

FIRST QUARTER

INTERIM REPORT

2019



MANAGING DIRECTOR'S REVIEW

On 3rd April 1919 the Company signed it's first agency agreement with Eagle Star Insurance Co. Ltd. and launched itself into the insurance sector. 100 years later we are immensely proud to be welcoming in our centenary of serving the Bahamian people and look forward to strengthening this commitment in the years ahead. This significant achievement would not have been possible without the support of all our shareholders, staff and loyal customers. Thank you one and all.

I'm pleased to report that we have posted another strong result in the first quarter of 2019. Net income is up an impressive 121% to \$1,574,395 (\$712,544 - 2018). Growth in our sales coupled with reduction in insurance expenses has produced this encouraging outcome. We hope to capitalize on this in the months ahead.

Our Underwriting division saw the most improvement, as insurance expenses returned to more normal levels, in the absence of any storm events last year. These declined some 50% from \$577,292 to \$288,682. In addition, a

much improved position with investment in securities, contributed to a 233% increase in net income from \$247,594 to \$824,749. We expect this trend to continue barring any catastrophic event during the coming hurricane season.

Our Agency division also saw a healthy increase in their results with net revenue up some 13% from \$3,592,463 to \$4,075,602. Much of this was due to new business success, a sure sign of a good upturn in the overall economy. While other expenses rose primarily due to increases in staff benefit costs, overall net income climbed some 61% from \$464,950 to \$749,646 which is a very strong start to the year for this division.

2019 is going to be a very exciting year for JSJ and we look forward to welcoming you and sharing in our various celebrations.

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, 2019 (amounts expressed in Bahamian dollars)

	March 2019	December 2018
ASSETS		
Cash and bank balances	\$ 7,184,364	9,700,629
Term deposits	6,086,080	6,084,607
Accounts receivable	13,992,629	14,334,352
Due from insurance carriers	39,073	45,233
Investments in securities		
- fair value through profit or loss	9,698,175	10,215,346
- Amortized costs	11,867,412	11,242,588
Prepayments and other assets	2,196,857	1,772,945
Prepaid reinsurance premiums	18,355,532	19,402,972
Reinsurance recoveries	8,051,014	9,373,273
Intangible assets	6,683	10,693
Investment properties	973,373	973,935
Property, plant and equipment	8,486,958	8,481,045
Total assets	\$ 86,938,150	91,637,618
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 21,509,051	22,897,180
Outstanding claims	8,544,483	10,101,411
	<u>30,053,534</u>	<u>32,998,591</u>
Other liabilities:		
Due to related parties	319,822	188,029
Accounts payable	5,425,239	5,202,717
Due to reinsurers	2,607,902	4,582,436
Accrued expenses and other liabilities	1,863,860	2,139,004
Unearned commission reserve	5,008,365	5,243,608
Total liabilities	45,278,722	50,354,385
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	25,218,409	25,355,007
Interest in own shares	(84,600)	(84,600)
	<u>25,213,809</u>	<u>25,350,407</u>
Non-controlling interest	16,445,619	15,932,826
Total equity	\$ 41,659,428	41,283,233
Total liabilities and equity	86,938,150	91,637,618

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2019 (amounts expressed in Bahamian dollars)

	March 2019	March 2018
INCOME		
Net revenue from contracts with customers	4,141,675	3,751,400
Net premiums earned	1,033,316	1,018,382
Investment income	577,430	440,350
Total income	5,752,421	5,210,132
EXPENSES		
Salaries and employees benefits	2,497,600	2,300,181
Net claims incurred	288,682	577,292
Depreciation and amortization	138,770	165,586
Change in net unrealised loss on investments in securities	17,171	392,668
Other operating expenses	1,235,803	1,061,861
Total expenses	4,178,026	4,497,588
Net income	1,574,395	712,544
Other comprehensive income		
Unrealized gain on available for sale securities	-	4,542
Total comprehensive income	1,574,395	717,086
Equity holders of the Company	\$ 1,061,602	558,603
Non-controlling interests	512,793	158,483
	1,574,395	717,086
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.13	\$ 0.07

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2019 *(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, 2017	80,000	23,972,942	(84,600)	50,530	24,018,872	15,153,887	39,172,759
Total comprehensive income for the year:							
Net income	-	554,061	-	-	554,061	158,483	712,544
Unrealised gain on available for sale securities	-	-	-	4,542	4,542	-	4,542
Distributions to owners:							
Dividends	-	(1,198,200)	-	-	(1,198,200)	(0)	(1,198,200)
Balance at March 31, 2018	80,000	23,328,803	(84,600)	55,072	23,379,275	15,312,370	38,691,645
Balance at December 31, 2018	80,000	25,355,007	(84,600)	-	25,350,407	15,932,826	41,283,233
Total comprehensive income for the year:							
Net income	-	1,061,602	-	-	1,061,602	512,793	1,574,395
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(1,198,200)	-	-	(1,198,200)	-	(1,198,200)
Balance at March 31, 2019	80,000	25,218,409	(84,600)	-	25,213,809	16,445,619	41,659,428

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2019 (amounts expressed in Bahamian dollars)

	March 2019	March 2018
Cash flows from operating activities:		
Net income for the period	1,574,395	712,544
Adjustments for:		
Unearned premium reserve	99,227	189,525
Depreciation and amortization	138,770	165,586
Change in net unrealized losses on investments in securities	17,171	392,668
Interest income	(191,832)	(161,126)
Dividend income	(345,820)	(193,136)
Bad debts	12,000	12,000
Cash from operations before changes in assets and liabilities	1,303,911	1,118,061
(Increase)/decrease in assets:		
Accounts receivable	329,723	4,510,709
Due from insurance carriers	6,161	41,023
Prepayments and other assets	(423,913)	2,053,038
Prepaid reinsurance premiums	1,047,440	1,312,127
Reinsurance recoveries	1,322,259	3,592,805
Increase/(decrease) in liabilities:		
Unearned premium reserve	(1,487,356)	(1,796,040)
Outstanding claims	(1,556,928)	(4,180,997)
Due to related parties	131,792	2,938,788
Accounts payable, accrued expenses and other liabilities	(52,620)	(5,971,413)
Due to reinsurers	(1,974,534)	(2,776,609)
Unearned commission reserve	(235,243)	(296,237)
Net cash (used in)/provided by operating activities	(1,589,308)	545,255
Cash flows from investing activities:		
Net (placement)/maturity of term deposits	(121,029)	1,881,362
Purchase of property, plant and equipment	(140,112)	(40,881)
(Purchase)/sale of investments in securities	(126,466)	6,250
Interest received	313,030	285,187
Dividends received	345,820	193,136
Net cash provided by investing activities	271,243	2,325,054
Cash flows from financing activities:		
Dividends paid to shareholders	(1,198,200)	(1,198,200)
Net cash used in financing activities	(1,198,200)	(1,198,200)
Net (decrease)/increase in cash and cash equivalents	(2,516,265)	1,672,109
Cash and cash equivalents at beginning of period	9,700,629	13,797,166
Cash and cash equivalents at end of period	7,184,364	15,469,275

(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, 2018.

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, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 4,075,602	66,073	4,141,675
Net premiums earned	-	1,033,316	1,033,316
Interest Income	12,579	179,252	191,831
Dividend Income	231,917	113,902	345,819
Other income	(553)	40,333	39,780
	\$ 4,319,545	1,432,876	5,752,421
Insurance expenses	-	288,682	288,682
Depreciation & amortization	129,037	9,733	138,770
Change in net unrealized loss on investments in securities	-	17,171	17,171
Other expenses	3,440,862	292,541	3,733,403
	\$ 3,569,899	608,127	4,178,026
NET INCOME	\$ 749,646	824,749	1,574,395

The segment results for the period ended March 31, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 3,592,463	158,937	3,751,400
Net premiums earned	-	1,018,382	1,018,382
Interest Income	15,973	145,154	161,127
Dividend Income	93,204	99,931	193,135
Other income	53,326	32,762	86,088
	\$ 3,754,966	1,455,166	5,210,132
Insurance expenses	-	577,292	577,292
Depreciation & amortization	153,990	11,596	165,586
Change in net unrealized loss on investment in securities	-	392,668	392,668
Other expenses	3,136,026	226,016	3,362,042
	\$ 3,290,016	1,207,572	4,497,588
NET INCOME	\$ 464,950	247,594	712,544

The segment assets and liabilities as at March 31, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 28,406,653	58,531,497	86,938,150
Total liabilities	12,645,699	32,633,023	45,278,722

The segment assets and liabilities as at March 31, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 35,710,713	55,862,358	91,573,071
Total liabilities	21,124,966	31,756,460	52,881,426