

FOURTH QUARTER

INTERIM REPORT

2019



MANAGING DIRECTOR'S REVIEW

After the first quiet hurricane season in four years, 2019 was one that will never be forgotten in The Bahamas. Hurricane Dorian arrived on 1st September 2019, with maximum sustained wind speeds of 185mph and gusting much stronger (tying the highest ever recorded at landfall). While New Providence was thankfully spared the wrath of this monster storm, The Abacos and Grand Bahama were devastated, leaving billions of dollars in property damage and significant loss of life. The Bahamian insurance industry has collectively reassured the business and private communities of our dedication and commitment to restoring our Bahama land.

Given the scale of Dorian, we are fortunate to have only suffered a net loss of \$105,787 in our Underwriting division. This accomplishment speaks volumes of the quality and financial strength of our reinsurance program, which stood behind the more than \$220M of gross claims recorded by ICB. Still a meaningful change to the \$1,456,954 in profit earned the year prior.

In contrast, our Agency division enjoyed another successful year. Total income grew a healthy 13% from \$19,645,664 to \$22,110,943, the highest growth

in several years, spurred on by the continued economic recovery throughout the majority of our islands. This trend is expected to continue into 2020 with the inflow of foreign exchange and investment. Despite expenses increasing 11%, overall profitability rose 17% from \$5,610,511 to \$6,546,093.

Our 100th anniversary was a historic and special celebration for the Company. It was fitting that we had our first Branch event in Abaco during April, with Freeport and others in the months that followed. Again I wish to thank all our stakeholders, past and present for playing such an integral part in this milestone achievement. It is our driving force to continue to provide "Peace of Mind" to those affected during these difficult times.

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 December 31, 2019 *(amounts expressed in Bahamian dollars)*

| | December 2019 | December 2018 |
|--|-----------------------|-------------------|
| ASSETS | | |
| Cash and bank balances | \$ 74,940,375 | 9,700,629 |
| Term deposits | 7,079,246 | 6,084,607 |
| Accounts receivable | 15,064,774 | 14,334,352 |
| Due from insurance carriers | 928,153 | 45,233 |
| Investments in securities | | |
| - fair value through profit or loss | 8,797,749 | 10,215,346 |
| -Amortized costs | 11,810,813 | 11,242,588 |
| Prepayments and other assets | 2,110,102 | 1,772,945 |
| Prepaid reinsurance premiums | 21,355,421 | 19,402,972 |
| Reinsurance recoveries | 145,471,325 | 9,373,273 |
| Intangible assets | - | 10,693 |
| Investment properties | 787,774 | 973,935 |
| Property, plant and equipment | 8,215,071 | 8,481,045 |
| Total assets | \$ 296,560,803 | 91,637,618 |
| LIABILITIES | | |
| General insurance funds: | | |
| Unearned premium reserve | \$ 25,298,813 | 22,897,180 |
| Outstanding claims | 141,994,957 | 10,101,411 |
| | 167,293,770 | 32,998,591 |
| Other liabilities: | | |
| Due to related parties | 2,545,350 | 188,029 |
| Accounts payable | 37,132,563 | 5,202,717 |
| Due to reinsurers | 39,847,859 | 4,582,436 |
| Accrued expenses and other liabilities | 1,586,087 | 2,139,004 |
| Unearned commission reserve | 5,725,488 | 5,243,608 |
| Total liabilities | 254,131,117 | 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 | 26,871,606 | 25,355,007 |
| Interest in own shares | (84,600) | (84,600) |
| | 26,867,006 | 25,350,407 |
| Non-controlling interest | 15,562,680 | 15,932,826 |
| Total equity | \$ 42,429,686 | 41,283,233 |
| Total liabilities and equity | 296,560,803 | 91,637,618 |

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months to December 31, 2019 *(amounts expressed in Bahamian dollars)*

| | December 2019 | December 2018 |
|---|------------------|------------------|
| INCOME | | |
| Net revenue from contracts with customers | 20,979,609 | 18,721,693 |
| Net premiums earned | 4,456,392 | 3,960,020 |
| Investment income | 1,892,995 | 1,694,471 |
| Change in net unrealized gain on investments in securities | 283,166 | - |
| Gain on disposal of investment property | 213,619 | - |
| Profit on sale of property plant & equipment | 22,000 | - |
| Total income | 27,847,781 | 24,376,184 |
| EXPENSES | | |
| Salaries and employees benefits | 10,767,962 | 10,069,600 |
| Net claims incurred | 4,597,460 | 1,506,917 |
| Provision for expected credit loss | | 3,769 |
| Depreciation and amortization | 560,775 | 544,139 |
| Revaluation of Investment Property | 125,000 | - |
| Provision for tax assessment | - | 378,802 |
| Change in net unrealised loss on investments in securities | - | 213,364 |
| Other operating expenses | 5,356,278 | 4,592,128 |
| Total expenses | 21,407,475 | 17,308,719 |
| Net income | 6,440,306 | 7,067,465 |
| Total comprehensive income | 6,440,306 | 7,067,465 |
| Equity holders of the Company | \$ 6,469,278 | 6,129,358 |
| Non-controlling interests | (28,972) | 938,107 |
| | 6,440,306 | 7,067,465 |
| Earnings per share for the profit attributable to the equity holders of the Company | \$ 0.81 | \$ 0.65 |

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months to December 31, 2019 *(amounts expressed in Bahamian dollars)*

| | Share Capital | Retained Earnings | Interest in own Shares | Total Shareholders' Equity | Non-Controlling Interest | Total Equity |
|--|------------------|----------------------|------------------------------|----------------------------------|-----------------------------|-------------------|
| Balance at December 31, 2017 | 80,000 | 24,018,449 | (84,600) | 24,013,849 | 15,146,353 | 39,160,202 |
| Total comprehensive income for the year: | | | | | | |
| Net income | - | 6,129,358 | - | 6,129,358 | 938,107 | 7,067,465 |
| Unrealised gain on available for sale securities | - | | - | - | - | - |
| Distributions to owners: | | | | | | |
| Dividends | - | (4,792,800) | - | (4,792,800) | (151,634) | (4,944,434) |
| Balance at December 31, 2018 | 80,000 | 25,355,007 | (84,600) | 25,350,407 | 15,932,826 | 41,283,233 |
| 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 | - | 6,469,278 | - | 6,469,278 | (28,972) | 6,440,306 |
| Unrealised loss on available for sale securities | - | - | - | - | - | - |
| Distributions to owners: | | | | | | |
| Dividends | - | (4,952,679) | - | (4,952,679) | (341,174) | (5,293,853) |
| Balance at December 31, 2019 | 80,000 | 26,871,606 | (84,600) | 26,867,006 | 15,562,680 | 42,429,686 |

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months to December 31, 2019 (amounts expressed in Bahamian dollars)

| | December 2019 | December 2018 |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Net income for the period | 6,440,306 | 7,067,465 |
| Adjustments for: | | |
| Unearned premium reserve | (690,646) | (136,601) |
| Depreciation and amortization | 560,775 | 544,139 |
| Realized gain on disposal of fixed asset | (22,000) | - |
| Provision for tax assessment | - | 378,802 |
| Provision for expected credit loss | - | 3,769 |
| Gain on disposal of investment property | (213,619) | - |
| Revaluation loss on Investment property | 125,000 | - |
| Change in net unrealized losses on investments in securities | (283,166) | 213,364 |
| Interest income | (876,295) | (684,971) |
| Dividend income | (557, 222) | (365,209) |
| Bad debts | 48,000 | 76,000 |
| Cash from operations before changes in assets and liabilities | 4,531,133 | 7,096,758 |
| (Increase)/decrease in assets: | | |
| Accounts receivable | (778,422) | 1,352,391 |
| Due from insurance carriers | (882,920) | 405,993 |
| Prepayments and other assets | (337,157) | 3,303,856 |
| Prepaid reinsurance premiums | (1,952,449) | (981,876) |
| Reinsurance recoveries | (136,098,052) | 6,125,908 |
| Increase/(decrease) in liabilities: | | |
| Unearned premium reserve | 3,092,279 | 1,255,076 |
| Outstanding claims | 131,893,546 | (10,649,612) |
| Due to related parties | 2,357,321 | 41,115 |
| Accounts payable, accrued expenses and other liabilities | 31,376,929 | (2,946,027) |
| Due to reinsurers | 35,265,423 | (2,621,900) |
| Unearned commission reserve | 481,880 | 259,119 |
| Net cash provided by operating activities | 68,949,511 | 2,640,801 |
| Cash flows from investing activities: | | |
| Net placement of term deposits | (1,094,315) | (1,145,595) |
| Proceeds from principal payments | - | 129,957 |
| Proceeds from sale of property, plant and equipment | 22,000 | - |
| Sale/(purchase) of investment property | 273,096 | - |
| Purchase of property, plant and equipment | (282,423) | (538,288) |
| Sale/(purchase) of investments in securities | 1,154,311 | (1,408,748) |
| Interest received | 954,198 | 804,561 |
| Dividends received | 557,222 | 365,209 |
| Net cash (used in)/provided by investing activities | 1,584,089 | (1,792,904) |
| Cash flows from financing activities: | | |
| Dividends paid to shareholders | (4,952,679) | (4,792,800) |
| Dividends paid to non-controlling interest | (341,175) | (151,634) |
| Net cash used in financing activities | (5,293,854) | (4,944,434) |
| Net increase/(decrease) in cash and cash equivalents | 65,239,746 | (4,096,537) |
| Cash and cash equivalents at beginning of period | 9,700,629 | 13,797,166 |
| Cash and cash equivalents at end of period | 74,940,375 | 9,700,629 |

(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, 2019.

2. SEGMENT INFORMATION

The Group is organized into two business segments; Insurance Agents & Brokers and General Insurance.

The segment results for the period ended December 31, 2019 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|---|----|------------------|--------------|------------|
| Net revenue from contracts with customers | \$ | 21,634,771 | (655,162) | 20,979,609 |
| Net premiums earned | | - | 4,456,392 | 4,456,392 |
| Interest income | | 103,038 | 773,257 | 876,295 |
| Dividend income | | 204,682 | 472,540 | 677,222 |
| Other income | | (45,167) | 384,645 | 339,478 |
| Change in net unrealized gain on investments in securities | | | 283,166 | 283,166 |
| Gain on disposal of investment property | | 213,619 | - | 213,619 |
| Profit on sale of property plant & equipment | | | 22,000 | 22,000 |
| | \$ | 22,110,943 | 5,736,838 | 27,847,781 |
| Insurance expenses | | - | 4,597,460 | 4,597,460 |
| Depreciation and amortization | | 515,600 | 45,175 | 560,775 |
| Revaluation of Investment Property | | 125,000 | - | 125,000 |
| Other expenses | | 14,924,250 | 1,199,990 | 16,124,240 |
| | \$ | 15,564,850 | 5,842,625 | 21,407,475 |
| NET INCOME | \$ | 6,546,093 | (105,787) | 6,440,306 |

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

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|---|----|------------------|--------------|------------|
| Net revenue from contracts with customers | \$ | 19,256,976 | (535,283) | 18,721,693 |
| Net premiums earned | | - | 3,960,020 | 3,960,020 |
| Interest Income | | 77,540 | 607,431 | 684,971 |
| Dividend Income | | - | 365,209 | 365,209 |
| Other income | | 311,148 | 333,143 | 644,291 |
| | \$ | 19,645,664 | 4,730,520 | 24,376,184 |
| Insurance expenses | | - | 1,506,917 | 1,506,917 |
| Depreciation & amortization | | 499,395 | 44,744 | 544,139 |
| Provision for tax assessment | | - | 378,802 | 378,802 |
| Change in net unrealized loss on investment in securities | | - | 213,364 | 213,364 |
| Provision for expected credit loss | | - | 3,769 | 3,769 |
| Other expenses | | 13,535,758 | 1,125,970 | 14,661,728 |
| | \$ | 14,035,153 | 3,273,566 | 17,308,719 |
| NET INCOME | \$ | 5,610,511 | 1,456,954 | 7,067,465 |

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

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|-------------------|----|------------------|--------------|-------------|
| Total assets | \$ | 87,393,928 | 209,166,875 | 296,560,803 |
| Total liabilities | | 69,494,075 | 184,637,042 | 254,131,117 |

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

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|-------------------|----|------------------|--------------|------------|
| Total assets | \$ | 27,736,090 | 63,901,528 | 91,637,618 |
| Total liabilities | | 12,759,783 | 37,594,602 | 50,354,385 |

(unaudited)