017	2016	2015
Consolidated Statement of Financial Position:			
Total assets	\$ 103,947,169	139,610,719	82,556,235
Total liabilities	64,774,411	101,422,518	43,935,626
Equity	\$ 39,172,758	38,188,201	38,620,609
Consolidated Statement of Comprehensive Income:			
Total income	\$ 23,706,080	24,447,994	24,703,194
Total expenses	18,068,286	19,221,206	17,154,556
Net income	\$ 5,637,794	5,226,788	7,548,638
Ratios:			
Return on equity: total comprehensive income/total equity	14%	14%	20%
Equity: equity/total assets	38%	27%	47%
Loss: net claims incurred/net premium earned	81%	92%	44%
Other Data:			
Dividends per share	\$ 0.58	0.64	0.64
Annual dividends	\$ 4,633,040	5,112,320	5,112,320
Total shareholders' equity	\$ 24,018,871	23,351,002	23,293,034
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.67	0.65	0.73



Alister I. McKellar, FCI
Managing Director



Managing Director's Discussion & Analysis

For the third consecutive year our islands were battered by a category 4 hurricane, as Irma made a direct strike on the Southern Bahamas and Turks & Caicos Islands. Thankfully it's eventual track took it to the south of New Providence and spared the Capital any significant impact. While our results were adversely affected, it was not to the extent of the year prior with hurricane Matthew. We are therefore pleased to report an 8% increase in consolidated net income from \$5,226,788 to \$5,637,794.

Regionally 2017 was one of the most destructive hurricane seasons in living memory with three "superstorms" appearing in a short four week period. Harvey, Irma and Maria were ranked to be three of the five most costly hurricanes in US history, in terms of economic loss. A sobering reminder as we gear up for the season ahead.

Our Underwriting business achieved modest growth against this backdrop due in the main to a reduction in insurance expense and gain in our investment portfolio. Despite these significant events, Insurance Company of The Bahamas Ltd. enjoyed a \$465,017 increase in profitability, a result that speaks highly to the strength of their reinsurance program. The short to medium term economic outlook for The Bahamas is cautiously optimistic and welcomed news.

The Agency segment continued to feel the affects of hurricane Matthew from the year prior, with total income falling 2% from \$18,835,028 to \$18,409,207. This shortfall was partially offset by a 3% decline in expenses. The overall result being a 1% drop in net income from \$5,162,712 to \$5,108,702. Looking ahead rates will likely stabilize and begin to reverse the soft market trend of recent years as global reinsurers seek to recoup their massive losses experienced in 2017. Our expectations are for an improved result in 2018.

In the wake of these catastrophic events we continue to review and assess our financial performance and that of other industry participants. It was a quiet year in terms of amendments in financial reporting standards with no changes in accounting estimates from the prior year. An analysis of key ratios reveals that the Company held its ground or improved year on year in several categories. Return on equity remained steady at 14% despite consecutive storm years, an indicator of our financial strength and viability. The equity ratio increased from 27% to 38% and we also enjoyed an increase in earnings per share from \$0.65 to \$0.67 as total income slippage was more than offset by reductions in expenditure, yielding increased profitability in 2017.

As we fast approach our 100th anniversary, a historic period for the Company, it is fitting to make mention of all our stakeholders, past and present, that played an integral part in this milestone achievement. Thank you for 100 years of helping to grow our business philosophy of "Peace of Mind".

Finally, for the period under review, I wish to once again recognize and thank our dedicated Board of Directors for their unwavering support; the Shareholders for renewing their trust in our business; the Management and staff for their tireless commitment and exemplary service; and last but by no means least, our customers for their continuous loyalty.



Alister I. McKellar, FCII

Managing Director



Consolidated Financial Statements For The Year Ended December 31, 2017

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Independent Auditors' Report



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The Shareholders and Directors J.S. Johnson & Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of J.S. Johnson & Company Limited (the Company) which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provides the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of outstanding claims liability

The Company has outstanding claims liabilities of \$20.75 million, including \$1.05 million of claims incurred but not reported (IBNR). The estimation of outstanding claims involves a significant degree of judgement. Outstanding claims are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Given the materiality of the outstanding claims liability and the complexity of management's judgements, we identified the valuation of outstanding claims liability as a key audit matter.

We assessed management's calculation of the outstanding claims liability by performing the following procedures:

- We gained an understanding of the outstanding claims liability process.
- We compared the data provided to the Company's external actuaries and our actuarial specialist to the Company's financial systems.

- Using our actuarial specialist team members, we compared the Company's methodology, models and assumptions to recognised actuarial practices.
- Our actuarial specialist team members performed independent re-projections on all classes of business, particularly focusing on the largest and longer tail lines of business which require more actuarial judgment. In order to re-project the claims liabilities we considered actual historical information and how losses emerged in the current period compared to previous expectations of loss emergence.
- We compared these re-projections of claim liabilities to management's recorded claim liabilities.

Responsibilities of Management and the Audit for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



J.S. Johnson & Company Limited
Consolidated Statement of Financial Position
 (Expressed in Bahamian Dollars)

	December	
	2017	2016
Assets		
Cash and bank balances (Notes 6 and 25)	\$ 13,797,166	\$ 19,862,120
Term deposits (Notes 7 and 25)	5,059,413	10,149,867
Accounts receivable (Notes 4 and 25)	15,762,743	12,449,473
Due from insurance carriers (Notes 9 and 25)	451,226	144,897
Investment in securities (Notes 8 and 25)	20,408,019	20,693,303
Prepayments and other assets (Notes 10 and 25)	5,076,801	4,103,670
Prepaid reinsurance premiums (Note 14)	18,421,096	17,623,673
Reinsurance recoverables (Notes 5 and 25)	15,499,181	44,679,464
Intangible assets (Note 11)	42,510	111,228
Investment properties (Note 12)	976,180	978,425
Property, plant, and equipment (Note 13)	8,452,834	8,814,599
Total assets	\$ 103,947,169	\$ 139,610,719
Liabilities		
General insurance funds:		
Unearned premium reserve (Note 14)	\$ 21,778,705	\$ 20,766,914
Outstanding claims (Notes 14 and 25)	20,751,023	44,539,856
	42,529,728	65,306,770
Other liabilities		
Due to related parties (Notes 23 and 25)	146,914	563,189
Accounts payable (Notes 15 and 25)	6,189,734	7,495,226
Due to reinsurers (Notes 5 and 25)	7,204,336	20,050,123
Accrued expenses and other liabilities (Notes 18, 23, and 25)	3,719,210	3,118,564
Unearned commission reserve	4,984,489	4,888,646
Total liabilities	64,774,411	101,422,518
Equity		
Share capital		
Authorized, issued, and fully paid: – 8,000,000		
ordinary shares of \$0.01 each	\$ 80,000	\$ 80,000
Retained earnings (Note 20)	23,972,941	23,314,875
Interest in own shares (Note 22)	(84,600)	(84,600)
Fair value reserve (Note 8)	50,530	40,727
	24,018,871	23,351,002
Non-controlling interest	15,153,887	14,837,199
Total Equity	39,172,758	38,188,201
Total Liabilities and Equity	\$ 103,947,169	\$ 139,610,719

See accompanying notes to consolidated financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 27, 2018 by:

Approved by the Board:

Director 

Director 

Consolidated Statement of Comprehensive Income*(Expressed in Bahamian Dollars)*

Year Ended December 31

	2017	2016
Income:		
Net commission and fees (Note 23)	\$ 17,506,867	\$ 18,145,703
Net premiums earned (Note 16)	4,266,028	4,558,146
Investment income (Note 17)	1,451,514	1,683,397
Change in net unrealized gain on investment in securities (Note 8)	481,671	60,748
Total income	<u>23,706,080</u>	<u>24,447,994</u>
Expenses:		
Salaries and employee benefits (Notes 19 and 23)	9,710,317	10,079,659
Net claims incurred (Note 14)	3,457,126	4,185,653
Depreciation and amortization (Notes 11, 12, and 13)	657,608	787,059
Loss on sale of investment property (Note 12)	-	97,333
Other operating expenses (Note 17)	4,243,235	4,071,502
Total expenses	<u>18,068,286</u>	<u>19,221,206</u>
Net income	<u>\$ 5,637,794</u>	<u>\$ 5,226,788</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized gain on available for sale investments	9,803	10,387
Total comprehensive income	<u>\$ 5,647,597</u>	<u>\$ 5,237,175</u>
Attributable to:		
Equity holders of the company (Note 22)	\$ 5,300,909	\$ 5,170,288
Non-controlling interest	346,688	66,887
	<u>\$ 5,647,597</u>	<u>\$ 5,237,175</u>
Basic & diluted earnings per share for the profit attributable to the equity holders of the Company (Note 22)	<u>\$ 0.67</u>	<u>\$ 0.65</u>

See accompanying notes to consolidated financial statements

J.S. Johnson & Company Limited
Consolidated Statement of Changes in Equity
(Expressed in Bahamian Dollars)

	Share Capital	Retained Earnings	Interest in Own Shares	Fair Value Reserve	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2015	\$ 80,000	\$ 23,267,294	\$ (84,600)	\$ 30,340	\$ 23,293,034	\$ 15,327,575	\$ 38,620,609
Net income	-	5,159,901	-	-	5,159,901	66,887	5,226,788
Unrealized gain on available for sale securities				10,387	10,387		10,387
Distributions to owners:							
Dividends (Note 18)	-	(5,112,320)	-	-	(5,112,320)	(557,263)	(5,669,583)
Balance at December 31, 2016	80,000	23,314,875	(84,600)	40,727	23,351,002	14,837,199	38,188,201
Net income	-	5,291,106	-	-	5,291,106	346,688	5,637,794
Unrealized gain on available for sale securities	-	-	-	9,803	9,803	-	9,803
Distributions to owners:							
Dividends (Note 18)	-	(4,633,040)	-	-	(4,633,040)	(30,000)	(4,663,040)
Balance at December 31, 2017	\$ 80,000	\$ 23,972,941	\$ (84,600)	\$ 50,530	\$ 24,018,871	\$ 15,153,887	\$ 39,172,758

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows*(Expressed in Bahamian Dollars)*

Year Ended December 31

	2017	2016
Operating activities		
Net income	\$ 5,637,794	\$ 5,226,788
Adjustments for:		
Unearned premium reserve (Note 14)	(214,366)	149,250
Depreciation and amortization	657,608	787,059
Loss on sale of investment property	-	97,333
Change in net unrealized gains on investments in securities	(481,671)	(60,748)
Interest income (Note 17)	(758,235)	(927,693)
Dividend income (Note 17)	(449,211)	(429,361)
Bad debts	48,000	48,000
Cash from operations before changes in assets and liabilities	4,439,919	4,890,628
(Increase) decrease in assets:		
Accounts receivable	(3,361,271)	(1,661,979)
Due from insurance carriers	(306,329)	(21,954)
Prepayments and other assets	(973,131)	(2,403,632)
Prepaid reinsurance premiums	(797,423)	(213,286)
Reinsurance recoverable	29,180,283	(36,320,862)
Increase (decrease) in liabilities:		
Unearned premium reserve	1,226,157	(85,213)
Outstanding claims	(23,788,833)	35,062,057
Due to related parties	(416,275)	231,863
Accounts payable, accrued expenses and other liabilities	(704,846)	5,462,189
Due to reinsurers	(12,845,787)	16,628,037
Unearned commission reserve	95,843	38,709
Net cash (used in)/provided by operating activities	(8,251,693)	21,606,557
Investing activities		
Net maturity/(placement) of term deposits	\$ 5,002,843	\$ (86,155)
Proceeds from sale of investment property	-	150,000
Purchase of intangible asset(Note 11)	-	(55,198)
Purchase of property, plant, and equipment (Note 13)	(224,880)	(432,921)
Sale/(Purchase) of investments in securities	499,999	(1,078,752)
Proceeds from principal payments of investments	250,066	103,346
Interest received	872,540	829,187
Dividends received	449,211	429,361
Net cash provided by/(used in) investing activities	6,849,779	(141,132)
Financing activities		
Dividends paid to shareholders	(4,633,040)	(5,112,320)
Dividends paid to non-controlling interest	(30,000)	(557,263)
Net cash used in financing activities	(4,663,040)	(5,669,583)
Net (decrease)/increase in cash and cash equivalents	(6,064,954)	15,795,842
Cash and cash equivalents, beginning of year	19,862,120	4,066,278
Cash and cash equivalents, end of year	\$ 13,797,166	\$ 19,862,120
Supplemental cash flow information		
Premium tax paid	\$ 1,608,443	\$ 1,465,835

See accompanying notes to consolidated financial statements.

1. Incorporation and Principal Activity

J.S. Johnson & Company Limited ("the Company") and its subsidiaries, Insurance Company of The Bahamas Limited ("ICB") and J.S. Johnson & Company (Turks & Caicos) Limited ("JSJ Turks & Caicos") (together, the Group) carry on general insurance business. The Company and JSJ Turks & Caicos carry on business as agents and brokers in The Bahamas and the Turks & Caicos Islands, respectively. ICB is licensed to operate as a property and casualty insurance company in The Bahamas and the Turks & Caicos Islands under the Insurance Act 2005, as amended, and the Insurance Ordinance, 1989, amended December 2015, respectively.

The Company is incorporated in The Commonwealth of The Bahamas. The registered office of the Company and ICB are situated at the offices of Messrs. McKinney, Bancroft & Hughes, Mareva House, No. 4 George Street, Nassau, The Bahamas. The registered office of JSJ Turks & Caicos is situated at the offices of Twa, Marcelin & Wolf, Chancery Court, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

The Company's principal place of business is located at 34 Collins Avenue, Nassau, The Bahamas. ICB's principal place of business is located at 33 Collins Avenue, Nassau, The Bahamas. JSJ Turks & Caicos' principal place of business is located at Graceway Plaza, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The methods used to measure fair value are discussed further in the significant accounting policies below.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Bahamian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3(b), 3(c), 3(f), 3(g), 3(h), 3(i), 3(j), 11, 12, 13, 14, 25 and 26.

(e) New Standards Adopted During the Year

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

- **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

• **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

• **Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Group that is classified) as held for sale.

3. Summary of Significant Accounting Policies

The principal accounting policies set out below have been applied consistently by the Group and are consistent with those used in the previous year, except as outlined in Note 2(e).

(a) Basis of Consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities of which the Company holds, directly or indirectly, the majority of voting rights are fully consolidated.

Entities that are less than 50% owned, but in which the Company exercises de facto control, that is, has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, are considered to be subsidiaries of the Company. The financial statements of such entities are fully consolidated into the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in net income or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Goodwill at the acquisition date is measured as the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less the net recognized amounts (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in net income or loss in the consolidated statement of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in net income or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income or loss.

The consolidated financial statements include the accounts of the Company and the following entities:

Name	Country of Incorporation	Ownership
Insurance Company of The Bahamas Limited	The Bahamas	40%
J.S. Johnson & Company (Turks & Caicos) Limited	Turks & Caicos Islands, BWI	80%

Inter-company transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies are consistent with the policies adopted by the Group.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Insurance Contracts

(i) Classification, Recognition, and Measurement

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer insurance risks. Such contracts may also transfer financial risk. The Group considers an insurance risk to be significant where the sum insured or limit of indemnity exceeds \$250,000. The classification of contracts identifies both the insurance and reinsurance contracts entered into by the Group.

Short term insurance contracts consist of Property, Casualty, Motor, and Marine insurance contracts.

Property insurance contracts, both personal and commercial, provide compensation for loss, or damage to property. Business interruption coverage provides compensation for loss of earnings following physical damage to the insured premises.

Casualty/liability insurance contracts protect the insured against the risk of causing financial loss or injury to third parties following some act of negligence. Liabilities covered include both contractual and non-contractual. Two of the most common protections offered are "Employer's Liability", designed to indemnify employers who become legally liable to pay compensation to injured employees, and "Public Liability", designed to indemnify individuals, and businesses who become legally liable to pay compensation to third parties.

Motor insurance contracts cover the driver's liability to third parties in respect of personal injury or property damage. If comprehensive cover is purchased, the policy also covers damage to the policyholder's vehicle.

Marine insurance contracts include the insurance of goods in transit over land or sea and also the insurance of hulls. Hull insurances typically cover both physical damage to the vessel and also the boat owner's liability to third parties in respect of personal injury or property damage.

Premiums generated from insurance and inwards reinsurance contracts are recognized as revenue (gross written premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve, calculated using net retained premiums. Gross written premiums are shown before deduction of premium tax, premiums ceded to reinsurers, and commissions. Premiums received prior to the year end and processed after the year end by the agents are recognized at the time of processing.

Claims and loss adjustment expenses are charged to income as incurred based on the known or estimated liability for compensation owed to policyholders or third parties. They include direct or indirect claims settlement costs and arise from events that have occurred up to the reporting date regardless of whether or not they have been reported. Gross outstanding claims comprise the estimated cost of all claims incurred but not settled as of the reporting date whether reported or not. The Group does not discount its liabilities for outstanding claims. Liabilities for outstanding claims are estimated using: (a) the judgment of the Company's claims manager in regards to routine claims, (b) external legal opinion in connection with more complex claims, and (c) statistical analyses for claims incurred but not reported.

(ii) Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. These tests are carried out at the portfolio level for the classes of motor and casualty lines of business. Should any trend in reserve deficiency, at total portfolio level, become apparent, the deficiency would immediately be charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

(iii) Reinsurance Contracts Held and Assumed

The Group cedes (or assumes) reinsurance under a variety of formal treaty arrangements, with retention limits varying by the line of business. Under these treaties which are classified as reinsurance contracts held (or assumed) the Group is compensated (or compensates) in respect of one or more losses under contracts that meet the classification requirements for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets (or financial liabilities).

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets are classified as reinsurance recoverables and comprise:

- recoverables due from reinsurers in respect of claims paid, and
- the reinsured portion of the reserves for outstanding claims allocated in accordance with the treaty arrangements for the class of business in question.

Amounts paid to the reinsurers relating to the unexpired portion of reinsured contracts are classified as prepaid reinsurance premiums.

Reinsurance liabilities are classified as due to reinsurers and are primarily premiums payable under treaty reinsurance contracts after deduction of reinsurance recoverables on proportional contracts.

Premiums to be ceded are recognized as an expense from the date the gross premiums are written and over the term of the reinsurance in the consolidated statement of comprehensive income.

Amounts shown as reinsurance recoverables, prepaid reinsurance premiums or due to reinsurers are measured consistently with the amounts associated with reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for any indication of impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of comprehensive income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 3 (j).

(iv) Portfolio Transfer

At the anniversary date of the reinsurance agreements and at the Company's option proportional reinsurers agree to assume the unexpired liability of all risks in force at such anniversary date. The unexpired liability is computed in accordance with the method outlined in the reinsurance agreement and accounted for when determined in the consolidated statement of comprehensive income.

(v) Receivables and Payables Related to Insurance Contracts

Receivables and payables are recognized when the contractual right to receive payment and contractual obligation to make payment arise, respectively. These include amounts due to and from insurance carriers and reinsurers and the receivable balances are assessed for impairment and doubtful accounts. As at December 31, 2017 and 2016, no provision was made for impairment or doubtful accounts.

(vi) Fronting Arrangements

Gross Written Premium includes the risk premium from fronting arrangements whereby the company reinsures one hundred percent of an individual risk to an insurer not licensed to transact business in The Bahamas. The reinsured amounts are included within the amount shown as "Ceded to reinsurers", amounting to \$3,137,707 (2016: \$2,725,926).

(c) Accounts Receivable

Accounts receivable, other than receivables relating to insurance contracts, are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(d) Segment Reporting

The Group determines and presents operating segments based on the information that is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any other Group entities. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(e) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognized in net income or loss in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences, if any, relating to investments at fair value through profit or loss are included in net realized gain/loss or change in net unrealized gain/loss on investments in securities in net income or loss in the consolidated statement of comprehensive income. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are recognized in net income or loss in the consolidated statement of comprehensive income.

(f) Investment Property

The Group classifies property held for capital appreciation and rental as investment property. Investment property, which comprises land and buildings, is carried at cost using the cost model and measured in accordance with IAS 16 – Property, Plant, and Equipment, and is stated at historical cost less accumulated depreciation and impairment losses. Depreciation on the buildings is recognized in net income or loss in the consolidated statement of comprehensive income on a straight line basis either at the annual rate of 2.00% or over the estimated useful life of 50 years (2016 – 50 years). No depreciation is taken on land. The carrying value of the land and buildings are also assessed annually for any impairment losses.

The Group performs annual impairment assessments based on fair value less cost to sell. The fair value of investment property is determined by third-party professional appraisals, which are performed every three years. The fair value of the investment property is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion.

(g) Property, Plant, and Equipment

Property, plant, and equipment, except for land, are stated at historical cost less accumulated depreciation and impairment losses. Land is stated at cost and not subject to depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Repairs and maintenance are charged to net income or loss in the consolidated statement of comprehensive income when the expenditure is incurred.

Depreciation is recognized in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the items of the assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In the year of acquisition, a full year’s depreciation is charged to net income or loss in the consolidated statement of comprehensive income, regardless of the acquisition date.

The estimated depreciation rates for the current and corresponding period are as follows:

	Useful Lives	Depreciation Rates
Buildings	50	2%
Office furniture and equipment	6.67	15%
Computer equipment	5	20%
Motor vehicles	4 – 5	20% – 25%
Leasehold improvements		Lesser of useful life or Duration of lease

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income in the consolidated statement of comprehensive income. Repairs and maintenance are charged to net income or loss in the statement of comprehensive income when the expenditure is incurred.

(h) Financial Instruments

Financial instruments comprise cash and cash equivalents, term deposits, loans and receivables, due from insurance carriers, due from/to related parties, investments in equity and debt securities, due to reinsurers, accounts payable, and accrued expenses and other liabilities.

Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date the Group commits itself to purchase or sell the asset. Financial assets are derecognized when the Group’s contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Group’s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash and term deposits held with financial institutions with original maturities of less than three months. Bank overdraft and margin loan that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(i) Investments at Fair Value Through Profit or Loss

An instrument is classified as held at fair value through profit or loss if it is acquired for the purposes of selling in the near term, and which may be disposed of in response to the needs for liquidity, or changes in interest rates, exchange rates, or equity prices, or is designated as such upon initial recognition.

Financial assets classified as held at fair value through profit or loss include investments in equity securities.

Upon initial recognition, attributable transaction costs are recognized in net income or loss when incurred. Financial instruments as held at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income or loss in the consolidated statement of comprehensive income.

(ii) Investments Held-to-Maturity

Financial assets and liabilities with fixed dates of maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity. Financial assets classified as held-to-maturity include Government debt instruments and corporate bonds. Subsequent to initial recognition, investments held-to-maturity are measured at amortized cost using the effective interest method, less any impairment losses.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(iii) Available For Sale Investments

Available for sale investments are financial assets and liabilities that are either designated in this category or are not classified as loans and receivables, held-to-maturity investments, or investments at fair value through profit or loss. Financial assets classified as available for sale investments include preferred shares and mutual funds and, subsequent to initial recognition, are measured at fair value less any impairment losses.

Changes in fair value, other than impairment losses, are recognized in other comprehensive income in the consolidated statement of comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred to net income or loss in the consolidated statement of comprehensive income.

(iv) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables arising from insurance contracts, accounts receivable from customers, other receivables and cash and cash equivalents are classified in this category.

(v) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(vi) Fair Value Measurement Principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; in the principal or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the company.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Any equity security that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses, if any. If a reliable measure of fair value becomes available subsequently, the instrument is measured at fair value.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(vii) Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(i) Intangible Assets

Intangible assets include customer relationships acquired from third parties and are stated at cost less accumulated amortization and impairment losses, if any. Amortization is recognized in income or loss in the consolidated statement of comprehensive income on a straight line basis over the estimated useful life of the customer relationship from the date that it is acquired. The estimated useful life of customer relationships is five years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in net income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through net income or loss in the consolidated statement of comprehensive income.

Impairment losses on available for sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to net income or loss. The cumulative loss that is removed from other comprehensive income and recognized in net income or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in net income or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net income or loss, then the impairment loss is reversed, with the amount of the reversal recognized in net income or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

(ii) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in net income or loss in the consolidated statement of comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Income and Expense Recognition

Premiums are recognized as revenue over the periods covered by the related policies after allowing for premiums ceded.

Commission income from reinsurers is received on premiums ceded and is recognized over the periods covered by the related policies.

Commission income on agency business is recognized at the time when premiums are billed to customers as the Group has no further service obligations associated with these commissions.

Other revenues and expenses of the Group are recognized on an accrual basis, except as follows:

- i. Dividend income – recognized when the Group's right to receive payment has been established.
- ii. Treaty profit commission income – recognized in the year in which the treaty profits are crystallized.
- iii. Loyalty commission income and profit commission expense – recognized when the Group's right to receive or obligation to make payment has been established.
- iv. Fronting fees – recognized when premiums are billed to customers as the Group has no further service obligations associated with these fees.
- v. Commission expense – recognized when the obligation to pay the commissions has been established.

(l) Taxation

Premium tax is incurred at a rate of 3.00% of gross written premiums written in The Commonwealth of The Bahamas and 2.50% of gross written premiums in the Turks & Caicos Islands, BWI. Premium tax is recognized when the Company's obligation to make payment has been established.

On January 1, 2015, the Value Added Tax Act, 2014 (VAT), came into force thereby imposing a tax on all Property and General (and other casualty insurance, except exempt supplies) insurance services provided by the Company and a tax on all taxable inputs purchased by the Company at a rate of 7.5%. The Company has paid VAT on VAT on taxable inputs comprised of claims and operating expenses from January 1, 2015 onward.

(m) Employee Benefits

(i) Defined Contribution Pension Plan

The Group has a defined contribution pension plan for eligible employees whereby the Group pays contributions to a privately administered pension plan. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their eligible earnings and such amounts are matched by the Group. The Group's contributions to the defined contribution pension plan are charged to income or loss in the year to which they relate.

(ii) **Short-Term Benefits**

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided in net income or loss.

A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) **Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to net income or loss using a straight-line method over the period of the lease.

(o) **Related Parties**

Related parties include affiliates of Aon Corporation, major shareholders, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Group (see Note 23 for further details).

(p) **Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(q) **Treasury Share Capital (Interest In Own Shares)**

Treasury share capital represents the Group's own equity instruments, which are acquired and are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(r) **Earnings Per Share**

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(s) **Dividends**

Dividends proposed or declared after the reporting date are not recognized at the reporting date.

(t) **New Standards, Interpretations, and Amendments to Published Standards that are Not Yet Effective**

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods but which the Group has not early adopted are as follows:

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. The Group has no designated hedges but is currently assessing the impact of the below changes in the standard on the financial statements.

Classification and measurement of financial liabilities

For financial liabilities designated as fair value through profit and loss ("FVTPL") using the fair value options ("FVO"), the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortized cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases. Entities are generally required to recognize 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognize lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognized.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities.

An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Company is currently assessing whether their activities meet the criteria to avail temporary exemption and thereafter, whether to avail the same or apply the overlay approach under IFRS 9 to its financial assets and liabilities in its reporting year starting 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is assessing the potential effect of the standard on its financial statements.

IFRS 16 Leases

The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group is assessing the potential effect of the standard on its financial statements.

IFRS 17 Insurance Contracts

IFRS 17 applies to all types of insurance contracts (i.e., life, nonlife, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is assessing the potential effect of the standard on its financial statements.

4. Accounts Receivable

Accounts receivable are stated at amortized cost less provision for doubtful accounts. Interest is charged on accounts that are financed at a rate of 10% (2016 – 10%) per annum on the total balance financed for periods of three months or six months. The Group reserves the right and from time to time may negotiate lower interest rates and longer periods for commercial customers. Collateral is not held against any of the outstanding balances; however the Group has the right to cancel the financed policy for non-payment. As at December 31, 2017, the rates of interest on the premium finance receivables range from 5% to 10% per annum (2016 – 5% to 10%) and are all financed for periods within three months.

As at December 31 accounts receivable consist of:

	<u>2017</u>	<u>2016</u>
Trade	\$ 16,032,218	\$ 12,666,247
Premium finance	250,759	255,460
	<u>16,282,977</u>	<u>12,921,707</u>
Provision for doubtful accounts	(520,234)	(472,234)
	<u>\$ 15,762,743</u>	<u>\$ 12,449,473</u>

The aging analysis of accounts receivable as at December 31 is as follows:

2017

	<u>0 – 6 Months</u>	<u>6 – 9 Months</u>	<u>9 – 12 Months</u>	<u>More than 12 Months</u>	<u>Past due and Impaired</u>	<u>Total</u>
Trade	\$ 13,256,299	\$ 1,379,988	\$ 166,965	\$ 708,732	\$ 520,234	\$ 16,032,218
Premium finance	250,759	–	–	–	–	250,759
Total	<u>\$ 13,507,058</u>	<u>\$ 1,379,988</u>	<u>\$ 166,965</u>	<u>\$ 708,732</u>	<u>\$ 520,234</u>	<u>\$ 16,282,977</u>

2016

	<u>0 – 6 Months</u>	<u>6 – 9 Months</u>	<u>9 – 12 Months</u>	<u>More than 12 Months</u>	<u>Past due and Impaired</u>	<u>Total</u>
Trade	\$ 10,441,354	\$ 1,361,757	\$ 110,585	\$ 280,317	\$ 472,234	\$ 12,666,247
Premium finance	255,460	–	–	–	–	255,460
Total	<u>\$ 10,696,814</u>	<u>\$ 1,361,757</u>	<u>\$ 110,585</u>	<u>\$ 280,317</u>	<u>\$ 472,234</u>	<u>\$ 12,921,707</u>

Based on the Group's current aging procedure, all trade balances over five months are considered to be past due but not impaired. All trade balances that have been outstanding for more than one year and have had no activity within the past 12 months are considered to be past due and impaired. Cancellation or extension of the terms of the credit is instituted on a case by case basis. Specific provisions are made against trade balances based on the above aging procedure.

For premium financed receivables, in the event of default of payment by the customer on any of the agreed installments, the balance automatically and immediately becomes due and payable in full. The Group may in its sole discretion reinstate the finance agreement if the overdue installment is paid in full within the grace period. Failure to pay the overdue installments within the grace period will result in the cancellation of the underlying policy. The Group has the sole right to amend the policy after the grace period. As at December 31, 2017, \$57,219 (2016 – \$31,615) related to policies that were in default of payment of the agreed installments and are considered to be past due but not impaired.

The movement in the provision for doubtful accounts as at December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Balance as of January 1	\$ 472,234	\$ 424,234
Write-off against provision	–	–
Provision for the year	48,000	48,000
Balance as at December 31	<u>\$ 520,234</u>	<u>\$ 472,234</u>

5. Underwriting Policies and Reinsurance Agreements

The Group follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Group. The reinsurance of contracts does not, however, relieve the Group of its primary obligation to the policyholders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would also be liable for the reinsured amount. The Group's credit risk management procedures are detailed in Note 25.

Aon Limited, whose registered office is in London, England, a related party of the Company, is the Group's reinsurance broker and acts as the intermediary between the Group and the reinsurers. Reinsurance contracts between the Group and its reinsurers are renewable annually in accordance with the terms of the individual contracts.

Reinsurance recoverables consist of:

	<u>2017</u>	<u>2016</u>
Recoverables under excess of loss reinsurance for claims paid and outstanding	\$ (1,621,187)	\$ 6,843,524
Recoverables under proportional contracts for outstanding claims (Note 14)	17,120,368	37,835,940
	<u>\$ 15,499,181</u>	<u>\$ 44,679,464</u>

Amounts due to reinsurers of \$7,204,336 (2016 – \$20,050,123) represent premiums to be ceded to the reinsurers as at December 31, 2017, less reinsurance recoverables on proportional contracts.

6. Cash and Bank Balances

The Group earned interest at varying rates up to 0.5% (2016 – varying rates up to 0.5%) per annum on accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to \$45,468 (2016 – \$30,820).

7. Term Deposits

Term deposits with banks include accrued interest totaling \$158,096 (2016 – \$245,707). The term deposits are held more than three months from the date of acquisition and have the following maturities and interest rates:

	<u>Interest Rates</u> <u>2017</u>	<u>2017</u>	<u>Interest Rates</u> <u>2016</u>	<u>2016</u>
Three months – one year	1.13%-1.75%	\$ 2,020,933	1.0279%-3.00%	\$ 5,565,394
Over one year	2.25%-2.75%	3,038,480	2.75%-4.25%	4,584,473
		<u>\$ 5,059,413</u>		<u>\$ 10,149,867</u>

To meet the requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 27, ICB renewed its term deposit of \$1,208,596 (2016 – \$1,179,118) with maturity date of December 21, 2018. The term deposit is held with a recognized financial institution in The Bahamas.

ICB is also required under the Insurance Regulations in Turks and Caicos to meet certain capital requirements as outlined in Note 27, and maintained a restricted deposit of \$513,004 (2016 – \$507,784), with a maturity date of December 6, 2018. The deposit is held with a recognized financial institution in Turks and Caicos.

8. Investments in Securities

Investments in securities are classified as follows:

	<u>2017</u>	<u>2016</u>
Securities at fair value through profit or loss	\$ 4,673,511	\$ 4,191,840
Held-to-maturity	9,961,448	10,600,236
Available for sale	5,773,060	5,901,227
As of end of year	<u>\$ 20,408,019</u>	<u>\$ 20,693,303</u>

Securities at Fair Value Through Profit or Loss

Securities at fair value through profit or loss principally comprise marketable equity securities, which are listed on The Bahamas International Securities Exchange, and are stated at fair value using quoted bid prices.

Movements during the year were as follows:

	<u>2017</u>	<u>2016</u>
As at beginning of year	\$ 4,191,840	\$ 4,052,340
Additions	-	78,752
Change in net unrealized gains during the year	481,671	60,748
As of end of year	<u>\$ 4,673,511</u>	<u>\$ 4,191,840</u>

As of December 31, 2017, the cost of securities at fair value through profit or loss was \$2,387,214 (2016 – \$2,302,615).

Held-to-Maturity Securities

Held-to-maturity securities consist of the following:

	Interest Rates	Maturity	Amortized Cost 2017
The Bridge Authority Bond	6.25%	2024	\$ 130,250
Bahamas Government Registered Stocks	4.39% to 4.88%	2019 – 2037	5,822,384
Clifton Heritage Authority	5.50%	2035	283,138
Bahamas Electricity Corporation Bond	6.40%	2021	500,792
Fidelity Bank (Bahamas) Ltd	6.00%	2018	100,510
Nassau Airport Development: Company – senior secured note	8.50%	2031	425,000
College of The Bahamas	7.00%	2026	321,490
Public Hospital Authority Ser A	6.00%	2033	854,840
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Bahamas Govt Stock Tranche 2	4.50%	2022	1,021,674
			<u>\$ 9,961,448</u>

	Interest Rates	Maturity	Amortized Cost 2016
The Bridge Authority Bond	6.25%	2024	\$ 130,250
Bahamas Government Registered Stocks	4.89% to 5.37%	2019 – 2037	5,831,727
Clifton Heritage Authority	5.50%	2035	283,139
Bahamas Electricity Corporation Bond	6.40%	2021	500,792
Fidelity Bank (Bahamas) Ltd.	7.00%	2017	507,000
Fidelity Bank (Bahamas) Ltd	6.00%	2018	100,510
Nassau Airport Development: Company – senior secured note	8.50%	2031	458,364
College of The Bahamas	7.00%	2026	357,143
Public Hospital Authority Ser A	6.00%	2033	908,267
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Bahamas Govt Stock Tranche 2	4.50%	2022	1,021,674
			<u>\$ 10,600,236</u>

Included in amortized costs for held-to-maturity investments is accrued interest totaling \$123,726 (2016 – \$150,419).

In accordance with the Note Purchase Agreement dated March 20, 2009 for Nassau Airport Development Company – Senior Secured Note, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2031. During 2017, ICB received \$23,750 (2016 – \$15,000) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated June 24, 2011 for The College of The Bahamas, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2026. During 2017, the Company received \$35,714 (2016 – \$35,714) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated November 13, 2013, for Public Hospital Authority, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2033. During 2017, the Company received \$52,632 (2016- \$52,632) towards the principal of the Secured Note.

Available For Sale Securities

Available for sale securities consist of the following:

	No. of Shares	2017 Fair Value	No. of Shares	2016 Fair Value
Commonwealth Bank Ltd. 7% (perpetuity)	10,000	\$ 1,000,000	10,000	\$ 1,000,000
Bank of The Bahamas 6.75% (perpetuity)	500	500,000	500	500,000
Cable Bahamas Ltd. Series Thirteen 6.25% (2019)	1,000	1,000,000	1,000	1,000,000
Cable Bahamas Ltd. Series Six 5.75% (2019)	539	539,000	539	539,000
Cable Bahamas Ltd. Series Nine 6.25% (2019)	1,249	1,249,500	1,249	1,249,500
APD Limited Series A 5.5%	1,000	500,000	1,000	500,000
Grand Bahama Power Company Limited 7.25%	322,000	184,030	322,000	322,000
Prime Income Fund Ser Four	100,000	509,977	100,000	512,589
High Yield Income Fund	25,000	290,553	25,000	278,138
		<u>\$ 5,773,060</u>		<u>\$ 5,901,227</u>

Included in prepayments and other assets is \$11,737 (2016 – \$71,347) relating to dividends receivable (Note 10) at December 31, 2017.

Fair Value Hierarchy

Securities at fair value through profit or loss and available for sale securities are categorized as Level 2 as at December 31, 2017 and 2016. There has been no transfer of financial instruments between Level 1 and Level 2 during the year ended December 31, 2017 and 2016.

9. Due from Insurance Carriers

As of December 31, 2017, balances totaling \$451,226 (2016 – \$144,897) comprise funds due from insurance carriers relating to cancellations and for policies that were processed subsequent to the year end.

10. Prepayments and Other Assets

	2017	2016
Staff loans and advances (i)	\$ 721,516	\$ 655,089
Prepayments and security deposits	100,079	106,452
Capital projects – deposits (ii)	64,514	96,771
Proceeds due from sale of building	160,398	350,000
Commissions receivable	672,849	275,942
Other assets (Note 8)	3,357,445	2,619,416
	<u>\$ 5,076,801</u>	<u>\$ 4,103,670</u>

(i) Staff loans are secured by the employee's pension fund and are granted based on an employee's tenure with the Company. The maturity dates normally extend up to 24 months of issuance.

(ii) This balance represents payments made for architect fees related to the planned building extension project, for which the expected date of commencement has not yet been determined. During 2015, the Company began amortizing this balance over a five year period.

11. Intangible Assets

	2017	2016
Cost:		
At January 1	\$ 720,506	\$ 665,308
Acquisitions	-	55,198
At December 31	<u>\$ 720,506</u>	<u>\$ 720,506</u>
Accumulative amortization:		
At January 1	\$ 575,786	\$ 493,686
Charge for the year	68,718	82,100
At December 31	<u>\$ 644,504</u>	<u>\$ 575,786</u>
Impairment:		
At January 1	\$ 33,492	\$ 33,492
At December 31	<u>\$ 33,492</u>	<u>\$ 33,492</u>
Net carrying value	<u>\$ 42,510</u>	<u>\$ 111,228</u>

Intangible assets relate to the purchase of three portfolios of businesses (“business”) consisting of customer relationships with insurance policies in the Turks and Caicos Islands and a recently acquired portfolio in Exuma, Bahamas. The first portfolio purchased in 2011 for \$383,600 was fully amortized as at December 31, 2016.

The second portfolio was acquired for \$256,708 in accordance with a Purchase and Sales Agreement, which represented commissions collected up to April 30, 2013.

The third portfolio was purchased on August 1, 2014. As of December 31, 2017, \$80,198 has been paid.

Amortization charged in 2017 of \$68,718 (2016 – \$82,100) is included in depreciation and amortization in the consolidated statement of comprehensive income.

There have been no changes in the estimates and assumptions that were initially used to assess the fair value of the intangible assets.

12. Investment Properties

Investment properties are accounted for using the cost model and are as follows:

	Land		Buildings		Total
Cost:					
Balance as at January 1, 2017	\$ 912,772		\$ 112,269		\$ 1,025,041
Disposals	-		-		-
Balance as at December 31, 2017	<u>\$ 912,772</u>		<u>\$ 112,269</u>		<u>\$ 1,025,041</u>
Accumulated depreciation:					
Balance as at January 1, 2017	\$ -		\$ 22,452		\$ 22,452
Charge for the year	-		2,245		2,245
Balance as at December 31, 2017	<u>\$ -</u>		<u>\$ 24,697</u>		<u>\$ 24,697</u>
Impairment:					
Balance as at January 1, 2017 and December 31, 2017	\$ -		\$ 24,164		\$ 24,164
Balance as at December 31, 2017	<u>\$ -</u>		<u>\$ 24,164</u>		<u>\$ 24,164</u>
Net Carrying Value as at December 31, 2017	<u>\$ 912,772</u>		<u>\$ 63,408</u>		<u>\$ 976,180</u>
Net Carrying Value as at December 31, 2016	<u>\$ 912,772</u>		<u>\$ 65,653</u>		<u>\$ 978,425</u>

As at December 31, 2017, the Company’s investment properties are comprised of two parcels of land, one of which is a vacant lot with a carrying value of \$536,916 (2016 - \$536,916).

During 2016, a sale was recorded for one land and building. Considering the cost of this land and building with related accumulated depreciation a realized loss of \$97,333 was reflected. A receivable from this sale of 160,398 (2016-\$350,000) will be repaid over 7 years at a rate of 7% in eighty four equal instalments.

The second investment property is another land and building, which have carrying values of \$375,856 (2016 – \$375,856) for land and \$63,408 (2016 – \$65,651) for building.

Investment properties are being assessed annually for any indication of impairment, one of the factors being considered is the estimated fair value. During 2011, an impairment loss was recorded for the second investment property land and building. While impairment loss of 24,164 was recorded for the third investment property building. The Company has a policy in place to perform appraisals every three years for the purpose of facilitating impairment assessment only as the Company uses the cost method. The latest independent appraisals were performed for the years ended 31 December 2016. No other impairment losses were recognized in 2017 and 2016. Included in depreciation in the statement of comprehensive income is the depreciation charge on the building of \$2,245 (2016 - \$10,068).

13. Property, Plant, and Equipment

	Land	Building	Furniture, Equipment & Motor Vehicles	Leasehold Improvements	Computer Hardware & Software	Total
Cost:						
Balance as of January 1, 2017	\$ 2,340,044	\$ 7,097,153	\$ 1,945,114	\$ 1,350,878	\$ 2,390,559	\$ 15,123,748
Additions	–	65,328	100,576	48,058	10,918	224,880
Disposals	–	–	–	–	–	–
Balance as of December 31, 2017	\$ 2,340,044	\$ 7,162,481	\$ 2,045,690	\$ 1,398,936	\$ 2,401,477	\$ 15,348,628
Accumulated depreciation:						
Balance as of January 1, 2017	–	2,240,823	1,487,086	527,953	2,053,287	6,309,149
Depreciation charge for the year	–	152,651	147,807	120,750	165,437	586,645
Disposals	–	–	–	–	–	–
Balance as of December 31, 2017	\$ –	\$ 2,393,474	\$ 1,634,893	\$ 648,703	\$ 2,218,724	\$ 6,895,794
Net carrying value:						
December 31, 2017	\$ 2,340,044	\$ 4,769,007	\$ 410,797	\$ 750,233	\$ 182,753	\$ 8,452,834
December 31, 2016	\$ 2,340,044	\$ 4,856,330	\$ 458,028	\$ 822,925	\$ 337,272	\$ 8,814,599

14. Outstanding Claims and Net Claims Incurred

Included in the consolidated statement of comprehensive income is net claims incurred as follows:

	2017	2016
Claims incurred	\$ 35,559,580	\$ 63,133,830
Less: recoverable from reinsurers	(32,102,454)	(58,948,177)
	\$ 3,457,126	\$ 4,185,653

Assumptions, change in assumptions and sensitivity

(i) Process Used to Decide on Assumptions

The reserving process commences at the moment an insured reports a claim and there is prima facie evidence that the Group is liable under the policy. An initial reserve is established at that point based on the best information available. Assuming liability is subsequently confirmed, the reserve is revised whenever more detailed information becomes available concerning the nature of the injury or physical damage involved. The setting of reserves is the responsibility of the Group's claims manager who will use external legal or other expert advice where appropriate. Where the initial reserve exceeds the claims manager's settling threshold, the adequacy of the reserve will also be discussed with the management of the Group. An established reserve is expected to be sufficient to meet the final cost of a claim whenever it is finally determined.

A provision for incurred but not reported ("IBNR") claims has been established for each class of business and is monitored for accuracy at each year end. In determining the accuracy of the provision, management reviews the historical cost of IBNR claims and amends the provision, where necessary, taking into account statistical trends and changes in the shape and size of the portfolio.

All claims reserves are established on a gross basis and the Group accounts to proportional reinsurers for their share through quarterly returns. Claims recoveries against Excess of Loss reinsurers are made on a case by case basis on proof of payment being established.

(ii) Sensitivity Analysis – Claims Development

The development of long tail insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Accurate claims reserving is crucial to the long term health of the Group as it allows for more accurate pricing of products and also generates the necessary level of confidence on the part of both reinsurers and shareholders. Management uses a variety of statistical tools, including "Loss Triangulations" developed annually on an accident year basis to monitor the development of the Group's long tail liabilities.

The following tables show the development of the Group's claims costs by Accident year over the period of 2012 to 2017:

Insurance Claims Other Than Catastrophe – Gross:

Accident Year	2012	2013	2014	2015	2016	2017	Total
Original estimate of ultimate claims cost at end of accident year	\$ 11,986,068	\$ 14,439,443	\$ 10,929,613	\$ 12,532,624	\$ 70,176,155	\$ 22,949,341	\$ 143,013,244
	12,341,312	13,865,896	11,572,739	12,282,714	75,628,189		
	11,983,167	13,860,792	11,228,718	12,364,135			
	11,953,353	13,662,715	11,414,581				
	11,968,059	13,509,121					
	12,057,986						
Current estimate of cumulative claims	\$ 12,057,986	\$ 13,509,121	\$ 11,414,581	\$ 12,364,135	\$ 75,628,189	\$ 22,949,341	\$ 147,923,353
Cumulative payments to date	(11,773,086)	(13,326,475)	(10,859,992)	(11,362,313)	(70,974,682)	(11,051,044)	(129,257,592)
Liability recognized in the consolidated statement of financial position	\$ 284,900	\$ 272,646	\$ 554,589	\$ 1,001,822	\$ 4,653,507	\$ 11,898,297	\$ 18,665,761
Liability in respects of years prior to 2012							2,085,262
Gross claims outstanding included in the consolidated statement of financial position							\$ 20,751,023

Insurance Claims Other Than Catastrophe – Net Retention:

Accident Year	2012	2013	2014	2015	2016	2017	Total
Original estimate of ultimate cost at end of accident year	\$ 2,312,978	\$ 2,359,634	\$ 1,738,553	\$ 2,065,023	\$ 13,409,386	\$ 3,811,300	\$ 25,696,974
	2,298,858	2,295,205	1,853,769	2,023,374	16,698,793		
	2,258,086	2,311,576	1,801,686	2,340,500			
	2,253,615	2,282,079	1,829,324				
	2,255,561	2,258,790					
	2,269,053						
Current estimate of cumulative claims	\$ 2,269,053	\$ 2,258,790	\$ 1,829,324	\$ 2,340,500	\$ 16,698,793	\$ 3,811,300	\$ 29,207,760
Cumulative payments to date	(2,225,615)	(2,217,713)	(1,745,868)	(2,190,076)	(15,896,386)	(1,637,413)	(25,913,071)
Liability recognized in the consolidated statement of financial position	\$ 43,438	\$ 41,077	\$ 83,456	\$ 150,424	\$ 802,407	\$ 2,173,887	\$ 3,294,689
Liability in respects of years prior to 2011							335,967
Net claims outstanding included in the consolidated statement of financial position							\$ 3,630,656

(iii) Movements in Outstanding Claims

Outstanding Claims

As at December 31, 2017, outstanding claims of \$20,751,023 (2016 – \$44,539,856) are shown gross of reinsurance recoverables of \$15,499,181 (2016 – \$44,679,464) as disclosed in Note 5.

Included in gross outstanding claims is a provision of \$1,050,000 (2016 – \$7,421,798) for claims incurred but not reported as of the year end.

Year Ended December 31	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claim at January 1, consists of:						
Notified claims	\$ 37,118,058	\$ (30,666,183)	\$ 6,451,875	\$ 8,542,799	\$ (7,208,217)	\$ 1,334,582
Incurred but not reported	7,421,798	(7,169,758)	252,040	935,000	(782,050)	152,950
Total claims outstanding at beginning of the year	\$ 44,539,856	\$ (37,835,941)	\$ 6,703,915	\$ 9,477,799	\$ (7,990,267)	\$ 1,487,532
Cash paid for claims settled in the year	(53,057,704)	45,965,233	(7,092,471)	(34,459,482)	30,995,836	(3,463,646)
Increase in liabilities arising in current year claims	32,722,870	(29,292,526)	3,430,344	62,861,024	(54,311,374)	8,549,650
arising from prior years claims	2,917,799	(2,247,841)	669,958	173,717	(142,427)	31,290
movement in incurred but not reported	(6,371,798)	6,290,708	(81,090)	6,486,798	(6,387,708)	99,090
Total claims outstanding at end of the year	\$ 20,751,023	\$ (17,120,367)	\$ 3,630,656	\$ 44,539,856	\$ (37,835,941)	\$ 6,703,915
Outstanding claim at December 31, consist of:						
Notified claims	19,701,023	(16,241,317)	3,459,706	37,118,058	(30,666,183)	6,451,875
Incurred but not reported	1,050,000	(879,050)	170,950	7,421,798	(7,169,758)	252,040
Total claims outstanding at end of the year	\$ 20,751,023	\$ (17,120,367)	\$ 3,630,656	\$ 44,539,856	\$ (37,835,941)	\$ 6,703,915

(iv) Unearned Premium Reserve

Year Ended December 31	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At beginning of the year	20,766,914	(17,623,673)	3,143,241	20,702,878	(17,410,385)	3,292,491
Net increase in the year	1,011,791	(797,423)	214,368	64,036	(213,287)	(149,250)
Total claims outstanding at end of the year	\$ 21,778,705	\$ (18,421,096)	\$ 3,357,609	\$ 20,766,914	\$ (17,623,673)	\$ 3,143,241

Included in net premiums earned in the consolidated statement of comprehensive income is the net decrease in unearned premium reserve of \$214,366 (2016 – net increase of \$149,250).

These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at year-end.

15. Accounts Payable

Included in accounts payable is \$1,583,769 (2016 – \$1,479,029) representing customer accounts with credit balances. These credit balances comprise funds received from customers for policies that were processed subsequent to the year-end or amounts due to customers as returned premiums for cancelled or amended policies.

16. Net Premiums Earned

	2017	2016
Gross written premiums	\$ 47,093,260	\$ 44,627,393
Premium tax	(1,307,502)	(1,246,558)
	<u>45,785,758</u>	<u>43,380,835</u>
Ceded to reinsurers	(38,817,366)	(36,918,398)
Excess of loss reinsurance	(2,487,997)	(2,053,541)
Net retained premiums	4,480,395	4,408,896
Change in unearned premium reserve (Note 14)	(214,367)	149,250
Net premium earned	<u>\$ 4,266,028</u>	<u>\$ 4,558,146</u>

17. Income and expenses

Investment income consists of:

	2017	2016
Interest income (Notes 6 and 7)	\$ 758,236	\$ 927,693
Dividend income (Note 8)	449,211	429,361
Other income	244,067	326,343
	<u>\$ 1,451,514</u>	<u>\$ 1,683,397</u>

Other operating expenses consist of:

	2017	2016
Office expenses	\$ 1,415,704	\$ 1,357,096
General expenses	1,179,761	1,129,568
Premise costs	971,504	930,872
Computer related expenses	432,195	379,940
Travel and entertainment	244,071	274,026
	<u>\$ 4,243,235</u>	<u>\$ 4,071,502</u>

18. Dividends

During the year, the Company declared dividends of \$0.58 per share (2016 – \$0.64 per share) totaling \$4,633,040 (2016 – \$5,112,320) in respect of the final quarter of 2016 and the first three quarters of 2017. Included in accrued expenses and other liabilities in the consolidated statement of financial position are dividends payable of \$nil (2016 – \$512,000).

19. Pension Plan

The Group's employees are members of a defined contribution plan covering all eligible employees. This plan provides for benefits to be paid upon retirement. Employees are required to contribute an amount equal to 5% of their eligible earnings, which is matched by the Group. The amount charged to salaries and employee benefits in the consolidated statement of comprehensive income during the year for pension costs was \$368,898 (2016 – \$367,003).

20. Retained Earnings

ICB has made an appropriation to a general reserve for unforeseeable risks and future losses. The general reserve can only be distributed following approval by the Board of Directors of ICB. Included in retained earnings is \$800,000 (2016 – \$800,000) representing the Company's 40% share of this reserve.

21. Commitments and Contingencies

Lease Commitments

The Group leases certain premises under non-cancellable operating leases. Future minimum rental commitments are as follows:

	2017	2016
Not later than one year	\$ 85,936	\$ 154,619
More than one year but not later than five years	-	85,936
	<u>\$ 85,936</u>	<u>\$ 240,555</u>

The Group also leases certain premises on a month-to-month basis, which have not been included in the future minimum rental commitments.

Contingencies

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its operations. Management of the Group does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Group.

22. Earnings Per Share

Basic and diluted earnings per share are calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Net income attributable to equity holders of the Company	\$ 5,300,909	\$ 5,170,288
Weighted average number of ordinary shares in issue	8,000,000	8,000,000
Less: Interest in own shares	(30,000)	(30,000)
	<u>7,970,000</u>	<u>7,970,000</u>
Basic & diluted earnings per share	<u>\$ 0.67</u>	<u>\$ 0.65</u>

ICB holds 30,000 (2016 – 30,000) shares at a cost of \$84,600 (2016 – \$84,600) in the Company's own shares, which have been excluded from the weighted average number of ordinary shares in issue in the calculation of the earnings per share.

23. Related-Party Transactions

Related parties comprise: i) major shareholders, directors and key management personnel of the Group; ii) entities in which the parties in (i) have control or significant influence; and iii) entities that have control or significant influence of the parties in (i).

Aon UK Holdings Intermediaries Ltd. (formerly Bain Hogg Management Ltd.), a company incorporated in the United Kingdom, and a subsidiary of Aon Corporation ("Aon"), is the Company's principal shareholder with a shareholding of 40% (2016 – 40%) of the Company's outstanding shares. Aon, through its subsidiaries, serves as the Group's reinsurance broker. In these consolidated financial statements, an affiliate is defined as a subsidiary, or associate of Aon.

The consolidated financial statements include the following balances and transactions with related parties:

	2017	2016
Assets/(Liabilities)		
Due to related parties	\$ (146,914)	\$ (563,189)
Dividends payable	nil	(512,000)
Transactions		
Net commissions and net premiums earned	5,470,700	6,258,707
Key management compensation:		
Salaries and other short-term employee benefits, including directors fees	2,153,429	2,391,048
Post employee benefits	48,650	54,546
Dividends paid	2,560,000	1,536,000

24. Segment Information

The Group is organized into two business segments, which are described below. Each segment offers different services, and is managed separately. For each business segment, the Group's Managing Director reviews internal management reports on, at least, a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Insurance agents & brokers, where the Group sells and administers insurance policies on behalf of those insurance companies it represents. The Group bears no business risk associated with the insurance policies.
- General insurance underwriting where the Group assumes its portion of the business risk associated with the insurance policies.

All transactions between the business segments are conducted on normal commercial terms and conditions.

The segment results for the year ended December 31, 2017, are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	\$ 18,176,449	\$ (669,582)	\$ 17,506,867
Net premiums earned (Note 16)	–	4,266,028	4,266,028
Interest income (Note 17)	94,871	663,365	758,236
Dividend income (Note 17)	–	449,211	449,211
Other income (Note 17)	137,887	106,180	244,067
Change in net unrealized gains on investments in securities	–	481,671	481,671
	<u>\$ 18,409,207</u>	<u>\$ 5,296,873</u>	<u>\$ 23,706,080</u>
	Agents & Brokers	Underwriting	Total
Insurance expenses	\$ –	\$ 3,457,126	\$ 3,457,126
Depreciation and amortization	616,520	41,088	657,608
Other expenses	12,683,986	1,269,566	13,953,552
	<u>\$ 13,300,506</u>	<u>\$ 4,767,780</u>	<u>\$ 18,068,286</u>
Net income	<u>\$ 5,108,701</u>	<u>\$ 529,093</u>	<u>\$ 5,637,794</u>

The segment results for the year ended December 31, 2016 are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	\$ 18,623,733	\$ (478,030)	\$ 18,145,703
Net premiums earned (Note 16)	–	4,558,146	4,558,146
Interest income (Note 17)	84,660	843,033	927,693
Dividend income (Note 17)	–	429,361	429,361
Other income (Note 17)	126,635	199,708	326,343
Change in net unrealized gains on investments in securities	–	60,748	60,748
	<u>\$ 18,835,028</u>	<u>\$ 5,612,966</u>	<u>\$ 24,447,994</u>
	Agents & Brokers	Underwriting	Total
Insurance expenses	\$ –	\$ 4,185,653	\$ 4,185,653
Depreciation and amortization	743,287	43,772	787,059
Loss on sale of Investment Property	–	97,333	97,333
Other expenses	12,929,029	1,222,132	14,151,161
	<u>\$ 13,672,316</u>	<u>\$ 5,548,890</u>	<u>\$ 19,221,206</u>
Net income	<u>\$ 5,162,712</u>	<u>\$ 64,076</u>	<u>\$ 5,226,788</u>

The segment assets and liabilities at December 31, 2017, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	\$ 35,674,850	\$ 68,272,319	\$ 103,947,169
Total liabilities	\$ 21,539,054	\$ 43,235,357	\$ 64,774,411

The segment assets and liabilities at December 31, 2016, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	\$ 36,060,834	\$ 103,549,885	\$ 139,610,719
Total liabilities	\$ 22,423,739	\$ 78,998,779	\$ 101,422,518

25. Risk Management

The Group is exposed to insurance risk and financial risk through its insurance assets and insurance liabilities, financial assets and financial liabilities. The insurance risk covers such things as the vagaries of the weather, the unpredictability of serious injury losses and fortuitous events such as outbreaks of fire. The main components of the financial risk are credit risk, liquidity risk and interest-rate risk. The Group's financial performance is affected by its capacity to understand and effectively manage these risks. The Group's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities. A critical goal of the Group is to ensure that its financial assets are always more than sufficient to fund the obligations arising from its insurance contracts. Close attention is also paid to cash management policies.

The following notes expand on the nature of the aforementioned risks and the manner in which the Group manages them.

(a) Insurance Risk

Insurance risk is the risk that the insured event might occur. At the individual policy level and also at the portfolio level, there is uncertainty in terms of both frequency of occurrence and severity of loss. For any given portfolio of insurance contracts, where the theory of probability is applied to pricing and loss reserving, the principal risk that the Group faces is that claims and other costs might exceed premiums earned. This could occur because the frequency or severity of claims is greater than estimated or that estimated original policy rates prove not to be sustainable or a combination of both. Experience shows that the greater the commonality of risk within a class of business, the smaller will be the relative variability in the expected outcome. In addition, a more diversified portfolio is less vulnerable to deterioration in the loss experience in any particular class of business. The Group has developed its underwriting strategy to produce a diversified portfolio of insurance risks. Within each of the individual classes of business it has sought to achieve, wherever possible, a sufficiently large population of risks to reduce the variability of the expected outcome.

At the macro level, the Group suffers from a lack of diversification in the sense that it only insures the non-life risks of individuals located in The Bahamas and Turks and Caicos; therefore, there is a concentration of insurance risk within the industry sector and territory in which the Group operates.

Casualty Insurance Risks

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Claims frequency can be influenced by changes in the size, composition and quality of a portfolio. Changes in social/economic conditions can also severely impact claims frequency. Claim severity is impacted by such things as general inflation. In the case of liability claims, the most significant factor is the increasing level of awards for personal injury. Claims involving serious long term injury can take five years or more to settle.

The Group manages these risks by means of its well developed underwriting and reinsurance strategies and also by adopting a proactive approach to claims handling. The underwriting strategy attempts to ensure that the portfolio remains biased towards high quality risks. Underwriting guidelines are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include both proportional and catastrophe excess of loss coverage.

The effect of such reinsurance arrangements is to limit the total net insurance loss that the Group can suffer in any one year.

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to IBNR claims and unexpired risks. Given the uncertainty in establishing

claims provisions, it is likely in many cases that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims (both reported or not), the Group uses various industry standard loss estimation techniques and the experience of its staff in settling claims of similar types.

Property Insurance Contracts

(i) Frequency and severity of claims

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (e.g., hurricanes, flooding, etc.) and their consequences. The Group has the right to re-price each individual risk on renewal. It also has the ability to impose or increase deductibles. Contracts are priced on the basis of the commercial replacement value of the properties and contents insured. The sum insured represents the maximum amount payable under a policy. The cost of repairing or rebuilding properties, the cost of providing indemnity for damaged or stolen contents and time taken to restart business operations (business interruption insurances) are the key factors that influence the value of claims under these policies. The most likely cause of major loss under the property portfolio arises from a hurricane event or other serious weather related event. The Group has reinsurance coverage in place to limit the impact of such losses in any one year.

The Group underwrites property insurance in The Bahamas and Turks and Caicos.

(ii) Sources of uncertainty in the estimation of future claim payments

The development of large losses/catastrophes is analyzed separately. Property claims can be estimated with greater reliability due to the shorter settlement period for these claims resulting in lesser amounts of IBNR held at year end.

(b) Financial Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

In the normal course of business, the Group seeks to limit its exposure to losses that may arise from any single occurrence. Reinsurance is primarily placed using a combination of proportional and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Group of its primary obligations to the policyholders; therefore the Group is exposed to the risk that the reinsurers may be unable to fulfill their obligations under the contracts. The Group seeks to mitigate this risk by placing its reinsurance coverage with large multinational companies and syndicates. The Group, with the assistance of its reinsurance broker, also evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers on an ongoing basis to minimize its exposure to significant losses from insurer insolvency. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group's credit risk exposure emanates from reinsurers in the form of prepaid premiums held or claims recoveries still to be made/paid under the various proportional and excess of loss treaties and is disclosed in total on the consolidated statement of financial position. It is the Group's policy that no single counterparty exposure with specific reinsurers should exceed 25% of the total reinsurance assets at any given time. In addition, the Group's proportional treaties contain a "Reinsurer Participation Review Clause", which provides the Group with the option of canceling any individual reinsurer's participation whose financial strength rating (as determined by Standard & Poor and/or A.M. Best) falls below A- or equivalent and to call for the return of prepaid premiums and loss reserves. The Group is required to serve notice of its intention within thirty days of the date of downgrade.

The Group monitors its credit risk exposure relating to accounts receivable on a daily basis. Management separately reviews all trade receivables (provided mainly to commercial businesses) that are in excess of \$100,000 on a monthly basis for any indication of impairment. As at December 31, 2017, the total of trade receivables in excess of this amount was \$8,222,768 (2016 – \$5,988,631). Historically, the Company has not experienced significant credit losses on the trade receivables. On the premium financed receivables the Company may, at its discretion, cancel the policies being financed after a 14-day grace period from the date of the missed contractual payment.

The following procedures are also in place to mitigate the Group's exposure to credit risk:

- places cash with credit-worthy banks;
- monitors the payment history of its customers before continuing to do business with them; and
- invests in debt securities of The Bahamas Government, Government-backed companies and financially sound companies.

The carrying amounts of the financial assets, excluding reinsurance balances, on the consolidated statement of financial position represents the current risk exposure.

Liquidity Risk

The objective of liquidity management is to ensure the availability of sufficient funds to honor all of the Group's financial commitments including claims. The Group maintains a level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes. The tables included in Note 7 for term deposits and Note 8 for investments in securities show the expected recovery or settlement of financial instruments held from the dates of acquisition. Cash and bank balances as disclosed in Note 6 have original maturities of less than three months.

The following table summarizes the expected recovery or settlement of financial assets held (within 12 months from the reporting date) and the maturity profile of the Group's liabilities relating to financial instruments and insurance contracts:

Year Ended December 31	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets						
Cash and bank balances	\$ 13,797,166	\$ –	\$ 13,797,166	\$ 19,862,120	\$ –	\$ 19,862,120
Term deposits	2,020,933	3,038,480	5,059,413	5,565,394	4,584,473	10,149,867
Accounts receivable	15,054,011	708,732	15,762,743	12,169,156	280,317	12,449,473
Due from insurance carriers	451,226	–	451,226	144,897	–	144,897
Investments in securities:						
fair value through profit or loss	4,673,511	–	4,673,511	4,191,840	–	4,191,840
held-to-maturity	100,510	9,860,938	9,961,448	–	10,600,236	10,600,236
available for sale	–	5,773,060	5,773,060	–	5,901,227	5,901,227
Other assets	4,816,324	160,398	4,976,722	3,647,218	350,000	3,997,218
Prepaid reinsurance premiums	18,421,096	–	18,421,096	17,623,673	–	17,623,673
Reinsurance recoverables	7,869,440	7,629,741	15,499,181	39,247,525	5,431,939	44,679,464
Total	\$ 67,204,217	\$ 27,171,349	\$ 94,375,566	\$ 102,451,823	\$ 27,148,192	\$ 129,600,015
Financial liabilities						
Unearned premium reserve	21,778,705	–	21,778,705	20,766,914	–	20,766,914
Outstanding claims	11,898,297	8,852,726	20,751,023	38,518,928	6,020,928	44,539,856
Due to related-parties	146,914	–	146,914	563,189	–	563,189
Accounts payable	6,189,734	–	6,189,734	7,495,226	–	7,495,226
Due to reinsurers	7,204,336	–	7,204,336	20,050,123	–	20,050,123
Unearned commission reserve	4,984,489	–	4,984,489	4,888,646	–	4,888,646
Accrued expenses and other liabilities	3,694,605	24,605	3,719,210	3,093,959	24,605	3,118,564
Total	\$ 55,897,080	\$ 8,877,331	\$ 64,774,411	\$ 95,376,985	\$ 6,045,533	\$ 101,422,518
Liquidity gap	\$ 11,307,137	\$ 18,294,018	\$ 29,601,155	\$ 7,074,838	\$ 21,102,659	\$ 28,177,497

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest-Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group mitigates this risk by investing in interest-bearing assets with floating interest rates, or investing for short time periods. The rates of interest on financial instruments are disclosed in Notes 4, 6, 7 and 8 in the consolidated financial statements. All other financial assets and financial liabilities are non-interest bearing.

At December 31, 2017, an increase of 25 basis points in interest rates with all other variables remaining constant, would have increased the net income of the Company by approximately \$51,985 (2016 – \$66,628). A decrease of 25 basis points would have an opposite effect with all other variables remaining constant.

Price Risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market.

As the Group's investments in securities at fair value through profit or loss are carried at fair value with fair value changes recognized in net income or loss in the consolidated statement of comprehensive income, all changes in market conditions will directly affect operating income.

The Group is exposed to price risks arising from equity investments. Price risk is mitigated by the Group by investing in a diversified portfolio of instruments.

26. Fair Value of Financial Instruments

Most of the Group's financial assets and liabilities are measured at cost or amortized cost, except for financial instruments at fair value through profit or loss and available for sale financial instruments which are measured at fair value as of the reporting date or are carried at values which approximate fair value. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

The Group measures fair values of financial assets using the fair value hierarchy as disclosed in Note 8.

Except as stated elsewhere in the notes, the carrying amounts of the Group's financial assets and liabilities approximate their fair values due to one or both of the following reasons:

- a) immediate or short-term maturity; or
- b) carrying amount approximates or equals fair value.

27. Capital Management

The Group's capital management policies are based on the following requirements:

Externally imposed capital requirements are set by The Insurance Commission of the Bahamas ("the Commission") and by the Financial Services Commission in Turks and Caicos Islands. These requirements are put in place to ensure sufficient solvency margins.

The Company and ICB are registered under the Insurance Act 2005 ("the Act") and the Company and ICB have met the required minimum paid up and unencumbered capital of \$50,000 and \$2,000,000 respectively. ICB is also required to establish and maintain a statutory deposit in respect of its insurance business in The Bahamas, such deposit to be held in trust pursuant to Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2010 ("the Regulations"). ICB established a Statutory Deposit Trust ("the Trust") in the sum of \$1,000,000 included in the term deposit (Note 7) in the consolidated statement of financial position with a recognized financial institution appointed as trustees of the Trust and the Insurance Commission of The Bahamas ("the Commission") as the protectors of the Trust.

Solvency ratios are established on the basis of risk assessment for each particular entity. ICB is required to meet a minimum margin of solvency. The Act defines solvency as the inability of any Company to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the Commission may prescribe. Of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in Section 70 of the Regulations. As at December 31, 2017, ICB exceeded the minimum margin of solvency required under the Act.

As at December 31, 2017, the Group has complied with the regulatory imposed capital requirement, met the required restricted deposit and exceeded the minimum margin of solvency required under the Act.

ICB is registered as a Foreign Ordinary Company in accordance with the Insurance Ordinance (Ordinance) 1989 in TCI and as such ICB's annual return, pursuant to section 4 of the Ordinance, includes the filing of the solvency margins on the consolidated business and TCI domestic business. ICB is required to maintain a minimum solvency margin relating to an excess of permitted assets over its liabilities. In addition, ICB is required to maintain a restricted deposit, as approved by the Financial Services Commission in TCI, with an approved financial institution in TCI, and as such \$500,000 is included in term deposits (Note 7) in the consolidated statement of financial position.

As at December 31, 2017, ICB has met the required restricted deposit and its solvency requirement in accordance with the Ordinance.

The Group's policy is to maintain a strong capital base to sustain future development of the business and limit the need to borrow funds. Dividends are paid after the Group ensures that it has sufficient cash on demand to meet operational expenses. There has been no change in the Group's management of capital during the year.

28. Subsequent Events

Subsequent to December 31, 2017, the Company declared a quarterly dividend of \$0.15 per share as of record date February 23, 2018. There are no other subsequent events from December 31, 2017 through to the date of these financial statements.

Community Minded



J.S. Johnson Proudly Sponsors The Rickey Moxey Track and Field Club

Annually J.S. Johnson proudly sponsors The Rickey Moxey Track and Field Club and this year our sponsorship made it possible for some of the athletes to attend the Miami N.W. Track and Field Classic and return with medals.

The Rickey Moxey Track and Field Club is coming into its twenty second year. The club has been instrumental in providing hope through scholarships and other future opportunities.

J.S. Johnson is passionate about making positive impacts in life, especially by helping the less fortunate. Our continued support helps athletes gain exposure, experience, and possible scholarships for higher learning abroad.

We aim to continue to better the lives of our Bahamian children.

Board of Directors



Brian M. Moree, QC

Director since 2002. Appointed Chairman in 2010. Senior Partner, McKinney, Bancroft & Hughes.



Alister I. McKellar

Executive Director since 1989. Appointed Managing Director in 2012.



William P. Mills

Executive Director since February 2018. Appointed Deputy Managing Director in 2015.



Marvin V. Bethell

Director since 1985. Retired Managing Director in 2012, J.S. Johnson & Co. Ltd.



Betty A. Roberts

Director since 2004. Retired Banker, CEO First Trust Bank Limited.



C. R. Bruce Fernie

Director since 2006. Former Insurance Executive, J.S. Johnson & Co. Ltd.



Sharon E. Brown

Director since 2010. Retired Banker, MD CIBC First Caribbean International Bank.



Thomas F. Hackett

Director since 2007. CEO Fidelity Bank.



Terry L. Wilcox (USA)

Director since 1998. Retired AON Executive.

Senior Managers



Robertha Brown
Senior Manager

(30 Years)

Ms. Brown oversees staff in the Commercial Underwriting and Commercial Processing Departments, with particular focus on the enhancement of internal controls and improving efficiency in these areas.



Racardo Underwood
Chief Financial Officer (CFO)

(6 Years)

Mr. Underwood manages Financial risks, planning and reporting for the organization, focusing on automation and process improvement.



Robert Bartlett
Senior Manager

(40 Years)

Mr. Bartlett is specifically responsible for Customer Service at the Collins Avenue Office and deals with customer complaints for our entire organization.



Charles Johnson
Senior Manager

(29 Years)

Mr. Johnson is responsible for the management and production of motor, sub agents and new business in general.

Shareholder Information & Locations

Registered Office:

McKinney, Bancroft & Hughes
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Registrar and Transfer Agent:

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Depository Limited**
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Fort Nassau Centre
British Colonial Hilton
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Nassau, Bahamas

Auditors:

Ernst & Young
One Montague Place
3rd Floor
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Nassau, Bahamas

Corporate Head Office:

**J.S. Johnson & Company
Limited**
34 Collins Avenue
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Subsidiary Company:

**J.S. Johnson & Company
(Turks & Caicos) Ltd.**
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Turks & Caicos Islands, BWI

Secretary:

Gloria Jean Forbes

New Providence:

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Turks & Caicos:

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Turks & Caicos Islands, BWI
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PEACE OF MIND

Services



Homeowners

Automobile

Annuities

Pensions

Marine

Aviation

Computers

Life & Health

Special Risks

Crime

Bankers' Bonds

Office

Travel

Sports

Personal Accident

Directors & Officers

Commercial Liability

Professional Indemnity





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PEACE OF