

SECOND QUARTER

INTERIM REPORT

2017



MANAGING DIRECTOR'S REVIEW

Our second quarter results remain down, due to the lingering effects of Hurricane Matthew. Total income declined 17% from \$13,350,833 to \$11,136,630 with the largest drop being in net commissions and fees. Net income of \$3,363,168 was reported, falling some 36% from \$5,225,871 and from all indications this trend will continue into the third quarter and possibly beyond.

The performance of our Underwriting arm, Insurance Company of The Bahamas Limited (ICB), continues to experience financial pressure in the aftermath of Hurricane Matthew. The 68% decline in net income to \$815,180 was mainly due to the reduction in net commissions and fees, new premiums earned and a slight increase in expenses owing to the loss on investment in securities portfolio.

With respect to our Agency & Brokers business, once again we were able to contain expenses with the total declining from \$6,801,057 to \$6,347,480. This somewhat subsidized the decline in total income resulting in an overall net profit of \$2,547,988 as compared to \$2,713,809 last year.

Once again, we thank you for your continued support in this time of recovery and look forward to serving you in the future.

A handwritten signature in black ink, appearing to read 'Alister I. McKellar', with a stylized flourish at the end.

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, 2017 (amounts expressed in Bahamian dollars)

	June 2017	December 2016
ASSETS		
Cash and bank balances	\$ 9,109,376	19,862,120
Term deposits	5,015,905	10,149,867
Accounts receivable	15,591,579	12,449,473
Due from insurance carriers	93,252	144,897
Investments in securities		
- fair value through profit or loss	3,950,789	4,191,840
- held-to-maturity	10,591,825	10,600,236
- available for sale	5,911,350	5,901,227
Prepayments and other assets	6,281,952	4,103,670
Prepaid reinsurance premiums	17,399,302	17,623,673
Reinsurance recoveries	12,717,145	44,679,464
Intangible assets	76,200	111,228
Investment properties	977,097	978,425
Property, plant and equipment	8,642,670	8,814,599
Total assets	\$ 96,358,442	139,610,719
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 20,790,418	20,766,914
Outstanding claims	16,332,235	44,539,856
	<u>37,122,653</u>	<u>65,306,770</u>
Other liabilities:		
Due to related parties	489,045	563,189
Accounts payable	3,166,719	7,495,226
Due to reinsurers	10,162,468	20,050,123
Accrued expenses and other liabilities	1,502,884	3,118,564
Unearned commission reserve	4,749,582	4,888,646
Total liabilities	57,193,351	101,422,518
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	23,750,298	23,314,875
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	50,849	40,727
	<u>23,796,547</u>	<u>23,351,002</u>
Non-controlling interest	15,368,544	14,837,199
Total equity	\$ 39,165,091	38,188,201
Total liabilities and equity	96,358,442	139,610,719

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2017 (amounts expressed in Bahamian dollars)

	June 2017	June 2016
INCOME		
Net commission and fees	8,464,109	9,831,580
Net premiums earned	1,972,200	2,350,720
Investment income	700,321	850,840
Change in net unrealized loss on investments in securities	-	317,693
Total income	11,136,630	13,350,833
EXPENSES		
Salaries and employees benefits	4,635,503	5,103,730
Net claims incurred	555,678	731,377
Depreciation and amortization	329,503	365,597
Change in net unrealised loss on investments in securities	241,050	-
Other operating expenses	2,011,728	1,924,258
Total expenses	7,773,462	8,124,962
Net income	3,363,168	5,225,871
Other comprehensive income		
Unrealized gain on available for sale securities	10,122	5,970
Total comprehensive income	3,373,290	5,231,841
Equity holders of the Company	\$ 2,841,945	3,686,797
Non-controlling interests	531,345	1,545,044
	3,373,290	5,231,841
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.36	\$ 0.46

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2017 (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, 2015	80,000	23,267,294	(84,600)	30,340	23,293,034	15,327,575	38,620,609
Total comprehensive income for the year:							
Net income	-	3,680,827	-	-	3,680,827	1,545,044	5,225,871
Unrealised loss on available for sale securities	-	-	-	5,970	5,970	-	5,970
Distributions to owners:							
Dividends	-	(2,556,160)	-	-	(2,556,160)	(527,263)	(3,083,423)
Balance at June 30, 2016	80,000	24,391,961	(84,600)	36,310	24,423,671	16,345,356	40,769,027
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	-	2,831,823	-	-	2,831,823	531,345	3,363,168
Unrealised loss on available for sale securities	-	-	-	10,122	10,122	-	10,122
Distributions to owners:							
Dividends	-	(2,396,400)	-	-	(2,396,400)	-	(2,396,400)
Balance at June 30, 2017	80,000	23,750,298	(84,600)	50,849	23,796,547	15,368,544	39,165,091

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2017 (amounts expressed in Bahamian dollars)

	June 2017	June 2016
Cash flows from operating activities:		
Net income for the period	3,363,168	5,225,871
Adjustments for:		
Unearned premium reserve	(138,370)	96,602
Depreciation and amortization	329,503	365,597
Change in net unrealized gains on investments in securities	241,050	(317,693)
Interest income	(394,299)	(459,031)
Dividend income	(260,030)	(261,243)
Bad debts	24,000	24,000
Cash from operations before changes in assets and liabilities	3,165,022	4,674,103
(Increase)/decrease in assets:		
Accounts receivable	(3,166,106)	(1,434,625)
Due from insurance carriers	51,645	50,385
Prepayments and other assets	(2,178,283)	(1,294,416)
Prepaid reinsurance premiums	224,371	903,311
Reinsurance recoveries	31,962,319	463,015
Increase/(decrease) in liabilities:		
Unearned premium reserve	161,874	(1,136,259)
Outstanding claims	(28,207,621)	(509,661)
Due to related parties	(74,144)	453,333
Accounts payable, accrued expenses and other liabilities	(5,944,186)	1,313,751
Due to reinsurers	(9,887,655)	969,255
Unearned commission reserve	(139,064)	(336,427)
Net cash (used)/provided by operating activities	(14,031,828)	4,115,765
Cash flows from investing activities:		
Net maturity of term deposits	5,037,540	5,617
Purchase of property, plant and equipment	(121,218)	(311,031)
Sale/(Purchase) of investments in securities	8,750	(77,220)
Interest received	490,382	364,786
Dividends received	260,030	261,243
Net cash used in investing activities	5,675,484	243,395
Cash flows from financing activities:		
Dividends paid to shareholders	(2,396,400)	(2,556,160)
Dividends paid to non-controlling interest	-	(527,262)
Net cash used in financing activities	(2,396,400)	(3,083,422)
Net (decrease)/increase in cash and cash equivalents	(10,752,744)	1,275,738
Cash and cash equivalents at beginning of period	19,862,120	4,066,278
Cash and cash equivalents at end of period	9,109,376	5,342,016

(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, 2016.

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, 2017 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	8,760,685	(296,576)	8,464,109
Net premiums earned		-	1,972,200	1,972,200
Interest Income		53,736	340,563	394,299
Dividend Income		43,015	217,014	260,029
Other income		38,032	7,961	45,993
	\$	8,895,468	2,241,162	11,136,630
Insurance expenses		-	555,678	555,678
Depreciation & amortization		306,185	23,318	329,503
Change in net unrealized gain on investments in securities		-	241,050	241,050
Other expenses		6,041,295	605,936	6,647,231
	\$	6,347,480	1,425,982	7,773,462
NET INCOME	\$	2,547,988	815,180	3,363,168

The segment results for the period ended June 30, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	9,405,842	425,738	9,831,580
Net premiums earned		-	2,350,720	2,350,720
Interest Income		39,454	419,577	459,031
Dividend Income		51,633	209,610	261,243
Change in net unrealized gain on investment in securities		-	317,693	317,693
Other income		17,937	112,629	130,566
	\$	9,514,866	3,835,967	13,350,833
Insurance expenses		-	731,377	731,377
Depreciation & amortization		343,390	22,207	365,597
Other expenses		6,457,667	570,321	7,027,988
	\$	6,801,057	1,323,905	8,124,962
NET INCOME	\$	2,713,809	2,512,062	5,225,871

The segment assets and liabilities as at June 30, 2017 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	34,260,363	62,098,079	96,358,442
Total liabilities		19,395,283	37,798,068	57,193,351

The segment assets and liabilities as at June 30, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	28,534,642	57,020,606	85,555,248
Total liabilities		13,884,400	30,901,821	44,786,221

(unaudited)