

# THIRD QUARTER

## INTERIM REPORT

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### MANAGING DIRECTOR'S REVIEW

This year has certainly been challenging for everyone, and I cannot express how deeply grateful we are to you, our customers, for your continued support. I would also like to say thank you to our staff. Their dedication and professionalism have helped us uphold our proud legacy of excellent customer service during this very trying time.

As if a pandemic weren't enough to deal with, a hyperactive 2020 hurricane season has produced 28 named tropical storms to date, tying the record, with about three weeks left in the season. At the time of this writing, number 28, Eta, is unleashing heavy rain and winds on the northwestern Bahamas as it curls its way from the south and into the Gulf of Mexico.

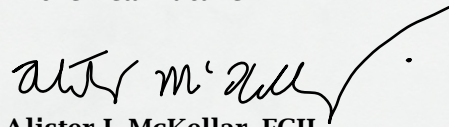
We have been steadily improving our office environment to help battle the spread of Covid, with wall hand sanitizers, temperature checks, regular wipe downs and cleaning, and a social distancing regime. We want to assure our customers and visitors that we take your health and safety seriously, and that we remain committed to serving you as we maneuver through ever-developing Covid prevention directives. To comply with government-mandated protocols, we've also separated staff members into two teams, with separate in-office days each week.

Financially, third quarter results were in line with our expectations. The pandemic has had a

negative impact on operating results throughout the Company. The one positive to date being the absence of a major weather event impacting our Islands. Our Agency division saw lower Net Revenue from business loss, that translated into a decline in Net Income of some 27% from \$5,366,902 to \$3,912,803. In part, some of this reduction was due to the restrictions imposed by the various Emergency Orders and there may be some return as these are eased. Wherever possible expenses were being contained and were down by 7%.

From our Underwriting division there was a gradual normalization in Insurance Expenses after the significant negative impact of claims stemming from hurricane Dorian last year. Irregular revenue streams during the year to date resulted in a \$792,655 swing in Net Revenue from Contracts with Customers but should stabilize in the final quarter. Our investment portfolio was also negatively affected by the struggling local economy with a change from \$56,072 gain in 2019 to a \$440,200 loss to date.

Again, we thank you for your continued confidence and support, and we look forward to serving you in the near future.



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, 2020 (amounts expressed in Bahamian dollars)

	September 2020	December 2019
<b>ASSETS</b>		
Cash and bank balances	\$ 46,875,110	74,940,376
Term deposits	7,155,179	7,079,247
Accounts receivable	28,047,093	15,055,628
Due from insurance carriers	210,484	928,153
Investments in securities		
- fair value through profit or loss	8,338,584	8,797,749
- Amortized costs	11,172,396	11,810,813
Prepayments and other assets	1,563,997	2,110,101
Prepaid reinsurance premiums	22,218,306	21,355,421
Reinsurance recoveries	35,154,241	149,577,324
Right of use asset	473,335	605,337
Investment properties	787,774	787,774
Property, plant and equipment	8,080,577	8,215,068
<b>Total assets</b>	<b>\$ 170,077,076</b>	<b>301,262,991</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 26,144,572	25,298,812
Outstanding claims	35,366,398	146,289,255
	<u>61,510,970</u>	<u>171,588,067</u>
Other liabilities:		
Due to related parties	16,983,605	2,545,350
Accounts payable	25,078,711	37,123,417
Due to reinsurers	12,862,023	40,124,199
Lease Liability	473,766	613,227
Accrued expenses and other liabilities	3,704,823	1,344,576
Unearned commission reserve	5,570,172	5,725,488
<b>Total liabilities</b>	<b>126,184,070</b>	<b>259,064,324</b>
<b>EQUITY</b>		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	27,651,977	26,774,645
Interest in own shares	(84,600)	(84,600)
	<u>27,647,377</u>	<u>26,770,045</u>
Non-controlling interest	16,245,629	15,428,622
<b>Total equity</b>	<b>\$ 43,893,006</b>	<b>42,198,667</b>
<b>Total liabilities and equity</b>	<b>170,077,076</b>	<b>301,262,991</b>

(unaudited)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2020 (amounts expressed in Bahamian dollars)

	September 2020	September 2019
<b>INCOME</b>		
Net revenue from contracts with customers	13,783,488	15,290,129
Net premiums earned	3,434,551	3,121,810
Investment income	1,104,764	1,209,443
Change in net unrealised gain on investments in securities	-	56,072
Profit on sale of property plant & equipment	-	22,000
<b>Total income</b>	<b>18,322,803</b>	<b>19,699,454</b>
<b>EXPENSES</b>		
Salaries and employees benefits	7,843,348	8,107,743
Net claims incurred	1,098,713	4,241,063
Depreciation and amortization	558,091	422,118
Change in net unrealised loss on investments in securities	440,200	-
Other operating expenses	3,168,112	3,818,385
<b>Total expenses</b>	<b>13,108,464</b>	<b>16,589,309</b>
<b>Net income</b>	<b>5,214,339</b>	<b>3,110,145</b>
<b>Other comprehensive income</b>		
Unrealized gain on available for sale securities	-	-
<b>Total comprehensive income</b>	<b>5,214,339</b>	<b>3,110,145</b>
Equity holders of the Company	\$ 4,397,332	4,425,840
Non-controlling interests	817,007	(1,315,695)
	<b>5,214,339</b>	<b>3,110,145</b>
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.55	\$ 0.56

(unaudited)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 2020 (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, 2018	80,000	23,355,007	(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 gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(3,674,480)	-	-	(3,674,480)	(311,175)	(3,985,655)
<b>Balance at September 30, 2019</b>	<b>80,000</b>	<b>26,106,367</b>	<b>(84,600)</b>	<b>-</b>	<b>26,101,767</b>	<b>14,305,956</b>	<b>40,407,723</b>
Balance at December 31, 2019	80,000	26,774,645	(84,600)	-	26,770,045	15,428,622	42,198,677
Total comprehensive income for the year:							
Net income	-	4,397,332	-	-	4,397,332	817,007	5,214,339
Unrealised loss on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(3,520,000)	-	-	(3,520,000)	-	(3,520,000)
<b>Balance at September 30, 2020</b>	<b>80,000</b>	<b>27,651,977</b>	<b>(84,600)</b>	<b>-</b>	<b>27,647,377</b>	<b>16,245,629</b>	<b>43,893,006</b>

(unaudited)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2020 (amounts expressed in Bahamian dollars)

	September 2020	September 2019
<b>Cash flows from operating activities:</b>		
Net income for the period	5,214,339	3,110,145
<b>Adjustments for:</b>		
Unearned premium reserve	(673,520)	(934,147)
Depreciation and amortization	558,091	422,118
Realized gain on disposal of fixed asset	-	(22,000)
Change in net unrealized losses on investments in securities	440,200	(56,072)
Interest income	(692,475)	(617,946)
Dividend income	(255,271)	(437,545)
Bad debts	36,000	36,000
<b>Cash from operations before changes in assets and liabilities</b>	<b>4,627,364</b>	<b>1,500,553</b>
<b>(Increase)/decrease in assets:</b>		
Accounts receivable	(13,027,465)	533,420
Due from insurance carriers	717,669	(996,251)
Prepayments and other assets	546,103	(600,114)
Prepaid reinsurance premiums	(862,885)	(3,013,221)
Reinsurance recoveries	114,423,083	(126,011,424)
<b>Increase/(decrease) in liabilities:</b>		
Unearned premium reserve	1,519,280	4,640,053
Outstanding claims	(110,922,857)	129,224,441
Due to related parties	14,438,255	4,138,429
Accounts payable, accrued expenses and other liabilities	(9,684,460)	4,398,017
Due to reinsurers	(27,262,176)	13,884,286
Unearned commission reserve	(155,316)	752,401
<b>Net cash (used in)/provided by operating activities</b>	<b>(25,643,405)</b>	<b>28,450,590</b>
<b>Cash flows from investing activities:</b>		
Net placement of term deposits	(140,587)	(2,161,029)
Proceeds from sale of property, plant and equipment	-	22,000
Purchase of investment property	(291,598)	(244,581)
Sale of investments in securities	627,684	(323,612)
Interest received	786,829	739,145
Dividends received	255,272	437,545
<b>Net cash provided by/(used in) investing activities</b>	<b>1,237,600</b>	<b>(1,530,532)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to shareholders	(3,520,000)	(3,674,480)
Principal payment of lease liability	(139,461)	(311,175)
<b>Net cash used in financing activities</b>	<b>(3,659,461)</b>	<b>(3,985,655)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(28,065,266)</b>	<b>22,934,403</b>
Cash and cash equivalents at beginning of period	74,940,376	9,700,629
<b>Cash and cash equivalents at end of period</b>	<b>46,875,110</b>	<b>32,635,032</b>

(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 September 30, 2020 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 14,354,941	(571,453)	13,783,488
Net premiums earned	-	3,434,551	3,434,551
Interest income	155,643	536,832	692,475
Dividend income	35,933	219,338	255,271
Other income	4,684	152,334	157,018
	<b>\$ 14,551,201</b>	<b>3,771,602</b>	<b>18,322,803</b>
Insurance expenses	-	1,098,713	1,098,713
Depreciation & amortization	520,727	37,364	558,091
Change in net unrealized loss on investment in securities	-	440,200	440,200
Other expenses	10,117,671	893,789	11,011,460
	<b>\$ 10,638,398</b>	<b>2,470,066</b>	<b>13,108,464</b>
<b>NET INCOME</b>	<b>\$ 3,912,803</b>	<b>1,301,536</b>	<b>5,214,339</b>

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
Change in net unrealized gain on investment in securities	-	56,072	56,072
Other income	18,603	135,349	153,952
Profit on sale of property plant & equipment	-	22,000	22,000
	<b>\$ 16,793,051</b>	<b>2,906,403</b>	<b>19,699,454</b>
Insurance expenses	\$ -	4,241,063	4,241,063
Depreciation and amortization	389,220	32,898	422,118
Other expenses	11,036,929	889,199	11,926,128
	<b>\$ 11,426,149</b>	<b>5,163,160</b>	<b>16,589,309</b>
<b>NET INCOME</b>	<b>\$ 5,366,902</b>	<b>(2,256,757)</b>	<b>3,110,145</b>

The segment assets and liabilities as at September 30, 2020 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 81,675,587	88,401,489	170,077,076
Total liabilities	63,233,322	62,950,748	126,184,070

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