

SECOND QUARTER

INTERIM REPORT

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MANAGING DIRECTOR'S REVIEW

Former American professional baseball player Sam Ewing once quipped, "Inflation is when you pay \$15 for the \$10 haircut you used to get for \$5 dollars when you had hair." Humorous, yes, but sadly true these days.

Yet even this dour inflation realization could not dampen the festive mood that the country's 50th birthday and the opening of the new Cruise Port in Nassau generated over the period. Together, they truly represent a celebration of the past, present, and future for The Bahamas.

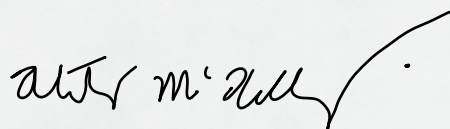
Unfortunately, all celebrations must come to an end. The cost of goods and services across the globe has skyrocketed over the past few years—from the grocery store to the gas pump—and our business has not been immune to the effects. Despite an overall 11.75% increase in total income for the period ending 30th June, an even larger increase in overall expenses (+13.75%) dragged consolidated net income down from \$4,462,935 to \$4,270,202 (-4.31%).

Our Underwriting segment was affected most by the perfect storm of inflation and the hardening of the global reinsurance market over the period. As mentioned in previous reviews, the risk exposure of the entire Caribbean (and Florida!) remains under intense scrutiny by global reinsurers. Some have decided to pull out of the region all together, while those who remain have substantially increased their rates across the board, raising costs for everyone.

As a result, expenses in this segment increased from \$28,094,687 to \$32,739,634 (+16.53%) compared to the same period last year, which drove down overall net income from \$611,744 to \$512,137 (-16.28%). While some of the decline in income this period is the result of a non-recurring gain in 2022 that boosted income by nearly \$600,000 last period, the overall negative effect of inflation on our financials over the period is clear.

Our Agency segment fared relatively better over the period, with only a slight decline in net income for the period, from \$3,851,191 to \$3,758,065 (-2.42%). Results were buoyed by a modest increase of nearly 1% in net revenue from contracts with customers.

I'd like to thank our customers, Board of Directors and staff for your continued confidence and support. With another hurricane season now upon us, I think it's safe to say we're all hoping for the same thing: another quiet year. Let's keep our collective fingers crossed!



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 June 30, 2023 (amounts expressed in Bahamian dollars)

	June 2023	December 2022
ASSETS		
Cash and bank balances	\$ 14,563,587	20,557,403
Term deposits	11,050,740	10,961,017
Accounts receivable	19,860,889	11,641,954
Due from insurance carriers	302,192	217,151
Investments in securities		
- fair value through profit or loss	10,242,371	10,152,703
- Amortized costs	19,043,785	13,815,579
Prepayments and other assets	2,149,927	689,610
Reinsurance Contract Assets (formally prepaid reins. premiums, reins recoveries, unearned comm resv liab. & asset side of due to reinsurers)	34,546,044	34,431,701
Right of use asset	116,626	209,276
Investment properties	536,916	536,914
Property, plant and equipment	7,665,420	7,673,346
Total assets	\$ 120,078,497	110,886,654
LIABILITIES		
Insurance Contract Liabilities:		
Liability for Remaining Coverage (Unearned premium reserve)	\$ 29,410,672	27,987,177
Liability for Claims Incurred (Outstanding claims)	9,203,319	8,964,000
	<u>38,613,991</u>	<u>36,951,177</u>
Other liabilities:		
Due to related parties	-	492,901
Accounts payable	11,975,099	5,684,062
Reinsurance contract liabilities (Liability side of due to reinsurers)	12,457,493	10,806,625
Lease Liability	117,330	213,531
Accrued expenses and other liabilities	3,034,150	3,658,071
Total liabilities	66,198,063	57,806,367
EQUITY		
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	34,003,898	32,917,812
Interest in own shares	(84,600)	(84,600)
	<u>33,999,298</u>	<u>32,913,212</u>
Non-controlling interest	19,881,136	20,167,075
Total equity	53,880,434	53,080,287
Total liabilities and equity	\$ 120,078,497	110,886,654

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2023 (amounts expressed in Bahamian dollars)

	June 2023	June 2022
INCOME		
Insurance Revenue (formally premiums earned)	33,162,913	29,000,473
Net revenue from contracts with customers	\$ 10,804,689	9,895,228
Reinsurance Finance Income (formally investment income)	907,626	662,302
Change in net unrealised gain on investments in securities	-	598,676
Total income	\$ 44,875,227	40,156,679
EXPENSES		
Net expense from Reinsurance contracts held (premiums ceded claims recovered & excess of loss reinsurance)	27,377,171	23,208,889
Salaries and employees benefits	\$ 5,749,906	5,720,190
Insurance service expense (gross claims incurred)	4,761,841	4,366,026
Depreciation and amortization	353,453	284,812
Change in net unrealised loss on investments in securities	54,932	-
Other operating expenses (2/3 reclassified to net exp from reins)	2,307,722	2,113,827
Total expenses	\$ 40,605,025	35,693,744
Net income	\$ 4,270,202	4,462,935
Total comprehensive income	\$ 4,270,202	4,462,935
Equity holders of the Company	\$ 3,804,557	4,036,290
Non-controlling interests	465,645	426,645
	\$ 4,270,202	4,462,935
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.48	0.51

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2023 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2021	80,000	29,774,730	(84,600)	29,770,130	18,512,939	48,283,069
Total comprehensive income for the year:						
Net income	-	4,036,290	-	4,036,290	426,645	4,462,935
Unrealised gain on available for sale securities	-	-	-	-	-	-
Distributions to owners:						
Dividends	-	(2,394,960)	-	(2,394,960)	(684,850)	(3,079,810)
Balance at June 30, 2022	80,000	31,416,060	(84,600)	31,411,460	18,254,734	49,666,194
Balance at December 31, 2022	80,000	32,917,812	(84,600)	32,913,212	20,167,075	53,080,287
Total comprehensive income for the year:						
Net income	-	3,804,557	-	3,804,557	465,645	4,270,202
Unrealised loss on available for sale securities	-	-	-	-	-	-
Distributions to owners:						
Dividends	-	(2,718,470)	-	(2,718,470)	(751,585)	(3,470,055)
Balance at June 30, 2023	80,000	34,003,899	(84,600)	33,999,299	19,881,135	53,880,434

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2023 (amounts expressed in Bahamian dollars)

	June 2023	June 2022
Cash flows from operating activities:		
Net income for the period	4,270,202	4,462,935
Adjustments for:		
Unearned premium reserve	(3,141,377)	(795,284)
Depreciation and amortization	353,453	289,610
Interest income	(455,314)	(330,892)
Dividend income	(241,441)	(186,694)
Bad debts	24,000	24,000
Cash from operations before changes in assets and liabilities	809,523	3,463,675
(Increase)/decrease in assets:		
Accounts receivable	(8,242,935)	(4,723,342)
Due from insurance carriers	(85,041)	(393,321)
Prepayments and other assets	(1,460,317)	(135,113)
Reinsurance contract assets	(114,343)	(2,019,235)
Reinsurance recoveries	-	1,542,555
Increase/(decrease) in liabilities:		
Unearned premium reserve	4,564,872	3,191,709
Liability for remaining coverage	239,319	(1,323,192)
Due to related parties	(492,901)	(116,705)
Accounts payable, accrued expenses and other liabilities	5,667,117	2,409,515
Reinsurance contract liabilities	1,650,868	4,396,952
Unearned commission reserve	-	509,851
Net cash provided by operating activities	2,536,162	6,803,349
Cash flows from investing activities:		
Net redemption/(placement) of term deposits	131,723	(38,368)
Purchase of property, plant and equipment	(252,879)	(184,852)
(Purchase)/sale of investments in securities	(5,341,877)	524,164
Interest received	257,870	307,564
Dividends received	241,441	186,694
Net cash (used in)/provided by investing activities	(4,963,722)	795,202
Cash flows from financing activities:		
Dividends paid to shareholders	(2,718,470)	(2,394,960)
Principal payment of lease liability	(96,201)	(62,538)
Dividends paid to non-controlling interest	(751,585)	(684,850)
Net cash used in financing activities	(3,566,256)	(3,142,348)
Net (decrease)/increase in cash and cash equivalents	(5,993,816)	4,456,203
Cash and cash equivalents at beginning of period	20,557,403	19,986,684
Cash and cash equivalents at end of period	14,563,587	24,442,887

(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, 2022.

2. SEGMENT INFORMATION

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

The segment results for the period ended June 30, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Insurance Revenue	-	33,162,913	33,162,913
Net revenue from contracts with customers	\$ 11,471,407	(666,718)	10,804,689
Interest income	100,049	355,265	455,314
Dividend income	52,000	208,467	260,467
Other income	-	191,844	191,844
	\$ 11,623,456	33,251,771	44,875,227
Net expense from Reinsurance contracts held	-	27,377,171	27,377,171
Insurance service expense	-	4,761,840	4,761,840
Depreciation and amortization	317,741	35,712	353,453
Change in net unrealized loss on investments in securities	-	54,932	54,932
Other expenses	7,547,650	509,979	8,057,629
	\$ 7,865,391	32,739,634	40,605,025
Net income	\$ 3,758,065	512,137	4,270,202

The segment results for the period ended June 30, 2022 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Insurance revenue	-	29,000,473	29,000,473
Net revenue from contracts with customers	\$ 11,366,314	(1,471,086)	9,895,228
Interest income	26,316	304,576	330,892
Dividend income	57,618	150,945	208,563
Change in net unrealized gain on investment in securities	-	598,676	598,676
Other income	-	122,847	122,847
	\$ 11,450,248	28,706,431	40,156,679
Net expense from Reinsurance contracts held	-	23,208,889	23,208,889
Insurance service expense	\$ -	4,366,026	4,366,026
Depreciation and amortization	267,322	17,490	284,812
Other expenses	7,331,735	502,282	7,834,017
	\$ 7,599,057	28,094,687	35,693,744
Net income	\$ 3,851,191	611,744	4,462,935

The segment assets and liabilities as at June 30, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 42,701,382	77,377,115	120,078,497
Total liabilities	26,628,739	39,569,324	66,198,063

The segment assets and liabilities as at June 30, 2022 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 45,850,143	70,470,736	116,320,879
Total liabilities	24,926,933	41,727,752	66,654,685