

FOURTH QUARTER

INTERIM REPORT

2018



MANAGING DIRECTOR'S REVIEW

While the 2018 hurricane season was still very active, thankfully our islands were spared any major impact for the first time in four years. Without the resulting claims and attritional losses also being well below budget, we've recorded a much improved performance for the full year. Both our underwriting (ICB) and agency (JSJ) segments were up, with combined total income up a healthy 26% at \$7,119,377 from \$5,647,597 in the prior year.

Underwriting saw net income increase by 198% to \$1,577,958 from \$529,093. Insurance expenses (claims) dropped from \$3,457,126 to \$1,825,482 net of reinsurance.

Agency increased net income by just over 8% to \$5,529,422 from \$5,108,701. We had strong new business success in the second half of the year and contained overall expenses.

Against this backdrop, we expect to have another successful year in 2019.

Our centenary celebrations got underway with staff joining the Paper Boys group for a rush out at the New Year's Day Junkanoo Parade. It was a fun event and JSJ received very good coverage in the media. We look forward to welcoming you all to the various events which we have planned throughout the year to mark this special occasion.

A handwritten signature in black ink that reads "Alister I. McKellar".

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, 2018 *(amounts expressed in Bahamian dollars)*

	December 2018	December 2017
ASSETS		
Cash and bank balances	\$ 9,700,629	13,797,166
Term deposits	6,087,061	5,059,413
Accounts receivable	14,500,635	15,762,743
Due from insurance carriers	45,233	451,226
Investments in securities		
- fair value through profit or loss	4,448,150	4,673,511
- held-to-maturity	11,256,459	9,961,448
- available for sale	5,767,196	5,773,060
Prepayments and other assets	1,602,406	5,076,801
Prepaid reinsurance premiums	19,419,717	18,421,096
Reinsurance recoveries	9,547,973	15,499,181
Intangible assets	10,693	42,510
Investment properties	973,935	976,180
Property, plant and equipment	8,481,045	8,452,834
Total assets	\$ 91,841,132	103,947,169
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 22,897,180	21,778,705
Outstanding claims	10,276,111	20,751,023
	<u>33,173,291</u>	<u>42,529,728</u>
Other liabilities:		
Due to related parties	188,029	146,914
Accounts payable	5,225,165	6,189,734
Due to reinsurers	3,652,923	7,204,336
Accrued expenses and other liabilities	3,036,203	3,719,210
Unearned commission reserve	5,217,820	4,984,489
Total liabilities	50,493,431	64,774,411
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	25,318,267	23,972,941
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	62,527	50,530
	<u>25,376,194</u>	<u>24,018,871</u>
Non-controlling interest	15,971,507	15,153,887
Total equity	\$ 41,347,701	39,172,758
Total liabilities and equity	91,841,132	103,947,169

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months to December 31, 2018 (amounts expressed in Bahamian dollars)

	December 2018	December 2017
INCOME		
Net commission and fees	18,747,481	17,506,867
Net premiums earned	3,926,395	4,266,028
Investment income	1,694,472	1,451,514
Change in net unrealized gain on investments in securities		481,671
Total income	24,368,348	23,706,080
EXPENSES		
Salaries and employees benefits	10,084,176	9,710,317
Net claims incurred	1,825,482	3,457,126
Depreciation and amortization	552,138	657,608
Change in net unrealised loss on investments in securities	225,362	-
Other operating expenses	4,573,810	4,243,235
Total expenses	17,260,968	18,068,286
Net income	7,107,380	5,637,794
Other comprehensive income		
Unrealized gain on available for sale securities	11,997	9,803
Total comprehensive income	7,119,377	5,647,597
Equity holders of the Company	\$ 6,150,123	5,300,909
Non-controlling interests	969,254	346,688
	7,119,377	5,647,597
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.77	\$ 0.67

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months to December 31, 2018 (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, 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	-	5,291,106	-	-	5,291,106	346,688	5,637,794
Unrealised gain on available for sale securities	-	-	-	9,803	9,803	-	9,803
Distributions to owners:							
Dividends	-	(4,633,040)	-	-	(4,633,040)	(30,000)	(4,663,040)
Balance at December 31, 2017	80,000	23,972,941	(84,600)	50,530	24,018,871	15,153,887	39,172,758
Balance at December 31, 2017	80,000	23,972,941	(84,600)	50,530	24,018,871	15,153,887	39,172,758
Total comprehensive income for the year:							
Net income	-	6,138,126	-	-	6,138,126	969,254	7,107,380
Unrealised loss on available for sale securities	-	-	-	11,997	11,997	-	11,997
Distributions to owners:							
Dividends	-	(4,792,800)	-	-	(4,792,800)	(151,634)	(4,944,434)
Balance at December 31, 2018	80,000	25,318,267	(84,600)	62,527	25,376,194	15,971,507	41,347,701

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months to December 31, 2018 (amounts expressed in Bahamian dollars)

	December 2018	December 2017
Cash flows from operating activities:		
Net income for the period	7,107,380	5,637,794
<i>Adjustments for:</i>		
Unearned premium reserve	(224,717)	(214,366)
Depreciation and amortization	552,138	657,608
Change in net unrealized losses/(gains) on investment in securities	225,362	(481,671)
Interest income	(684,972)	(758,235)
Dividend income	(509,010)	(449,211)
Bad debts	68,000	48,000
Cash from operations before changes in assets and liabilities	6,534,181	4,439,919
(Increase)/decrease in assets:		
Accounts receivable	1,194,108	(3,361,271)
Due from insurance carriers	405,993	(306,329)
Prepayments and other assets	3,474,395	(973,131)
Prepaid reinsurance premiums	(998,621)	(797,423)
Reinsurance recoveries	5,951,208	29,180,283
Increase/(decrease) in liabilities:		
Unearned premium reserve	1,343,192	1,226,157
Outstanding claims	(10,474,912)	(23,788,833)
Due to related parties	41,115	(416,275)
Accounts payable, accrued expenses and other liabilities	(1,647,577)	(704,846)
Due to reinsurers	(3,551,413)	(12,845,787)
Unearned commission reserve	233,331	95,843
Net cash provided by (used in) operating activities	2,505,000	(8,251,693)
Cash flows from investing activities:		
Net (placement)/maturity of term deposits	(1,147,203)	5,002,843
Proceeds from sale of investment property	-	250,066
Purchase of property, plant and equipment	(546,287)	(224,880)
(Purchase)/Sale of investments in securities	(1,278,793)	499,999
Interest received	806,170	872,540
Dividends received	509,010	449,211
Net cash (used in) provided by investing activities	(1,657,103)	6,849,779
Cash flows from financing activities:		
Dividends paid to shareholders	(4,792,800)	(4,633,040)
Dividends paid to non-controlling interest	(151,634)	(30,000)
Net cash used in financing activities	(4,944,434)	(4,663,040)
Net decrease in cash and cash equivalents	(4,096,537)	(6,064,954)
Cash and cash equivalents at beginning of period	13,797,166	19,862,120
Cash and cash equivalents at end of period	9,700,629	13,797,166

(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, 2017.

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, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 19,256,976	(509,495)	18,747,481
Net premiums earned	-	3,926,395	3,926,395
Interest income	77,540	607,431	684,971
Dividend income	182,710	446,299	629,009
Other income	47,349	333,143	380,492
	\$ 19,564,575	4,803,773	24,368,348
Insurance expenses	-	1,825,482	1,825,482
Depreciation & amortization	507,395	44,743	552,138
Change in net unrealized loss on investments in securities	-	225,362	225,362
Other expenses	13,527,758	1,130,228	14,657,986
	\$ 14,035,153	3,225,815	17,260,968
NET INCOME	\$ 5,529,422	1,577,958	7,107,380

The segment results for the period ended December 31, 2017 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 18,176,449	(669,582)	17,506,867
Net premiums earned	-	4,266,028	4,266,028
Interest Income	94,871	663,365	758,236
Dividend Income	-	449,211	449,211
Change in net unrealized gain on investment in securities	-	481,671	481,671
Other income	137,887	106,180	244,067
	\$ 18,409,207	5,296,873	23,706,080
Insurance expenses	-	3,457,126	3,457,126
Depreciation & amortization	616,520	41,088	657,608
Other expenses	12,683,986	1,269,566	13,953,552
	\$ 13,300,506	4,767,780	18,068,286
NET INCOME	\$ 5,108,701	529,093	5,637,794

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

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 28,836,090	63,005,042	91,841,132
Total liabilities	12,759,783	37,733,648	50,493,431

The segment assets and liabilities as at December 31, 2017 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 35,674,850	68,272,319	103,947,169
Total liabilities	21,539,054	43,235,357	64,774,411