

BAHAMAS FIRST HOLDINGS LIMITED

# Quarterly Report on Unaudited Results

For the 3 Months Ended March 31, 2024

## Disclaimers

This Report may contain “forward-looking information”. Forward-looking information may relate to our future business, financial outlook and anticipated events or results and may include information regarding our financial position, financial results, operations, business strategies, plans and objectives. Particularly, forward-looking information regarding our expectations of future results, performance, achievements, prospects or opportunities for the markets in which we operate. Forward-looking information in this Report is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review forward-looking information, they are not guarantees of future financial performance as there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct.

The financial information for the 3 months ended March 31, 2024, included in this report is unaudited.

# Report of the Executive Chair

on Unaudited Results for the 3 months ended March 31, 2024

## Q1 2024

For the 3 months ended March 31, 2024, the Group reported a loss of \$2.1m, which was comparable to the performance in Q1 2023. However, due to the change from positive other comprehensive income in Q1 2023 to negative in Q1 2024, the overall total comprehensive loss increased by 16.7% over Q1 2023. The change in other comprehensive income was due to the decline in market value of our global bond portfolio and the decline in price of an equity security.

## Health segment

In Q1 2024, Cayman First Insurance Company Limited's ("CFI's") health premiums continued to decline, but the rate of decline was less than anticipated. The insurance service result declined from Q1 2023 to Q1 2024 from a loss of \$0.4m to \$1.1m. While claims declined from prior year at a similar rate as the premiums, the operational costs have seen an increase to support ongoing remediation efforts.

## Property and casualty segments

The P&C segments for Cayman and Bahamas combined have shown a reduction in the loss over Q1 2023 of \$0.7m or 40.9%. This improvement emanated from the insurance service result, specifically within the Bahamas P&C segment which represented \$0.6m of the change. The key driver for this was an improvement in insurance service expense which was mostly impacted by the improvement in the motor claims loss ratio. All other components of the P&C insurance service result have remained relatively consistent with the prior year.

## Board changes

Since our last report, we bid farewell to director, Mrs. Judith Whitehead who has been a dedicated member of the Board for 19 years. We also saw the departure of Mr. Paul MacDonald and we thank both of them for their invaluable contributions to the Board during their tenure.

The Group would also like to welcome our recently appointed director, Mrs. Michele Fields. Mrs. Fields brings a wealth of experience in the insurance industry and we look forward to the value she brings to the Group.

## Alison Treco

## Executive Chair

## Financial Summary of Unaudited Results

AS AT MARCH 31, 2024  
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Mar-24	31-Dec-23
Cash and investments	75,859,713	69,863,610
Broker receivables	18,216,269	15,389,521
Reinsurance contract assets	63,009,966	54,330,047
Property and equipment	24,652,708	24,683,003
Intangible assets and goodwill	8,064,314	8,359,936
Other assets	3,261,738	3,047,608
<b>Total assets</b>	<b>193,064,708</b>	<b>175,673,725</b>
Insurance contract liabilities	108,453,815	90,127,241
Bonds payable	7,500,000	7,616,866
Other liabilities	3,645,355	2,083,249
<b>Total liabilities</b>	<b>119,599,170</b>	<b>99,827,356</b>
Total equity attributable to owners of the company	69,274,747	71,499,864
Non-controlling interest	4,190,791	4,346,505
<b>Total equity</b>	<b>73,465,538</b>	<b>75,846,369</b>
<b>Total liabilities and equity</b>	<b>193,064,708</b>	<b>175,673,725</b>

## Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED  
MARCH 31, 2024  
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)	For the 3 Months Ended	
	31-Mar-24	31-Mar-23
<b>Insurance revenue</b>	<b>26,117,933</b>	<b>28,813,287</b>
Insurance service expenses	(19,674,469)	(19,823,937)
Net expenses from reinsurance contracts held	(5,289,202)	(8,153,725)
<b>Insurance service result</b>	<b>1,154,262</b>	<b>835,625</b>
Finance expenses from insurance contracts issued	(299,158)	(301,708)
Finance income from reinsurance contracts held	46,991	189,012
<b>Net insurance finance expenses</b>	<b>(252,167)</b>	<b>(112,696)</b>
Investment and other income, net	390,681	280,006
Other expenses	(3,416,722)	(3,153,182)
<b>Loss</b>	<b>(2,123,946)</b>	<b>(2,150,247)</b>
Other comprehensive (loss)/income	(169,385)	184,895
<b>Total comprehensive loss</b>	<b>(2,293,331)</b>	<b>(1,965,352)</b>
<b>Loss attributable to:</b>		
Owners of the company	(1,961,440)	(2,062,212)
Non-Controlling Interest	(162,506)	(88,035)
	<b>(2,123,946)</b>	<b>(2,150,247)</b>
Loss per common share (Note 5)	<b>(0.06)</b>	<b>(0.06)</b>
<b>Total comprehensive loss attributable to:</b>		
Owners of the company	(2,137,617)	(1,892,440)
Non-Controlling Interest	(155,714)	(72,912)
	<b>(2,293,331)</b>	<b>(1,965,352)</b>

## Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED  
MARCH 31, 2024  
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 3 Months Ended	
	31-Mar-24	31-Mar-23
<b>Common shares, Preference shares, Contributed surplus and General reserve</b>		
Balance at beginning and end of period	24,291,275	24,291,275
<b>Revaluation reserve</b>		
Balance at beginning of period	17,367,666	14,608,202
Other comprehensive loss	(401,045)	(1,398,835)
<b>Balance at end of period</b>	<b>16,966,621</b>	<b>13,209,367</b>
<b>Retained earnings</b>		
Balance at beginning of period	29,840,923	29,805,664
Total comprehensive loss	(1,736,572)	(493,605)
Preference share dividends	(87,500)	(87,500)
<b>Balance at end of period</b>	<b>28,016,851</b>	<b>29,224,559</b>
<b>Non-controlling interest</b>		
Balance at beginning of period	4,346,505	4,451,350
Total comprehensive loss	(155,714)	(72,912)
<b>Balance at end of period</b>	<b>4,190,791</b>	<b>4,378,438</b>
<b>Equity at end of period</b>	<b>73,465,538</b>	<b>71,103,639</b>

## Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED  
MARCH 31, 2024  
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 3 Months Ended	
	31-Mar-24	31-Mar-23
Net cash from/(used in) operating activities	6,620,322	(2,371,422)
Net cash from investing activities	76,197	350,679
Net cash used in financing activities	(160,774)	(165,347)
<b>Net increase from/(used in) cash and cash equivalents</b>	<b>6,535,745</b>	<b>(2,186,090)</b>
Cash and cash equivalents at the beginning of the period	34,425,676	33,636,381
<b>Cash and cash equivalents at the end of the period</b>	<b>40,961,421</b>	<b>31,450,291</b>

# Selected Explanatory Notes to the Unaudited Financial Results

For the 3 Months Ended March 31, 2024

## 1. GENERAL

Bahamas First Holdings Limited (“BFH” or the “Company”) and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas, except BFH International Limited, Cayman First Insurance Company Limited, BRAC Insurance Associates Ltd. and BFH Services (Cayman) Limited which are incorporated under the laws of the Cayman Islands.

These consolidated unaudited financial results include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as the “Group”. The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

### Registered insurers

- Bahamas First General Insurance Company Limited (“BFG”)
- Cayman First Insurance Company Limited (“CFI”)

### Registered insurance intermediaries

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. (“NUA”)
- BRAC Insurance Associates Ltd. (“BIA”)

### Management company

- Bahamas First Corporate Services Ltd. (“BFCS”)

### Claims servicing company

- First Response Limited (“FRL”)

### Health referral agency

- BFH Services (Cayman) Limited (“BFHS”)

### Insurance holding company

- BFH International Limited (“BFHIL”)

All of the above subsidiaries are wholly-owned except for CFI.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

The condensed interim financial results have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”), using the accounting policies adopted in the last annual financial statements for the year ended December 31, 2022, with the exception of the changes required by the adoption of IFRS 9 – Financial Instruments and IFRS 17 – Insurance Contracts from January 1, 2023. The Group has consistently applied the same accounting policies through all periods presented. These interim unaudited consolidated financial results should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2022.

### IFRS 9

The Group adopted IFRS 9 from January 1, 2023. The adoption of IFRS 9 has resulted in changes to the measurement and recognition of financial instruments. As a first-time adopter, the Group has applied the following practical expedients:

- Use of the modified retrospective approach, which means that the cumulative effect of initial application was recognized as an adjustment to the opening balance of retained earnings at January 1, 2022.



# Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 3 Months Ended March 31, 2024

## 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### IFRS 9 (continued)

The adoption of IFRS 9 has resulted in the following adjustments to the financial statements:

- Election to present changes in fair value of equity instruments that are not held for trading in other comprehensive income.
- Impairment losses on financial instruments have shifted from an incurred credit loss model to an expected credit loss model.

### IFRS 17

The Group adopted IFRS 17 from January 1, 2023. IFRS 17 requires insurers to recognize insurance contract revenue and expenses in a way that reflects the timing of transfer of insurance risk from the insurer to the policyholder. The Group has applied IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date.

The standard introduces new financial statement presentation captions that differ from previous presented statements. Below we have outlined the new captions:

#### Statement of Financial Position

- Insurance contract assets/liabilities: The financial obligation to the policy owners of insurance contracts written, which includes a liability for claims that have been incurred as of the reporting date but have not yet been settled (liability for incurred claims), a liability for the remaining obligations on contracts (liability for remaining coverage), as well as the expenses that are expected to be required to fulfill the obligations of the insurance contracts. These liabilities are measured as the present value of the expected cash flows for claims payments, using an appropriate discount rate and risk adjustment.

- Reinsurance contract assets/liabilities: The amount an insurer expects to recover from a reinsurer under a reinsurance contract. This asset is initially measured as the present value of the expected cash flows from the reinsurer, using an appropriate discount rate and risk adjustment.

#### Statement of comprehensive income

- Insurance contract revenue: The amount of premium allocated to the services provided in the period. For insurance contracts with significant seasonality, the premiums allocated to each period will be proportional to the expected seasonality (refer to Note 3). Insurance revenue is net of any transaction-based taxes such as premium tax.
- Insurance contract expenses: The expenses associated with fulfilling insurance contracts, such as claims, commissions, policy acquisition costs and general expenses that are directly attributable to providing insurance contract services..
- Net expenses from reinsurance contracts held: The expenses incurred by an insurer after taking into account the recoveries expected to be received from reinsurers under reinsurance contracts held.
- Finance expenses from insurance contracts issued and finance income from reinsurance contracts held: The changes in the insurance liability for incurred claims and the reinsurance asset for incurred claims that are related to changes in economic and financial assumptions. Specifically, the amounts represent the effect of interest accretion and changes in the current discount rates.

# Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 3 Months Ended March 31, 2024

## 3. MEASUREMENT

The Group measures insurance liabilities/assets and reinsurance assets/liabilities for portfolios of contracts, as per the requirements of IFRS 17. Portfolios of contracts, which contain contracts with similar risks that are managed together, must be separated for insurance contracts written and reinsurance contracts held. The Group has always managed insurance contracts and reinsurance contracts using product lines, which meet the above portfolio criteria, and these have been used to define portfolios for IFRS 17. Portfolios are further separated into groups of contracts, such that contracts are separated based on their expected profitability, and that no contracts included in a group are issued more than 12 months apart.

The Group has applied the Premium Allocation Approach (“PAA”) to all insurance and reinsurance contracts. The PAA is a simplified measurement model relative to the General Model that is intended for short-term insurance and reinsurance contracts. The Group assumes that no contracts are onerous unless facts and circumstances indicate otherwise.

The Group has identified insurance acquisition expenses as all expenses that arise from activities related to selling, underwriting, and acquiring groups of insurance contracts. The Group has elected to defer the recognition of insurance acquisition expenses and recognise them over the coverage period of insurance contracts.

The Group does not adjust the liability for remaining coverage (“LRC”) to reflect the time value of money. The Group has adjusted the liability for incurred claims (“LIC”) for the time value of money for all portfolios with the exception of the Health portfolio where the settlement time for claims is less than twelve months. The adjustment for time value of money is calculated using discount rates that are current and specific to the country of the liability. The discount rates reflect the characteristics of the expected insurance liability cash flows. There is significant judgement in the determination of the discount rates.

For insurance liabilities in The Bahamas, the Group has used a top-down approach to determine discount rates, which adjusts the yields on Government of The Bahamas bonds for the credit spread associated with the possibility of default. For insurance liabilities in the Cayman Islands, the Group has used a bottom-up approach which adjusts the US treasury yields for an illiquidity premium consistent with the illiquidity of the insurance liabilities. The Group does not expect insurance liability cash flows to occur beyond the duration when observable market prices become unobservable, and thus the Group has not made any assumptions about yields in the unobservable period.

The Group includes within the LIC an explicit Risk Adjustment for Non-Financial Risk (“RA”). The RA represents the compensation required by the Group for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Group fulfils the insurance contract obligations. There is no RA within the LRC unless a group of contracts has been identified as being onerous. The RA for groups of reinsurance contracts represents the amount of risk transferred from the Group to the reinsurer. The Group has determined the RA with a confidence level approach using a target confidence level of 75%.

### Seasonality

The Property and Casualty insurance business is seasonal in nature with the bulk of the catastrophe insurance revenue being recognised during the hurricane months of June to November. The insurance service result is driven mainly by claims associated with weather conditions and may vary significantly between quarters. Profit commission earned from reinsurers and paid to agents are significantly impacted by natural catastrophes and are therefore recorded only in the fourth quarter.

# Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 3 Months Ended March 31, 2024

## 4. SEGMENTED INFORMATION

The Group's operations are segmented into the following business segments by geographic location:

- General Insurance / Property and Casualty (P&C)
- Health and Life (H&L)

The segment results for the interim periods are noted in the table displayed ►

	BAHAMAS		CAYMAN		
	P&C	P&C	H&L		TOTAL
	\$	\$	\$		\$
<b>For The 3 Months Ended 31-Mar-24</b>					
Insurance service result	1,941,902	225,361	(1,013,001)		1,154,262
Loss	(739,732)	(265,552)	(1,118,662)		(2,123,946)
Capital expenditure	215,910	1,711	1,517		219,138
<b>As at 31-Mar-24</b>					
Total assets	127,614,258	38,818,397	26,632,053		193,064,708
Total liabilities	89,648,756	24,156,090	5,794,324		119,599,170
<b>For The 3 Months Ended 31-Mar-23</b>					
Insurance service result	1,248,784	(75,294)	(337,865)		835,625
Loss	(1,344,856)	(356,575)	(448,816)		(2,150,247)
Capital expenditure	902,252	325,893	289,000		1,517,145
<b>As at 31-Dec-23</b>					
Total assets	112,829,898	38,733,937	24,109,890		175,673,725
Total liabilities	73,760,965	20,309,120	5,757,271		99,827,356

# Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 3 Months Ended March 31, 2024

## 5. EARNINGS PER COMMON SHARE

	2024	2023
	\$	\$
<b>3 months Ended 31-Mar</b>		
Loss for the period attributable to owners of the company	(1,961,440)	(2,062,212)
Preference shares dividend paid	(87,500)	(87,500)
Loss for the period attributable to common shareholders	(2,048,940)	(2,149,712)
Weighted average number of common shares outstanding	36,511,589	36,511,589
<b>Basic and diluted loss per common share</b>	<b>(0.06)</b>	<b>(0.06)</b>

**Bahamas First Holdings Limited**

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