

FIRST QUARTER

INTERIM REPORT

2017



MANAGING DIRECTOR'S REVIEW

As anticipated our results for the first quarter of 2017 are down in part due to the residual effects of Hurricane Matthew. Net income fell by 50%, with a reduction in net commissions and fees from \$4,605,929 to \$3,911,621. In addition an unrealized loss on investment in securities of \$156,081 occurred, as local stock prices fell, compared to a gain of \$140,981 last year.

Underwriting profitability was adversely affected again this quarter as claim costs continued to rise. This coupled with our loss on the investment portfolio and the decrease in net commissions and fees resulted in profits falling to \$450,273.

In the Agents & Brokers division, the company was able to contain expenses with the total decreasing from \$3,383,857 to \$3,149,493 year on year. This offset the majority of income shortfall and should continue to have a positive impact for the remainder of the year. The net

effect was a slight decline in overall income from \$724,816 to \$666,620 in the quarter.

The local industry as a whole suffered a significant loss from the devastating impact of Hurricane Matthew and given our impaired performance, feel it prudent to reduce our dividend payment by two cents (2c) to fourteen cents (14c) per share this quarter. We expect the economy to remain sluggish in the short term but are optimistic that the opening of Baha Mar will herald a long overdue recovery in the months ahead.

We know you have a choice in these ever changing times and we thank you for your continued support.

A handwritten signature in black ink, appearing to read "Alister I. McKellar".

Alister I. McKellar, FCII
Managing Director



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

PEACE OF MIND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2017 (amounts expressed in Bahamian dollars)

	March 2017	December 2016
ASSETS		
Cash and bank balances	\$ 15,082,385	19,862,120
Term deposits	4,988,746	10,149,867
Accounts receivable	11,201,446	12,449,473
Due from insurance carriers	1,790,423	144,897
Investments in securities		
- fair value through profit or loss	4,035,758	4,191,840
- held-to-maturity	10,595,431	10,600,236
- available for sale	5,901,292	5,901,227
Prepayments and other assets	2,017,115	4,103,670
Prepaid reinsurance premiums	16,424,577	17,623,673
Reinsurance recoveries	32,576,786	44,679,464
Intangible assets	93,046	111,228
Investment properties	975,731	978,425
Property, plant and equipment	8,740,515	8,814,599
Total assets	\$ 114,423,251	139,610,719
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 19,396,827	20,766,914
Outstanding claims	32,764,319	44,539,856
	<u>52,161,146</u>	<u>65,306,770</u>
Other liabilities:		
Due to related parties	2,600	563,189
Accounts payable	7,927,927	7,495,226
Due to reinsurers	10,631,008	20,050,123
Accrued expenses and other liabilities	1,168,201	3,118,564
Unearned commission reserve	4,505,290	4,888,646
Total liabilities	76,396,172	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	22,868,892	23,314,875
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	40,792	40,727
	<u>22,905,084</u>	<u>23,351,002</u>
Non-controlling interest	15,121,995	14,837,199
Total equity	\$ 38,027,079	38,188,201
Total liabilities and equity	114,423,251	139,610,719

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2017 (amounts expressed in Bahamian dollars)

	March 2017	March 2016
INCOME		
Net commission and fees	3,911,621	4,605,929
Net premiums earned	1,041,471	1,181,266
Investment income	382,253	517,466
Change in net unrealized gain on investments in securities	-	140,981
Total income	5,335,345	6,445,642
EXPENSES		
Salaries and employees benefits	2,336,500	2,602,149
Net claims incurred	622,414	478,968
Depreciation and amortization	163,547	160,500
Change in net unrealised loss on investments in securities	156,081	-
Other operating expenses	939,910	958,818
Total expenses	4,218,452	4,200,435
Net income	1,116,893	2,245,207
Other comprehensive income		
Unrealized gain on available for sale securities	65	(5,598)
Total comprehensive income	1,116,958	2,239,609
Equity holders of the Company	\$ 832,162	1,279,993
Non-controlling interests	284,796	959,616
	1,116,958	2,239,609
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.10	\$ 0.16

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2017 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Other Comprehensive Income	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2015	80,000	23,267,294	(84,600)	30,340	23,293,034	15,327,575	38,620,609
Total comprehensive income for the year:							
Net income	-	1,285,591	-	-	1,285,591	959,616	2,245,207
Unrealised gain on available for sale securities	-	-	-	(5,598)	(5,598)	-	(5,598)
Distributions to owners:							
Dividends	-	(1,278,080)	-	-	(1,278,080)	(527,262)	(1,805,342)
Balance at March 31, 2016	80,000	23,274,805	(84,600)	24,742	23,294,947	15,759,929	39,054,876
Balance at December 31, 2016	80,000	23,314,875	(84,600)	40,727	23,351,002	14,837,199	38,188,201
Total comprehensive income for the year:							
Net income	-	832,097	-	-	832,097	284,796	1,116,893
Unrealised loss on available for sale securities	-	-	-	65	65	-	65
Distributions to owners:							
Dividends	-	(1,278,080)	-	-	(1,278,080)	-	(1,278,080)
Balance at March 31, 2017	80,000	22,868,892	(84,600)	40,792	22,905,084	15,121,995	38,027,079

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2017 (amounts expressed in Bahamian dollars)

	March 2017	March 2016
Cash flows from operating activities:		
Net income for the period	1,116,893	2,245,207
Adjustments for:		
Unearned premium reserve	280,496	247,325
Depreciation and amortization	163,547	160,500
Change in net unrealized gains on investments in securities	-	(140,981)
Interest income	(195,024)	(231,334)
Dividend income	(127,054)	(131,650)
Bad debts	12,000	12,000
Cash from operations before changes in assets and liabilities	1,250,858	2,161,067
(Increase)/decrease in assets:		
Accounts receivable	1,236,027	2,119,185
Due from insurance carriers	(1,645,526)	76,510
Prepayments and other assets	2,086,555	(1,540,205)
Prepaid reinsurance premiums	1,199,096	1,401,855
Reinsurance recoveries	12,102,678	(313,068)
Increase/(decrease) in liabilities:		
Unearned premium reserve	(1,650,583)	(1,936,249)
Outstanding claims	(11,775,537)	419,275
Due to related parties	(560,589)	119,778
Accounts payable, accrued expenses and other liabilities	(1,517,662)	1,456,528
Due to reinsurers	(9,419,115)	(428,878)
Unearned commission reserve	(383,356)	(405,316)
Net cash (used in)/provided by operating activities	(9,077,154)	3,130,482
Cash flows from investing activities:		
Net maturity of term deposits	5,037,540	5,617
Purchase of property, plant and equipment	(68,587)	(47,815)
Sale/(Purchase) of investments in securities	164,832	(69,401)
Interest received	314,660	202,223
Dividends received	127,054	131,650
Net cash provided by investing activities	5,575,499	222,274
Cash flows from financing activities:		
Dividends paid to shareholders	(1,278,080)	(1,278,080)
Dividends paid to non-controlling interest	-	(527,262)
Net cash used in financing activities	(1,278,080)	(1,805,342)
Net (decrease)/increase in cash and cash equivalents	(4,779,735)	1,547,414
Cash and cash equivalents at beginning of period	19,862,120	4,066,277
Cash and cash equivalents at end of period	15,082,385	5,613,691

(unaudited)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year December 31, 2016.

2. SEGMENT INFORMATION

The Group is organized into two business segments; Insurance Agents & Brokers and General Insurance.

The segment results for the period ended March 31, 2017 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	3,729,550	182,071	3,911,621
Net premiums earned		-	1,041,471	1,041,471
Interest Income		18,865	176,159	195,024
Dividend Income		21,946	105,107	127,053
Other income		45,752	14,424	60,176
	\$	3,816,113	1,519,232	5,335,345
Insurance expenses		-	622,414	622,414
Depreciation & amortization		152,155	11,392	163,547
Change in net unrealized loss on investments in securities		-	156,081	156,081
Other expenses		2,997,338	279,072	3,276,410
	\$	3,149,493	1,068,959	4,218,452
NET INCOME	\$	666,620	450,273	1,116,893

The segment results for the period ended March 31, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	3,986,232	619,697	4,605,929
Net premiums earned		-	1,181,266	1,181,266
Interest Income		25,082	206,252	231,334
Dividend Income		25,817	105,833	131,650
Change in net unrealized gain on investment in securities		-	140,981	140,981
Other income		71,542	82,940	154,482
	\$	4,108,673	2,336,969	6,445,642
Insurance expenses		-	478,968	478,968
Depreciation & amortization		149,430	11,070	160,500
Other expenses		3,234,427	326,540	3,560,967
	\$	3,383,857	816,578	4,200,435
NET INCOME	\$	724,816	1,520,391	2,245,207

The segment assets and liabilities as at March 31, 2017 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	38,364,166	76,059,085	114,423,251
Total liabilities		17,783,655	58,612,517	76,396,172

The segment assets and liabilities as at March 31, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	24,530,411	57,932,552	82,462,963
Total liabilities		10,604,164	32,803,923	43,408,087