

THIRD QUARTER

INTERIM REPORT

2019



MANAGING DIRECTOR'S REVIEW

On 1st September, 2019 Hurricane Dorian arrived in the Abaco Islands with sustained winds of 185mph, tying with the 1935 Labor Day hurricane for the highest wind speeds of an Atlantic hurricane ever recorded at landfall. The storm then moved over Grand Bahama battering the island for 2 days before finally leaving our shores. This seriously affected our consolidated results through our interest in The Insurance Company of The Bahamas Ltd.

Consolidated net income fell 26% as a direct result of Hurricane Dorian, despite total income rising some 13%. The overwhelming factor being net claims incurred that increased 170% from \$1,570,473 to \$4,241,063 and impacted our Underwriting segment, turning 2nd quarter profit of \$906,495 into 3rd quarter cumulative loss of \$2,256,757.

On a more positive note, net income in our Agency division increased some 27% with the largest rise witnessed in net revenue

from contracts with customers. An indicator of strong sales growth and recovery in the economy ahead of Dorian.

Despite the circumstances, we at JS Johnson consider ourselves fortunate and privileged to be here for our long standing customer base and assist them in face of adversity. Dorian may have been the largest hurricane in the 100 year history of the Company but our financial stability and commitment to service our customers remains unswerving.

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, 2019 (amounts expressed in Bahamian dollars)

	September 2019	December 2018
ASSETS		
Cash and bank balances	\$ 32,635,032	9,700,629
Term deposits	8,126,080	6,084,607
Accounts receivable	13,764,932	14,334,352
Due from insurance carriers	1,041,484	45,233
Investments in securities		
- fair value through profit or loss	9,570,655	10,215,346
- Amortized costs	12,265,321	11,242,588
Prepayments and other assets	2,373,058	1,772,945
Prepaid reinsurance premiums	22,416,193	19,402,972
Reinsurance recoveries	135,384,697	9,373,273
Intangible assets	-	10,693
Investment properties	972,251	973,935
Property, plant and equipment	8,315,885	8,481,045
Total assets	\$ 246,865,588	91,637,618
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 26,603,086	22,897,180
Outstanding claims	139,325,852	10,101,411
	<u>165,928,938</u>	<u>32,998,591</u>
Other liabilities:		
Due to related parties	4,326,459	188,029
Accounts payable	6,895,436	5,202,717
Due to reinsurers	18,466,722	4,582,436
Accrued expenses and other liabilities	4,844,301	2,139,004
Unearned commission reserve	5,996,009	5,243,608
Total liabilities	206,457,865	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	26,106,367	25,355,007
Interest in own shares	(84,600)	(84,600)
	<u>26,101,767</u>	<u>25,350,407</u>
Non-controlling interest	14,305,956	15,932,826
Total equity	\$ 40,407,723	41,283,233
Total liabilities and equity	246,865,588	91,637,618

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2019 (amounts expressed in Bahamian dollars)

	September 2019	September 2018
INCOME		
Net revenue from contracts with customers	15,290,129	13,250,103
Net premiums earned	3,121,810	2,946,000
Investment income	1,209,443	1,211,722
Change in net unrealised gain on investments in securities	56,072	-
Profit on sale of property plant & equipment	22,000	-
Total income	19,699,454	17,407,875
EXPENSES		
Salaries and employees benefits	8,107,743	7,280,697
Net claims incurred	4,241,063	1,570,473
Depreciation and amortization	422,118	433,167
Change in net unrealised loss on investments in securities	-	602,591
Other operating expenses	3,818,385	3,324,276
Total expenses	16,589,309	13,211,204
Net income	3,110,145	4,196,671
Other comprehensive income		
Unrealized gain on available for sale securities	-	6,472
Total comprehensive income	3,110,145	4,203,143
Equity holders of the Company	\$ 4,425,840	4,189,237
Non-controlling interests	(1,315,695)	13,906
	3,110,145	4,203,143
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.56	\$ 0.53

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 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	23,972,943	(84,600)	50,530	24,018,873	15,153,887	39,172,760
Total comprehensive income for the year:							
Net income	-	4,182,765	-	-	4,182,765	13,906	4,196,671
Unrealised gain on available for sale securities	-	-	-	6,472	6,472	-	6,472
Distributions to owners:							
Dividends	-	(3,594,600)	-	-	(3,594,600)	(121,634)	(3,716,234)
Balance at September 30, 2018	80,000	24,561,108	(84,600)	57,002	24,613,510	15,046,159	39,659,669
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	-	4,425,840	-	-	4,425,840	(1,315,695)	3,110,145
Unrealised loss on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(3,674,480)	-	-	(3,674,480)	(311,175)	(3,985,655)
Balance at September 30, 2019	80,000	26,106,367	(84,600)	-	26,101,767	14,305,956	40,407,723

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2019 (amounts expressed in Bahamian dollars)

	September 2019	September 2018
Cash flows from operating activities:		
Net income for the period	3,110,145	4,196,671
Adjustments for:		
Unearned premium reserve	(934,147)	(483,771)
Depreciation and amortization	422,118	433,167
Realized gain on disposal of fixed asset	(22,000)	-
Change in net unrealized (gain)/losses on investments in securities	(56,072)	602,591
Interest income	(617,946)	(508,710)
Dividend income	(437,545)	(360,988)
Bad debts	36,000	36,000
Cash from operations before changes in assets and liabilities	1,500,553	3,914,960
(Increase)/decrease in assets:		
Accounts receivable	533,420	295,734
Due from insurance carriers	(996,251)	306,644
Prepayments and other assets	(600,114)	3,522,364
Prepaid reinsurance premiums	(3,013,221)	(1,112,589)
Reinsurance recoveries	(126,011,424)	7,709,142
Increase/(decrease) in liabilities:		
Unearned premium reserve	4,640,053	1,975,268
Outstanding claims	129,224,441	(8,660,276)
Due to related parties	4,138,429	585,955
Accounts payable, accrued expenses and other liabilities	4,398,017	(2,012,115)
Due to reinsurers	13,884,286	(4,607,237)
Unearned commission reserve	752,401	363,532
Net cash provided by operating activities	28,450,590	2,281,382
Cash flows from investing activities:		
Net placement of term deposits	(2,161,029)	(120,248)
Proceeds from sale of property, plant and equipment	22,000	-
Purchase of property, plant and equipment	(244,581)	(225,153)
(Purchase)/Sale of investments in securities	(323,612)	224,958
Interest received	739,145	677,114
Dividends received	437,545	360,988
Net cash (used in)/provided by investing activities	(1,530,532)	917,659
Cash flows from financing activities:		
Dividends paid to shareholders	(3,674,480)	(3,594,600)
Dividends paid to non-controlling interest	(311,175)	(121,634)
Net cash used in financing activities	(3,985,655)	(3,716,234)
Net increase/(decrease) in cash and cash equivalents	22,934,403	(517,193)
Cash and cash equivalents at beginning of period	9,700,629	13,797,166
Cash and cash equivalents at end of period	32,635,032	13,279,973

(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 September 30, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 16,654,237	(1,364,108)	15,290,129
Net premiums earned	-	3,121,810	3,121,810
Interest income	47,507	570,439	617,946
Dividend income	72,704	364,841	437,545
Other income	18,603	135,349	153,952
Change in net unrealized gain on investments in securities	-	56,072	56,072
Profit on sale of property plant & equipment	-	22,000	22,000
	\$ 16,793,051	2,906,403	19,699,454
Insurance expenses	-	4,241,063	4,241,063
Depreciation & amortization	389,220	32,898	422,118
Other expenses	11,036,929	889,199	11,926,128
	\$ 11,426,149	5,163,160	16,589,309
NET INCOME	\$ 5,366,902	(2,256,757)	3,110,145

The segment results for the period ended September 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 14,224,114	(974,011)	13,250,103
Net premiums earned	-	2,946,000	2,946,000
Interest income	51,806	456,903	508,709
Dividend income	36,104	324,883	360,987
Other income	70,544	271,532	342,076
	\$ 14,382,568	3,025,307	17,407,875
Insurance expenses	\$ -	1,570,473	1,570,473
Depreciation and amortization	398,352	34,815	433,167
Change in net unrealized loss on investment in securities	-	602,591	602,591
Other expenses	9,767,251	837,722	10,604,973
	\$ 10,165,603	3,045,601	13,211,204
NET INCOME	\$ 4,216,965	(20,294)	4,196,671

The segment assets and liabilities as at September 30, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 49,369,520	197,496,068	246,865,588
Total liabilities	31,233,857	175,224,008	206,457,865

The segment assets and liabilities as at September 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 31,852,131	59,743,302	91,595,433
Total liabilities	15,803,281	36,132,483	51,935,764