

FOURTH QUARTER

INTERIM REPORT

2 0 2 0

MANAGING DIRECTOR'S REVIEW

Who could have imagined we would face a challenge like a global pandemic, less than one year after suffering the destruction of Hurricane Dorian? What was once considered fantastic material for science fiction movies before 2020—Covid-19--seems to have become modern reality around the world.

In the meantime, recovery from Dorian continues at a painfully slow pace in Abaco and Grand Bahama. It will be some time yet before the homes, cars, boats, and businesses lost in the storm will be replaced. This continues to negatively affect our results.

The upheaval caused by Covid has also had a significant impact on our operations. Total income declined by 41%, as individuals and companies grappled with the inevitable consequences of lockdowns and a huge spike in unemployment. Thanks to a series of proactive measures to reduce our key operational costs, we managed to mitigate much of the income decline and, to date, have not needed to take further drastic measures.

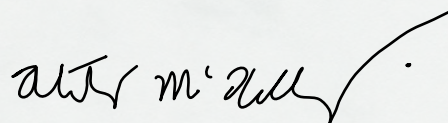
We actually reported a slight gain of some 6% in consolidated results over 2019. However, that figure is somewhat misleading, as it was influenced largely by a 68% decrease in Hurricane Dorian expenses—from \$4.8M to \$1.5M. Coupled with a zero-storm 2020 hurricane season, our Underwriting division realized a \$2,214,878 increase in net income.

On our Agency side, net profits were down 33% and net revenue from contracts with customers decreased by 14%, as the pandemic took its toll on sales.

We returned to normal operating hours in January 2021 and have taken all necessary preventative measures to ensure the safety of both our customers and staff. I sincerely appreciate the patience our customers have shown, as we all try our best to adjust to a new way of doing business.

I also want to thank our customers for their unfailing support at a time when so much is changing. Despite some short-term inconvenience, I'm confident many good things will emerge from these changes. Finally, I'd like to say thanks to our staff for their dedication and commitment. You have really worked through the ups and downs of Covid-19 and have done a superb job.

Let's all continue to pray for a prosperous 2021!



Alister I. McKellar, FCII
Managing Director



PEACE OF MIND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (amounts expressed in Bahamian dollars)

| | December 2020 | December 2019 |
|--|-----------------------|--------------------|
| ASSETS | | |
| Cash and bank balances | \$ 32,605,631 | 74,940,376 |
| Term deposits | 7,188,678 | 7,079,247 |
| Accounts receivable | 12,831,382 | 15,055,628 |
| Due from insurance carriers | 334,715 | 928,153 |
| Investments in securities | | |
| - fair value through profit or loss | 8,246,055 | 8,797,749 |
| -Amortized costs | 11,015,510 | 11,810,813 |
| Prepayments and other assets | 1,153,757 | 2,110,101 |
| Prepaid reinsurance premiums | 21,631,334 | 21,355,421 |
| Reinsurance recoveries | 19,868,647 | 149,577,324 |
| Right of use assets | 412,798 | 605,337 |
| Investment properties | 787,774 | 787,774 |
| Property, plant and equipment | 8,003,845 | 8,215,068 |
| Total assets | \$ 124,080,126 | 301,262,991 |
| LIABILITIES | | |
| General insurance funds: | | |
| Unearned premium reserve | \$ 25,314,896 | 25,298,812 |
| Outstanding claims | 20,017,916 | 146,289,255 |
| | <u>45,332,812</u> | <u>171,588,067</u> |
| Other liabilities: | | |
| Due to related parties | - | 2,545,350 |
| Accounts payable | 15,050,985 | 37,123,417 |
| Due to reinsurers | 7,928,265 | 40,124,199 |
| Lease liability | 419,696 | 613,227 |
| Accrued expenses and other liabilities | 5,827,090 | 1,344,576 |
| Unearned commission reserve | 5,418,202 | 5,725,488 |
| Total liabilities | 79,977,050 | 259,064,324 |
| EQUITY | | |
| Share capital | | |
| Authorized, issued and fully paid:- | | |
| 8,000,000 ordinary shares of \$0.01 each | \$ 80,000 | 80,000 |
| Retained earnings | 27,359,638 | 26,774,645 |
| Interest in own shares | (84,600) | (84,600) |
| | <u>27,355,038</u> | <u>26,770,045</u> |
| Non-controlling interest | 16,748,038 | 15,428,622 |
| Total equity | \$ 44,103,076 | 42,198,667 |
| Total liabilities and equity | 124,080,126 | 301,262,991 |

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months to December 31, 2020 (amounts expressed in Bahamian dollars)

| | December 2020 | December 2019 |
|---|------------------|------------------|
| INCOME | | |
| Net revenue from contracts with customers | 18,499,125 | 20,983,609 |
| Net premiums earned | 4,123,213 | 4,417,563 |
| Investment income | 1,821,580 | 1,892,876 |
| Change in net unrealized gain on investments in securities | - | 283,166 |
| Gain on disposal of investment property | - | 213,619 |
| Revaluation for tax assessment | 378,802 | - |
| Profit on sale of property plant & equipment | - | 22,000 |
| Total income | 24,822,720 | 27,812,833 |
| EXPENSES | | |
| Salaries and employees benefits | 10,460,362 | 10,751,826 |
| Net claims incurred | 1,528,814 | 4,785,760 |
| Provision for expected credit loss | 146,608 | 2,710 |
| Depreciation and amortization | 745,656 | 741,669 |
| Revaluation of Investment Property | - | 125,000 |
| Provision for tax assessment | 318,564 | - |
| Change in net unrealised loss on investments in securities | 532,729 | - |
| Other operating expenses | 4,522,538 | 5,196,699 |
| Total expenses | 18,255,271 | 21,603,664 |
| Net income | 6,567,449 | 6,209,169 |
| Total comprehensive income | 6,567,449 | 6,209,169 |
| Equity holders of the Company | \$ 5,218,033 | 6,372,198 |
| Non-controlling interests | 1,349,416 | (163,029) |
| | 6,567,449 | 6,209,169 |
| Earnings per share for the profit attributable to the equity holders of the Company | \$ 0.65 | \$ 0.80 |

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months to December 31, 2020 (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, 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 | - | 6,372,198 | - | 6,372,198 | (163,029) | 6,209,169 |
| Unrealised gain on available for sale securities | - | - | - | - | - | - |
| Distributions to owners: | | | | | | |
| Dividends | - | (4,952,560) | - | (4,952,560) | (341,175) | (5,293,735) |
| Balance at December 31, 2019 | 80,000 | 26,774,645 | (84,600) | 26,770,045 | 15,428,622 | 42,198,667 |
| Balance at December 31, 2019 | 80,000 | 26,774,645 | (84,600) | 26,770,045 | 15,428,622 | 42,198,667 |
| Total comprehensive income for the year: | | | | | | |
| Net income | - | 5,218,033 | - | 5,218,033 | 1,349,416 | 6,567,449 |
| Unrealised loss on available for sale securities | - | - | - | - | - | - |
| Distributions to owners: | | | | | | |
| Dividends | - | (4,633,040) | - | (4,633,040) | (30,000) | (4,663,040) |
| Balance at December 31, 2020 | 80,000 | 27,359,638 | (84,600) | 27,355,038 | 16,748,038 | 44,103,076 |

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months to December 31, 2020 (amounts expressed in Bahamian dollars)

| | December 2020 | December 2019 |
|--|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Net income for the period | 6,567,449 | 6,209,169 |
| Adjustments for: | | |
| Unearned premium reserve | (430,816) | (449,183) |
| Depreciation and amortization | 745,656 | 741,669 |
| Realized gain on disposal of fixed asset | - | (22,000) |
| Provision for expected credit loss | - | 2,710 |
| Gain on disposal of investment property | - | (213,619) |
| Interest expense | - | 20,741 |
| Revaluation loss on Investment property | - | 125,000 |
| Change in net unrealized losses on investments in securities | 532,729 | (283,166) |
| Interest income | (871,849) | (876,296) |
| Dividend income | (341,560) | (264,970) |
| Bad debts | 48,000 | 48,000 |
| Cash from operations before changes in assets and liabilities | 6,249,609 | 5,038,056 |
| (Increase)/decrease in assets: | | |
| Accounts receivable | 2,176,246 | (769,276) |
| Due from insurance carriers | 593,438 | (882,920) |
| Prepayments and other assets | 956,344 | (337,158) |
| Prepaid reinsurance premiums | (275,913) | (1,952,449) |
| Reinsurance recoveries | 129,708,677 | (140,204,051) |
| Increase/(decrease) in liabilities: | | |
| Unearned premium reserve | 446,900 | 2,850,815 |
| Outstanding claims | (126,271,339) | 136,187,844 |
| Due to related parties | (2,545,350) | 2,357,321 |
| Accounts payable, accrued expenses and other liabilities | (17,589,919) | 31,126,273 |
| Due to reinsurers | (32,195,934) | 35,541,763 |
| Unearned commission reserve | (307,286) | 481,880 |
| Net cash (used in)/provided by operating activities | (39,054,527) | 69,438,097 |
| Cash flows from investing activities: | | |
| Net placement of term deposits | (69,567) | (974,761) |
| Proceeds from sale of investment property | - | 22,000 |
| Proceeds from principal payments | - | 107,097 |
| Proceeds from insurance coverage of investment properties | - | 273,096 |
| Purchase of property, plant and equipment | (341,893) | (282,418) |
| Sale of investments in securities | 811,992 | 1,046,058 |
| Interest received | 834,261 | 833,089 |
| Dividends received | 341,560 | 264,970 |
| Net cash provided by investing activities | 1,576,353 | 1,289,131 |
| Cash flows from financing activities: | | |
| Dividends paid to shareholders | (4,633,040) | (4,952,560) |
| Principal payment of lease liability | (193,531) | (173,005) |
| Interest payment of lease liability | - | (20,741) |
| Dividends paid to non-controlling interest | (30,000) | (341,175) |
| Net cash used in financing activities | (4,856,571) | (5,487,481) |
| Net (decrease)/increase in cash and cash equivalents | (42,334,745) | 65,239,747 |
| Cash and cash equivalents at beginning of period | 74,940,376 | 9,700,629 |
| Cash and cash equivalents at end of period | 32,605,631 | 74,940,376 |

(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, 2020.

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, 2020 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|--|-----------|-----------------------------|---------------------|-------------------|
| Net revenue from contracts with customers | \$ | 18,560,456 | (61,331) | 18,499,125 |
| Net premiums earned | | - | 4,123,213 | 4,123,213 |
| Interest income | | 178,587 | 693,262 | 871,849 |
| Dividend income | | 52,911 | 288,649 | 341,560 |
| Other income | | 68,261 | 539,910 | 608,171 |
| Revaluation for tax assessment | | | 378,802 | 378,802 |
| | \$ | 18,860,215 | 5,962,505 | 24,822,720 |
| Insurance expenses | \$ | - | 1,528,814 | 1,528,814 |
| Depreciation and amortization | | 696,211 | 49,445 | 745,656 |
| Change in net unrealized loss on investments in securities | | - | 532,729 | 532,729 |
| Provision for expected credit loss | | - | 146,608 | 146,608 |
| Provision for tax assessment | | - | 318,564 | 318,564 |
| Other expenses | | 13,811,433 | 1,171,467 | 14,982,900 |
| | \$ | 14,507,644 | 3,747,627 | 18,255,271 |
| Net income | \$ | 4,352,571 | 2,214,878 | 6,567,449 |

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 | (651,162) | 20,983,609 |
| Net premiums earned | | - | 4,417,563 | 4,417,563 |
| Interest income | | 103,038 | 773,258 | 876,296 |
| Gain on disposal of investment property | | 213,619 | - | 213,619 |
| Dividend income | | - | 264,970 | 264,970 |
| Change in net unrealized gain on investment in securities | | - | 283,166 | 283,166 |
| Other income | | 159,515 | 592,095 | 751,610 |
| Profit on sale of property, plant & equipment | | - | 22,000 | 22,000 |
| | \$ | 22,110,943 | 5,701,890 | 27,812,833 |
| Insurance expenses | \$ | - | 4,785,760 | 4,785,760 |
| Depreciation and amortization | | 696,494 | 45,175 | 741,669 |
| Revaluation of investment property | | 125,000 | - | 125,000 |
| Provision for expected credit loss | | - | 2,710 | 2,710 |
| Other expenses | | 14,751,244 | 1,197,281 | 15,948,525 |
| | \$ | 15,572,738 | 6,030,926 | 21,603,664 |
| Net income | \$ | 6,538,205 | (329,036) | 6,209,169 |

The segment assets and liabilities as at December 31, 2020 are as follows:

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|-------------------|----|-----------------------------|---------------------|--------------|
| Total assets | \$ | 49,559,221 | 74,520,905 | 124,080,126 |
| Total liabilities | | 31,934,687 | 48,042,363 | 79,977,050 |

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

| | | AGENTS & BROKERS | UNDERWRITING | TOTAL |
|-------------------|----|-----------------------------|---------------------|--------------|
| Total assets | \$ | 86,890,119 | 214,372,872 | 301,262,991 |
| Total liabilities | | 70,098,156 | 188,966,168 | 259,064,324 |