

FIRST QUARTER

INTERIM REPORT

2023

SHAREHOLDER'S REVIEW

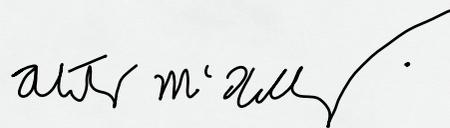
Change happens, as they say, and the first quarter of 2023 fits that theme perfectly. Two main changes have had an impact on our financial statements for the quarter: the implementation of IFRS 17-effective January 1, 2023-and a significant hardening of the reinsurance market, which I have highlighted in past reviews.

J S Johnson follows financial reporting guidelines established by the International Accounting Standards Board (IASB), known as International Financial Reporting Standards (IFRS). When the IASB changes or updates a standard, as they did with IFRS 17, which specifically addresses the reporting of insurance contracts, all companies that follow the guidelines are expected to make the changes in their own reporting. This is what we are doing for the first time in our Q1 2023 shareholders' review.

The IFRS 17 exercise is meant to standardize global insurance industry reporting to make it easier for investors and analysts to compare results and risks of different insurance companies regardless of home country. However, it also dictates a more conservative reporting approach and a reallocation of costs that will result in some modifications to our accounting going forward. You will likely notice other anomalies in our quarterly reports throughout the year, as we continue to adjust to these new standards.

Looking at our segment results, whilst the Agency side of our business recorded a 1.69% increase in Net income over the same period last year (\$2,070,445 from \$2,036,030), the significant hardening of the reinsurance market resulted in a 422% decline in Underwriting Net income, from \$213,028 to (\$686,002). Simply stated, the cost to reinsure risk in the entire region has increased dramatically, driven largely by recent hurricane activity and a perceived heightened risk profile that will likely remain for the foreseeable future. On a consolidated basis, Net income fell by 38% in Q1, compared to the same period last year, from \$2,249,058 to \$1,384,443.

In closing, I want to thank our customers, staff, and Board of Directors for your confidence, patronage, and support. We will continue to do our professional best to earn your trust, while we wrestle with the inevitable changes that affect our business.



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 March 31, 2023 (amounts expressed in Bahamian dollars)

	March 2023	December 2022
ASSETS		
Cash and bank balances	\$ 14,084,709	20,557,403
Term deposits	10,837,000	10,961,017
Accounts receivable	19,052,767	11,641,954
Due from insurance carriers	222,150	217,151
Investments in securities		
- fair value through profit or loss	15,666,425	10,152,703
- Amotized costs	9,734,565	13,815,579
Prepayments and other assets	1,759,138	689,611
Reinsurance contract assets	30,973,540	31,895,492
Right of use asset	162,951	209,276
Investment properties	536,916	536,914
Property, plant and equipment	7,599,566	7,673,346
Total assets	\$ 110,629,727	108,350,445
LIABILITIES		
Insurance contract liabilities:		
Liability for remaining coverage	\$ 35,180,444	33,971,473
Liability for claims incurred	8,386,493	8,964,000
	<u>43,566,937</u>	<u>42,935,473</u>
Other liabilities:		
Due to related parties	-	492,901
Accounts payable	6,585,873	5,684,062
Due to reinsurers	4,136,140	2,286,120
Lease Liability	164,129	213,531
Accrued expenses and other liabilities	3,070,388	3,658,071
Total liabilities	57,523,467	55,270,158
EQUITY		
Share capital		
Authorized ordinary shares-40,000,000 of \$0.01 each	\$ 400,000	400,000
Unissued ordinary shares- 32,000,000 of \$0.01 each	(320,000)	(320,000)
Issued and fully paid ordinary shares-8,000,000 of \$0.01 each	80,000	80,000
Retained earnings	33,250,319	32,917,812
Interest in own shares	(84,600)	(84,600)
	<u>33,245,719</u>	<u>32,913,212</u>
Non-controlling interest	19,860,541	20,167,075
Total equity	\$ 53,106,260	53,080,287
Total liabilities and equity	110,629,727	108,350,445

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2023 (amounts expressed in Bahamian dollars)

	March 2023	March 2022
INCOME		
Net revenue from contracts with customers	5,534,145	5,212,168
Net premiums earned	337,918	1,074,082
Investment income	345,797	309,985
Total income	6,217,860	6,596,235
EXPENSES		
Salaries and employees benefits	2,876,912	2,783,024
Net claims incurred	345,134	186,449
Depreciation and amortization	175,554	164,572
Change in net unrealised loss on investments in securities	164,052	142,851
Other operating expenses	1,271,765	1,070,281
Total expenses	4,833,417	4,347,177
Net income	1,384,443	2,249,058
Other comprehensive income		
Unrealized gain on available for sale securities	-	-
Total comprehensive income	1,384,443	2,249,058
Equity holders of the Company	\$ 1,690,978	2,053,547
Non-controlling interests	(306,535)	195,511
	1,384,443	2,249,058
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.21	\$ 0.26

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2023 (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, 2021	80,000	29,774,730	(84,600)	-	29,770,130	18,512,939	48,283,069
Total comprehensive income for the year:							
Net income	-	2,053,547	-	-	2,053,547	195,511	2,249,058
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(1,200,000)	-	-	(1,200,000)	-	(1,200,000)
Balance at March 31, 2022	80,000	30,628,277	(84,600)	-	30,623,677	18,708,450	49,332,127
Balance at December 31, 2022	80,000	32,917,812	(84,600)	-	32,913,212	20,167,075	53,080,287
Total comprehensive income for the year:							
Net income	-	1,690,978	-	-	1,690,978	(306,535)	1,384,443
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(1,358,470)	-	-	(1,358,470)	-	(1,358,470)
Balance at March 31, 2023	80,000	33,250,320	(84,600)	-	33,245,720	19,860,539	53,106,260

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2023 (amounts expressed in Bahamian dollars)

	March 2023	March 2022
Cash flows from operating activities:		
Net income for the period	1,384,443	2,249,058
<i>Adjustments for:</i>		
Unearned premium reserve	(2,029,141)	(637,640)
Depreciation and amortization	175,554	164,572
Realized gain on disposal of fixed asset	-	-
Change in net unrealized losses on investments in securities	-	142,851
Interest income	(188,139)	(161,036)
Dividend income	(107,643)	(81,269)
Bad debts	12,000	12,000
Cash from operations before changes in assets and liabilities	(752,926)	1,688,536
(Increase)/decrease in assets:		
Accounts receivable	(7,422,813)	(2,667,238)
Due from insurance carriers	(4,999)	(48,067)
Prepayments and other assets	(1,069,527)	(914,115)
Prepaid reinsurance premiums	921,952	(708,962)
Reinsurance recoveries	-	1,182,094
Increase/(decrease) in liabilities:		
Unearned premium reserve	3,238,112	1,566,148
Outstanding claims	(577,507)	(1,167,592)
Due to related parties	(492,901)	(116,705)
Accounts payable, accrued expenses and other liabilities	314,128	(1,557,734)
Due to reinsurers	1,850,020	976,209
Unearned commission reserve	-	190,576
Net cash used in operating activities	(3,996,461)	(1,576,850)
Cash flows from investing activities:		
Net placement of term deposits	131,723	4,082
Purchase of property, plant and equipment	(55,450)	(68,394)
Sale of investments in securities	(1,349,216)	977,171
Interest received	96,940	187,417
Dividends received	107,643	81,269
Net cash (used in)/provided by investing activities	(1,068,360)	1,181,545
Cash flows from financing activities:		
Dividends paid to shareholders	(1,358,470)	(1,200,000)
Principal payment of lease liability	(49,403)	(62,538)
Net cash used in financing activities	(1,407,873)	(1,262,538)
Net decrease in cash and cash equivalents	(6,472,694)	(1,657,843)
Cash and cash equivalents at beginning of period	20,557,403	19,986,684
Cash and cash equivalents at end of period	14,084,709	18,328,841

(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, 2022.

2. SEGMENT INFORMATION

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

The segment results for the period ended March 31, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 5,926,904	(392,759)	5,534,145
Net premiums earned	-	337,918	337,918
Interest income	11,204	176,935	188,139
Dividend income	18,674	88,969	107,643
Other income	22,562	27,453	50,015
	\$ 5,979,344	238,516	6,217,860
Net claims incurred	-	345,135	345,135
Depreciation & amortization	155,450	20,104	175,554
Change in net unrealized loss on investments in securities	-	164,052	164,052
Other expenses	3,753,449	395,227	4,148,676
	\$ 3,908,899	924,518	4,833,417
NET INCOME	\$ 2,070,445	(686,002)	1,384,443

The segment results for the period ended March 31, 2022 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 5,690,109	(477,941)	5,212,168
Net premiums earned	-	1,074,082	1,074,082
Interest income	7,790	153,246	161,036
Dividend income	18,674	62,595	81,269
Other income	18,988	48,692	67,680
	\$ 5,735,561	860,674	6,596,235
Net claims incurred	-	186,449	186,449
Depreciation & amortization	153,392	11,180	164,572
Change in net unrealized loss on investments in securities	-	142,851	142,851
Other expenses	3,546,139	307,166	3,853,305
	\$ 3,699,531	647,646	4,347,177
NET INCOME	\$ 2,036,030	213,028	2,249,058

The segment assets and liabilities as at March 31, 2023 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 42,512,865	68,116,862	110,629,727
Total liabilities	20,764,579	36,758,888	57,523,467

The segment assets and liabilities as at March 31, 2022 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 36,734,164	70,233,064	106,967,228
Total liabilities	16,895,182	40,739,919	57,635,101

(unaudited)