

THIRD QUARTER

INTERIM REPORT

2017



MANAGING DIRECTOR'S REVIEW

The weather again had a negative impact on our quarterly results. The continued run off from Hurricane Matthew coupled with the unwelcomed arrival of Hurricane Irma in early September dampened our expectations for a stronger result in 2017. Thankfully Irma's track turned away from New Providence but both the Northern & Southern Bahamas and Turks & Caicos Islands were not as fortunate.

Total income declined by 8% from \$18,511,577 to \$16,997,967 with the biggest reduction being in net commissions and fees. Similar to last quarter, net income fell from \$6,255,301 to \$3,723,345, a 40% decline, with the latest hurricane being a major contributor. We expect there to be some improvement in the last quarter figures barring any further catastrophic event.

Insurance Company of The Bahamas Limited (ICB), our underwriting division, continued to experience financial pressure in the aftermath of Irma. The decline in net income from a high last year of \$2,332,394 to a loss of \$436,008 this quarter was a direct result of claims recorded to date from the storm. Year on year this was up \$1,383,371.

On a more positive note, our Agents & Brokers arm has performed well this quarter with net income rising from \$3,922,907 to \$4,159,353. This increase is a direct result of management's ongoing efforts to contain costs and offset the drop in total income. As a result, our expenses declined 6% from \$10,253,404 to \$9,642,762 which helped soften the impact from recent events.

This hurricane season has been unprecedented, with the severity of storms which we have seen to date and the damage and devastation wrought on our region and neighbours. We can only hope for a quieter year ahead. We thank you once again for your unfailing support in our Company and look forward to serving you in the years ahead.

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 September 30, 2017 (amounts expressed in Bahamian dollars)

	September 2017	December 2016
ASSETS		
Cash and bank balances	\$ 9,424,624	19,862,120
Term deposits	5,032,144	10,149,867
Accounts receivable	13,872,630	12,449,473
Due from insurance carriers	74,863	144,897
Investments in securities		
- fair value through profit or loss	3,971,793	4,191,840
- held-to-maturity	10,527,817	10,600,236
- available for sale	5,911,673	5,901,227
Prepayments and other assets	5,246,539	4,103,670
Prepaid reinsurance premiums	18,485,455	17,623,673
Reinsurance recoveries	16,592,630	44,679,464
Intangible assets	59,355	111,228
Investment properties	1,012,554	978,425
Property, plant and equipment	8,516,703	8,814,599
Total assets	\$ 98,728,780	139,610,719
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 22,179,645	20,766,914
Outstanding claims	22,021,539	44,539,856
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	44,201,184	65,306,770
Other liabilities:		
Due to related parties	315,873	563,189
Accounts payable	5,225,243	7,495,226
Due to reinsurers	3,521,377	20,050,123
Accrued expenses and other liabilities	2,037,247	3,118,564
Unearned commission reserve	5,020,585	4,888,646
Total liabilities	60,321,509	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	23,762,271	23,314,875
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	51,172	40,727
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	23,808,843	23,351,002
Non-controlling interest	14,598,428	14,837,199
Total equity	\$ 38,407,271	38,188,201
Total liabilities and equity	98,728,780	139,610,719

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2017 (amounts expressed in Bahamian dollars)

	September 2017	September 2016
INCOME		
Net commission and fees	12,807,544	13,541,455
Net premiums earned	3,091,974	3,500,118
Investment income	1,098,449	1,263,675
Change in net unrealized gain on investments in securities	-	206,329
Total income	16,997,967	18,511,577
EXPENSES		
Salaries and employees benefits	6,943,147	7,690,459
Net claims incurred	2,525,797	1,142,426
Depreciation and amortization	493,596	569,469
Change in net unrealised loss on investments in securities	220,046	-
Other operating expenses	3,092,036	2,853,922
Total expenses	13,274,622	12,256,276
Net income	3,723,345	6,255,301
Other comprehensive income		
Unrealized gain on available for sale securities	10,445	6,978
Total comprehensive income	3,733,790	6,262,279
Equity holders of the Company	\$ 3,972,561	4,823,878
Non-controlling interests	(238,771)	1,438,401
	3,733,790	6,262,279
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.50	\$ 0.61

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 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	-	4,816,900	-	-	4,816,900	1,438,401	6,255,301
Unrealised gain on available for sale securities	-	-	-	6,978	6,978	-	6,978
Distributions to owners:							
Dividends	-	(3,834,240)	-	-	(3,834,240)	(527,263)	(4,361,503)
Balance at September 30, 2016	80,000	24,249,954	(84,600)	37,318	24,282,672	16,238,713	40,521,385
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	-	3,962,116	-	-	3,962,116	(238,771)	3,723,345
Unrealised loss on available for sale securities	-	-	-	10,445	10,445	-	10,445
Distributions to owners:							
Dividends	-	(3,514,720)	-	-	(3,514,720)	-	(3,514,720)
Balance at September 30, 2017	80,000	23,762,271	(84,600)	51,172	23,808,843	14,598,428	38,407,271

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2017 (amounts expressed in Bahamian dollars)

	September 2017	September 2016
Cash flows from operating activities:		
Net income for the period	3,723,345	6,255,301
<i>Adjustments for:</i>		
Unearned premium reserve	(441,444)	(168,418)
Depreciation and amortization	493,596	569,469
Change in net unrealized gains on investments in securities	220,046	(206,329)
Interest income	(579,419)	(702,217)
Dividend income	(382,786)	(388,799)
Bad debts	36,000	36,000
Cash from operations before changes in assets and liabilities	3,069,338	5,395,007
(Increase)/decrease in assets:		
Accounts receivable	(1,459,158)	(125,304)
Due from insurance carriers	70,033	122,603
Prepayments and other assets	(1,142,870)	(1,293,714)
Prepaid reinsurance premiums	(861,782)	234,339
Reinsurance recoveries	28,086,834	345,176
Increase/(decrease) in liabilities:		
Unearned premium reserve	1,854,175	62,753
Outstanding claims	(22,518,317)	(370,487)
Due to related parties	(247,316)	376,508
Accounts payable, accrued expenses and other liabilities	(3,351,298)	2,504,829
Due to reinsurers	(16,528,746)	1,328,003
Unearned commission reserve	131,939	(104,905)
Net cash (used in)/provided by operating activities	(12,897,168)	8,474,808
Cash flows from investing activities:		
Net maturity/(placement) of term deposits	5,037,540	(42,221)
Purchase of property, plant and equipment	(177,955)	(390,004)
Sale/(Purchase) of investments in securities	49,465	(1,038,764)
Interest received	682,556	610,022
Dividends received	382,786	388,799
Net cash provided by/(used in) investing activities	5,974,392	(472,168)
Cash flows from financing activities:		
Dividends paid to shareholders	(3,514,720)	(3,834,240)
Dividends paid to non-controlling interest	-	(527,262)
Net cash used in financing activities	(3,514,720)	(4,361,502)
Net (decrease)/increase in cash and cash equivalents	(10,437,496)	3,641,138
Cash and cash equivalents at beginning of period	19,862,120	4,066,278
Cash and cash equivalents at end of period	9,424,624	7,707,416

(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 September 30, 2017 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	13,611,872	(804,328)	12,807,544
Net premiums earned		-	3,091,974	3,091,974
Interest Income		73,204	506,215	579,419
Dividend Income		61,846	320,939	382,785
Other income		55,193	81,052	136,245
	\$	13,802,115	3,195,852	16,997,967
Insurance expenses		-	2,525,797	2,525,797
Depreciation & amortization		456,811	36,785	493,596
Change in net unrealized loss on investments in securities		-	220,046	220,046
Other expenses		9,185,951	849,232	10,035,183
	\$	9,642,762	3,631,860	13,274,622
NET INCOME	\$	4,159,353	(436,008)	3,723,345

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

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	14,017,018	(475,563)	13,541,455
Net premiums earned		-	3,500,118	3,500,118
Interest Income		68,895	633,322	702,217
Dividend Income		77,449	311,350	388,799
Change in net unrealized gain on investment in securities		-	206,329	206,329
Other income		12,949	159,710	172,659
	\$	14,176,311	4,335,266	18,511,577
Insurance expenses		-	1,142,426	1,142,426
Depreciation & amortization		536,124	33,345	569,469
Other expenses		9,717,280	827,101	10,544,381
	\$	10,253,404	2,002,872	12,256,276
NET INCOME	\$	3,922,907	2,332,394	6,255,301

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

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	32,866,265	65,862,515	98,728,780
Total liabilities		17,489,818	42,831,691	60,321,509

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

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	29,783,357	58,301,938	88,085,295
Total liabilities		15,189,015	32,374,895	47,563,910