

FIRST QUARTER

INTERIM REPORT

2018



MANAGING DIRECTOR'S REVIEW

As expected, our results for the first quarter of 2018 are down marginally, due to the residual effects of Hurricane Irma. Total income fell by 2%, with a reduction in net commissions and fees from \$3,911,621 to \$3,751,400. There was also a negative movement in unrealized losses on investment in securities of \$392,668 compared to \$156,081 during the same period last year.

Our Underwriting division suffered this quarter with continuing claim costs from Hurricane Irma. Total income declined 4% from \$1,519,232 to \$1,455,166 on the back of a 15% and 21% fall in net commissions and fees and interest income respectively. Expenditures also rose from the previously mentioned unrealized losses on investment in securities.

Our Agents & Brokers division was also influenced by Irma, with total income declining from \$3,816,113 to \$3,754,966 as a

result of a 4% decrease in net commission and fees income. Total expenses also increased by 4%, resulting in a drop in net income from \$666,620 to \$464,950. We expect to see a reverse in this position by the end of the next quarter.

Notwithstanding this flat start to the year, we are encouraged by premium gains witnessed across the Company and in particular in our property portfolio. This trend is expected to continue throughout 2018 and should yield more favourable results as the year unfolds. In light of this, our dividend will remain at fifteen cents (15c) per share this quarter.

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, 2018 (amounts expressed in Bahamian dollars)

	March 2018	December 2017
ASSETS		
Cash and bank balances	\$ 15,469,275	13,797,166
Term deposits	3,076,754	5,059,413
Accounts receivable	11,240,034	15,762,743
Due from insurance carriers	410,203	451,226
Investments in securities		
- fair value through profit or loss	4,280,843	4,673,511
- held-to-maturity	9,932,434	9,961,448
- available for sale	5,777,602	5,773,060
Prepayments and other assets	3,023,763	5,076,801
Prepaid reinsurance premiums	17,108,969	18,421,096
Reinsurance recoveries	11,906,376	15,499,181
Intangible assets	25,664	42,510
Investment properties	976,180	976,180
Property, plant and equipment	8,344,974	8,452,834
Total assets	\$ 91,573,071	103,947,169
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 20,172,190	21,778,705
Outstanding claims	16,570,026	20,751,023
	<u>36,742,216</u>	<u>42,529,728</u>
Other liabilities:		
Due to related parties	3,085,702	146,914
Accounts payable	2,767,487	6,189,734
Due to reinsurers	4,427,727	7,204,336
Accrued expenses and other liabilities	1,170,042	3,719,210
Unearned commission reserve	4,688,252	4,984,489
Total liabilities	52,881,426	64,774,411
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	23,328,803	23,972,941
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	55,072	50,530
	<u>23,379,275</u>	<u>24,018,871</u>
Non-controlling interest	15,312,370	15,153,887
Total equity	\$ 38,691,645	39,172,758
Total liabilities and equity	91,573,071	103,947,169

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2018 *(amounts expressed in Bahamian dollars)*

	March 2018	March 2017
INCOME		
Net commission and fees	3,751,400	3,911,621
Net premiums earned	1,018,382	1,041,471
Investment income	440,350	382,253
Total income	5,210,132	5,335,345
EXPENSES		
Salaries and employees benefits	2,300,181	2,336,500
Net claims incurred	577,292	622,414
Depreciation and amortization	165,586	163,547
Change in net unrealised loss on investments in securities	392,668	156,081
Other operating expenses	1,061,861	939,910
Total expenses	4,497,588	4,218,452
Net income	712,544	1,116,893
Other comprehensive income		
Unrealized gain on available for sale securities	4,542	65
Total comprehensive income	717,086	1,116,958
Equity holders of the Company	\$ 558,603	832,162
Non-controlling interests	158,483	284,796
	717,086	1,116,958
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.07	\$ 0.10

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2018 *(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, 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 gain on available for sale securities	-	-	-	65	65	-	65
Distributions to owners:							
Dividends	-	(1,278,080)	-	-	(1,278,080)	(0)	(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
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)	-	(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

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2018 (*amounts expressed in Bahamian dollars*)

	March 2018	March 2017
Cash flows from operating activities:		
Net income for the period	712,544	1,116,893
Adjustments for:		
Unearned premium reserve	189,525	280,496
Depreciation and amortization	165,586	163,547
Change in net unrealized gains on investments in securities	392,668	(195,024)
Interest income	(161,126)	(127,054)
Dividend income	(193,136)	
Bad debts	12,000	12,000
Cash from operations before changes in assets and liabilities	1,118,061	1,250,858
(Increase)/decrease in assets:		
Accounts receivable	4,510,709	1,236,027
Due from insurance carriers	41,023	(1,645,526)
Prepayments and other assets	2,053,038	2,086,555
Prepaid reinsurance premiums	1,312,127	1,199,096
Reinsurance recoveries	3,592,805	12,102,678
Increase/(decrease) in liabilities:		
Unearned premium reserve	(1,796,040)	(1,650,583)
Outstanding claims	(4,180,997)	(11,775,537)
Due to related parties	2,938,788	(560,589)
Accounts payable, accrued expenses and other liabilities	(5,971,413)	(1,517,662)
Due to reinsurers	(2,776,609)	(9,419,115)
Unearned commission reserve	(296,237)	(383,356)
Net cash provided by/(used in) by operating activities	545,255	(9,077,154)
Cash flows from investing activities:		
Net maturity of term deposits	1,881,362	5,037,540
Purchase of property, plant and equipment	(40,881)	(68,587)
Sale of investments in securities	6,250	164,832
Interest received	285,187	314,660
Dividends received	193,136	127,054
Net cash provided by investing activities	2,325,054	5,575,499
Cash flows from financing activities:		
Dividends paid to shareholders	(1,198,200)	(1,278,080)
Net cash used in financing activities	(1,198,200)	(1,278,080)
Net increase/(decrease) in cash and cash equivalents	1,672,109	(4,779,735)
Cash and cash equivalents at beginning of period	13,797,166	19,862,120
Cash and cash equivalents at end of period	15,469,275	15,082,385

(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, 2017.

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, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 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 investments 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 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 investment 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 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

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