

# FIRST QUARTER

## INTERIM REPORT

2022

### MANAGING DIRECTOR'S REVIEW

Modern life can sometimes be contradictory. Fighting rages half a world away, while visitors arrive here in increasing numbers and some countries continue strict measures to fight Covid, while we have been continuously easing our pandemic restrictions. In the end, we are truly fortunate as a country to be in this position.

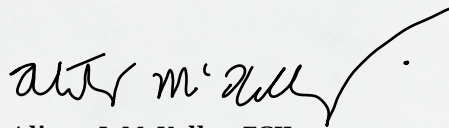
Central Bank statistics, for example, show drastic improvement from the same period last year. According to the Bank's monthly economic report for February 2022, total visitor arrivals jumped by 1,221%, while increased foreign direct investment flows have helped boost the country's foreign reserves, a welcome monetary development. Multiple construction projects throughout the islands and the rehiring of tourist industry workers have also helped reduce the country's overall unemployment rate.

Our Q1 financial results reflect a difference to start the year between our Agency and Underwriting divisions. As of the end of March, we posted a 4.6% increase in Agency net income (\$2.04M) over the same time period last year (\$1.95M), while Underwriting experienced a decline in net income of 42.6% for the same time period. Despite the soft performance in our Underwriting division in the first quarter we anticipate a recovery as the year progresses.

With only a few short weeks before the start of the 2022 hurricane season, we are ever mindful of the impact that a major storm could again have on our lives and economy. It's predicted to be an above average season with 19 named storms forecast. Let's hope for another quiet year throughout our archipelago.

We've already begun preparation for the implementation of IFRS 17, a new accounting standard for the insurance industry expected to take effect January 1, 2023. We anticipate that this new standard will affect the look and feel of both our financial statements and note disclosures next year as the International Accounting Standards Board looks to improve comparability and increase transparency within the industry.

Finally, we're ever grateful for our loyal customers, dedicated staff, and the support of our Board of Directors. Thank you for your confidence. We continue to work hard to earn it every day.



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, 2022 (amounts expressed in Bahamian dollars)

|  | March 2022            | December 2021      |
|--|-----------------------|--------------------|
| <b>ASSETS</b>  |                       |                    |
| Cash and bank balances   | \$ 18,328,841         | 19,986,684         |
| Term deposits  | 10,819,210            | 10,783,123         |
| Accounts receivable  | 14,795,677            | 12,140,440         |
| Due from insurance carriers                                    | 49,417                | 1,350              |
| Investments in securities                                      |                       |                    |
| - fair value through profit or loss                            | 9,196,020             | 9,338,871          |
| - Amotized costs   | 9,687,497             | 10,731,218         |
| Prepayments and other assets                                   | 1,649,512             | 735,399            |
| Prepaid reinsurance premiums                                   | 23,772,116            | 23,063,154         |
| Reinsurance recoveries   | 10,149,682            | 11,331,776         |
| Right of use asset   | 174,855               | 235,392            |
| Investment properties  | 536,916               | 536,914            |
| Property, plant and equipment                                  | 7,807,485             | 7,843,126          |
| <b>Total assets</b>  | <b>\$ 106,967,228</b> | <b>106,727,447</b> |
| <b>LIABILITIES</b>   |                       |                    |
| General insurance funds:                                       |                       |                    |
| Unearned premium reserve                                       | \$ 27,662,502         | 26,733,994         |
| Outstanding claims   | 11,273,408            | 12,441,000         |
|  | <u>38,935,910</u>     | <u>39,174,994</u>  |
| Other liabilities:   |                       |                    |
| Due to related parties   | -                     | 116,705            |
| Accounts payable   | 4,740,136             | 5,787,220          |
| Due to reinsurers  | 5,112,662             | 4,136,453          |
| Lease Liability  | 176,709               | 239,248            |
| Accrued expenses and other liabilities                         | 2,755,861             | 3,266,511          |
| Unearned commission reserve                                    | 5,913,823             | 5,723,247          |
| <b>Total liabilities</b>                                       | <b>57,635,101</b>     | <b>58,444,378</b>  |
| <b>EQUITY</b>  |                       |                    |
| Share capital  |                       |                    |
| Authorized ordinary shares-40,000,000 of \$0.01 each           | \$ 400,000            | 400,000            |
| Unissued ordinary shares- 32,000,000 of \$0.01 each            | (320,000)             | (320,000)          |
| Issued and fully paid ordinary shares-8,000,000 of \$0.01 each | 80,000                | 80,000             |
| Retained earnings  | 30,628,277            | 29,774,730         |
| Interest in own shares   | (84,600)              | (84,600)           |
|  | <u>30,623,677</u>     | <u>29,770,130</u>  |
| Non-controlling interest                                       | 18,708,450            | 18,512,939         |
| <b>Total equity</b>  | <b>\$ 49,332,127</b>  | <b>48,283,069</b>  |
| <b>Total liabilities and equity</b>                            | <b>106,967,228</b>    | <b>106,727,447</b> |

(unaudited)



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2022 (amounts expressed in Bahamian dollars)

|   | March 2022       | March 2021       |
|---|------------------|------------------|
| <b>INCOME</b>   |                  |                  |
| Net revenue from contracts with customers   | 5,212,168        | 5,142,433        |
| Net premiums earned   | 1,074,082        | 1,163,188        |
| Investment income   | 309,985          | 323,659          |
| Total income  | 6,596,235        | 6,629,280        |
| <b>EXPENSES</b>   |                  |                  |
| Salaries and employees benefits   | 2,783,024        | 2,595,380        |
| Net claims incurred   | 186,449          | 250,628          |
| Depreciation and amortization   | 164,572          | 155,207          |
| Change in net unrealised loss on investments in securities                          | 142,851          | 226,736          |
| Other operating expenses  | 1,070,281        | 1,083,506        |
| Total expenses  | 4,347,177        | 4,311,457        |
| <b>Net income</b>   | <b>2,249,058</b> | <b>2,317,823</b> |
| <b>Total comprehensive income</b>   | <b>2,249,058</b> | <b>2,317,823</b> |
| Equity holders of the Company   | \$ 2,053,547     | 2,049,934        |
| Non-controlling interests   | 195,511          | 267,889          |
|   | <b>2,249,058</b> | <b>2,317,823</b> |
| Earnings per share for the profit attributable to the equity holders of the Company | \$ 0.26          | \$ 0.26          |

(unaudited)



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2022 (amounts expressed in Bahamian dollars)

|  | Share<br>Capital | Retained<br>Earnings | Interest<br>in own<br>Shares | Other<br>Comprehensive<br>Income | Total<br>Shareholders'<br>Equity | Non-<br>Controlling<br>Interest | Total<br>Equity   |
|--|------------------|----------------------|------------------------------|----------------------------------|----------------------------------|---------------------------------|-------------------|
| Balance at<br>December<br>31, 2020                     | 80,000           | 27,364,731           | (84,600)                     | -                                | 27,360,131                       | 16,755,678                      | 44,115,809        |
| Total comprehensive<br>income for the year:            |                  |                      |                              |                                  |                                  |                                 |                   |
| Net income   | -                | 2,049,934            | -                            | -                                | 2,049,934                        | 267,889                         | 2,317,823         |
| Unrealised gain on<br>available for sale<br>securities | -                | -                    | -                            | -                                | -                                | -                               | -                 |
| Distributions to owners:                               |                  |                      |                              |                                  |                                  |                                 |                   |
| Dividends  | -                | (1,118,320)          | -                            | -                                | (1,118,320)                      | -                               | (1,118,320)       |
| <b>Balance at<br/>March 31,<br/>2021</b>               | <b>80,000</b>    | <b>28,296,345</b>    | <b>(84,600)</b>              | <b>-</b>                         | <b>28,291,745</b>                | <b>17,023,567</b>               | <b>45,315,312</b> |
| Balance at<br>December<br>31, 2021                     | 80,000           | 29,774,730           | (84,600)                     | -                                | 29,770,130                       | 18,512,939                      | 48,283,069        |
| Total comprehensive<br>income for the year:            |                  |                      |                              |                                  |                                  |                                 |                   |
| Net income   | -                | 2,053,547            | -                            | -                                | 2,053,547                        | 195,511                         | 2,249,058         |
| Unrealised gain on<br>available for sale<br>securities | -                | -                    | -                            | -                                | -                                | -                               | -                 |
| Distributions to owners:                               |                  |                      |                              |                                  |                                  |                                 |                   |
| Dividends  | -                | (1,200,000)          | -                            | -                                | (1,200,000)                      | -                               | (1,200,000)       |
| <b>Balance at<br/>March 31,<br/>2022</b>               | <b>80,000</b>    | <b>30,628,277</b>    | <b>(84,600)</b>              | <b>-</b>                         | <b>30,623,677</b>                | <b>18,708,450</b>               | <b>49,332,127</b> |

(unaudited)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2022 (amounts expressed in Bahamian dollars)

|  | March 2022         | March 2021          |
|--|--------------------|---------------------|
| <b>Cash flows from operating activities:</b>                         |                    |                     |
| Net income for the period  | 2,249,058          | 2,317,823           |
| <i>Adjustments for:</i>  |                    |                     |
| Unearned premium reserve   | (637,640)          | (477,407)           |
| Depreciation and amortization  | 164,572            | 155,207             |
| Change in net unrealized losses on investments in securities         | 142,851            | 226,736             |
| Interest income  | (161,036)          | (155,513)           |
| Dividend income  | (81,269)           | (83,488)            |
| Bad debts  | 12,000             | 12,000              |
| <b>Cash from operations before changes in assets and liabilities</b> | <b>1,688,536</b>   | <b>1,995,358</b>    |
| <b>(Increase)/decrease in assets:</b>                                |                    |                     |
| Accounts receivable  | (2,667,238)        | (3,959,826)         |
| Due from insurance carriers  | (48,067)           | (419,225)           |
| Prepayments and other assets   | (914,115)          | (531,055)           |
| Prepaid reinsurance premiums   | (708,962)          | (29,748)            |
| Reinsurance recoveries   | 1,182,094          | 2,763,165           |
| <b>Increase/(decrease) in liabilities:</b>                           |                    |                     |
| Unearned premium reserve   | 1,566,148          | 605,289             |
| Outstanding claims   | (1,167,592)        | (1,816,786)         |
| Due to related parties   | (116,705)          | -                   |
| Accounts payable, accrued expenses and other liabilities             | (1,557,734)        | (7,064,875)         |
| Due to reinsurers  | 976,209            | (3,437,432)         |
| Unearned commission reserve  | 190,576            | 43,811              |
| <b>Net cash used in operating activities</b>                         | <b>(1,576,850)</b> | <b>(11,851,324)</b> |
| <b>Cash flows from investing activities:</b>                         |                    |                     |
| Net placement of term deposits                                       | 4,082              | (135)               |
| Purchase of property, plant and equipment                            | (68,394)           | (46,640)            |
| Sale of investments in securities                                    | 977,171            | (23,965)            |
| Interest received  | 187,417            | 117,925             |
| Dividends received   | 81,269             | 83,488              |
| <b>Net cash provided by investing activities</b>                     | <b>1,181,545</b>   | <b>130,673</b>      |
| <b>Cash flows from financing activities:</b>                         |                    |                     |
| Dividends paid to shareholders                                       | (1,200,000)        | (1,118,320)         |
| Principal payment of lease liability                                 | (62,538)           | (58,033)            |
| <b>Net cash used in financing activities</b>                         | <b>(1,262,538)</b> | <b>(1,176,353)</b>  |
| <b>Net decrease in cash and cash equivalents</b>                     | <b>(1,657,843)</b> | <b>(12,897,004)</b> |
| Cash and cash equivalents at beginning of period                     | 19,986,684         | 32,605,631          |
| <b>Cash and cash equivalents at end of period</b>                    | <b>18,328,841</b>  | <b>19,708,627</b>   |

(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, 2021.

## 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, 2022 are as follows:

|  | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b>     |
|--|-----------------------------|---------------------|------------------|
| Net revenue from contracts with customers                  | \$ 5,690,109                | (477,941)           | 5,212,168        |
| Net premiums earned  | -                           | 1,074,082           | 1,074,082        |
| Interest Income  | 7,790                       | 153,246             | 161,036          |
| Dividend Income  | 18,674                      | 62,595              | 81,269           |
| Other income   | 18,988                      | 48,692              | 67,680           |
|  | <b>\$ 5,735,561</b>         | <b>860,674</b>      | <b>6,596,235</b> |
| Insurance expenses   | -                           | 186,449             | 186,449          |
| Change in net unrealized loss on investments in securities | -                           | 142,851             | 142,851          |
| Depreciation & amortization                                | 153,392                     | 11,180              | 164,572          |
| Other expenses   | 3,546,139                   | 307,166             | 3,853,305        |
|  | <b>\$ 3,699,531</b>         | <b>647,646</b>      | <b>4,347,177</b> |
| <b>NET INCOME</b>  | <b>\$ 2,036,030</b>         | <b>213,028</b>      | <b>2,249,058</b> |

The segment results for the period ended March 31, 2021 are as follows:

|  | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b>     |
|--|-----------------------------|---------------------|------------------|
| Net revenue from contracts with customers                  | \$ 5,465,947                | (323,514)           | 5,142,433        |
| Net premiums earned  | -                           | 1,163,188           | 1,163,188        |
| Interest Income  | 7,232                       | 148,281             | 155,513          |
| Dividend Income  | 19,478                      | 64,010              | 83,488           |
| Other income   | 618                         | 84,040              | 84,658           |
|  | <b>\$ 5,493,275</b>         | <b>1,136,005</b>    | <b>6,629,280</b> |
| Insurance expenses   | -                           | 250,628             | 250,628          |
| Depreciation & amortization                                | 143,188                     | 12,019              | 155,207          |
| Change in net unrealized loss on investments in securities | -                           | 226,736             | 226,736          |
| Other expenses   | 3,403,685                   | 275,201             | 3,678,886        |
|  | <b>\$ 3,546,873</b>         | <b>764,584</b>      | <b>4,311,457</b> |
| <b>NET INCOME</b>  | <b>\$ 1,946,402</b>         | <b>371,421</b>      | <b>2,317,823</b> |

The segment assets and liabilities as at March 31, 2022 are as follows:

|                   | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b> |
|-------------------|-----------------------------|---------------------|--------------|
| Total assets      | \$ 36,734,164               | 70,233,064          | 106,967,228  |
| Total liabilities | 16,895,182                  | 40,739,919          | 57,635,101   |

The segment assets and liabilities as at March 31, 2021 are as follows:

|                   | <b>AGENTS &amp; BROKERS</b> | <b>UNDERWRITING</b> | <b>TOTAL</b> |
|-------------------|-----------------------------|---------------------|--------------|
| Total assets      | \$ 41,105,156               | 72,977,303          | 114,082,459  |
| Total liabilities | 22,521,183                  | 46,245,964          | 68,767,147   |

(unaudited)