

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
	<u>167,293,770</u>	<u>32,998,591</u>
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)
	<u>26,867,006</u>	<u>25,350,407</u>
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)