HERE TODAY
HERE TOMORROW
HERE WHEN YOU NEED US

J.S. JOHNSON
PEACE OF MIND
INSURANCE AGENTS & BROKERS

ANNUAL REPORT | 2016

OUR MISSION | To provide the highest quality of professional service by giving our personal best to our Clients, our Co-Workers and the Community at large, thus remaining the leader in the insurance market through continued growth and innovation.

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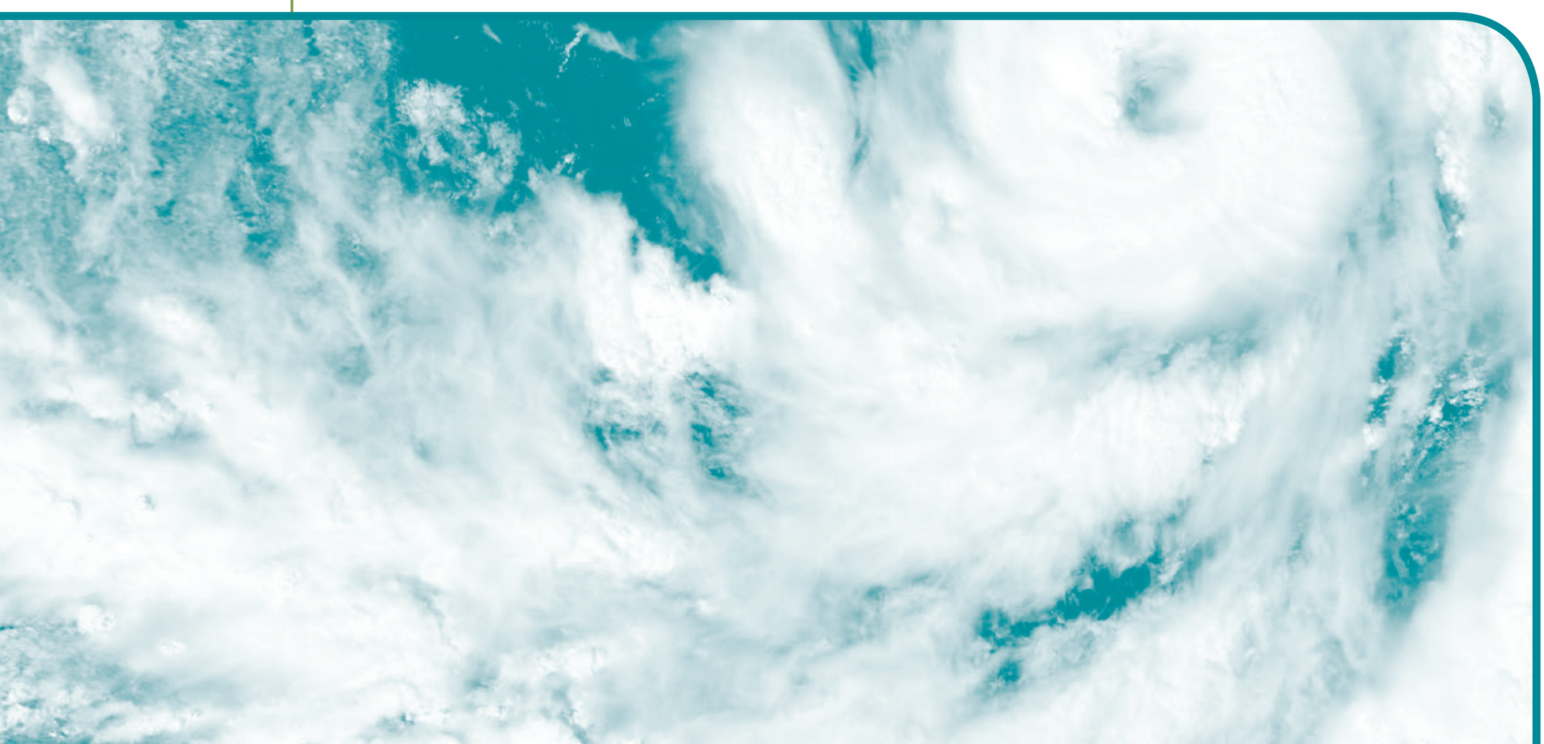


BRIAN M. MOREE, QC
Chairman

Throughout its ninety (90) plus years of experience in serving the Bahamian public in the insurance sector, J. S. Johnson has successfully navigated the diverse economic cycles affecting the country ranging from periods of growth and expansion to times of recession and contraction. When natural disasters affected the Bahamas, including three category 5 hurricanes in 1928, 1932 and 1992, J. S. Johnson was there to protect its customers under their insurance policies. Our long and distinguished history has demonstrated that the Company is a dependable and secure resource for its customers in troubled times. That proved to be the case again in the aftermath of Hurricane Matthew in 2016. The islands of New Providence and Grand Bahama were most affected by that hurricane which brought widespread damage to property as it swept through the country. The aggregate amount of claims submitted to the Company relating to Hurricane Matthew was in excess of $112 million dollars. The statistics show that 73% of the dollar value of gross claims originated in New Providence and 22% from Grand Bahama. As of the date of this report over 95% of all claims have been settled. That is irrefutable evidence of the value and quality of the service of the Company to its customers in their time of greatest need. In this regard I wish to pay tribute to the staff of J. S. Johnson who worked tirelessly and efficiently from early October, 2016 to the end of April, 2017 to process the substantial number of claims arising from Hurricane Matthew. The fact that over 95% of those claims have now been settled is an impressive accomplishment and once again validates our claim that the Staff and Management of J. S. Johnson are amongst the best and brightest insurance professionals in the country who are committed to protecting the interests of our customers.

The financial impact of Hurricane Matthew on the Company in 2016 was significant. The reduction of the consolidated net income from $7,548,638.00 in 2015 to $5,226,788.00 in 2016 was largely attributable to the substantial increase in net claims incurred as a result of that hurricane. There was also minimal growth in the sales market with net commission and fees and net premiums earned remaining basically the same as in previous years. On a more positive note, the cost containment policies of management were largely successful as there was an overall reduction in operating costs. I am pleased to report that notwithstanding the sluggish national economy and the continuing high rate of unemployment, the share price of J. S. Johnson increased from $11.81 per share in 2015 to $11.93 in 2016. This positive trend has continued in the early part of 2017 as there was a further increase of the Company's share price to $12.01. Therefore, even during these difficult and challenging economic times, the Company is providing increased value to its shareholders.

The Company has consistently paid an annual dividend of 64 cents to its shareholders for the past eight years with the exception of 2012, when an extraordinary dividend of an additional 2 cents was paid in the first quarter. Even though 2016 was a particularly challenging financial year, the Company maintained its dividend policy and once again paid its shareholders an annual dividend of 64 cents which represents a dividend return of 5.36%. This reflects the financial strength and stability of the Company particularly when it is noted that, at a national level, interest rates have been declining, deficits have been increasing and Gross Domestic Product has been flat. The sustained strong financial performance of the Company demonstrates that it has been and continues to be a safe harbour for investors.

The current state of the national economy combined with the increasing competitive environment in the insurance sector and the future forecasts for modest and slow growth in GDP indicate that 2017 is likely to be a challenging year for business and commerce in the Bahamas. The Directors of the Company are cognizant of these factors and will closely follow the macro economic developments to assess their impact on the operations of the Company. Adjustments will be made where necessary and Management will continue to focus on operational issues to ensure that the Company remains a market leader in the insurance sector. Innovation, greater efficiencies in the delivery of core services, cost containment, product development, staff training and the continued upgrade of the Company's technology platform will be some of the issues which will be addressed. The Company will remain vigilant to identify and embrace strategic opportunities within the country to increase its market share and grow its business base.

On the subject of technology, I acknowledge the hard work and industry of the Company's Information Technology Department in upgrading the website. Customers can now view their account balance and make payments through direct deposits. The IT staff are currently working on further enhancements to allow customers to pay their balance online by credit card. I also recognize the very able oversight of these projects by

CHAIRMAN'S STATEMENT

one of our Directors, Ms. Sharon Brown, who has brought her extensive experience to these IT initiatives. Our aim is to provide our customers with a modern online platform to make it more convenient for them to conduct their business with the Company.

Management has reported to the Board that the introduction of Value Added Tax on insurance products and services since 1 July, 2015 has not created any serious problems for the Company. It has in some cases resulted in the reduction in cover as the cost of insurance has increased under the VAT regime, but savings on reinsurance has to some extent mitigated the cost increases on property insurance.

In my report for 2015 I foreshadowed the retirement of Mr. Barrett McDonald from the Company after 45 years of loyal and able service. He has now retired and on behalf of the J. S. Johnson family I again convey to him and his family our very best wishes for the future. I stated in my last report that Barrett ***"....has contributed to the growth and development of the Company in his role as a member of the senior management team. I applaud Barrett's loyalty, his professionalism, his competence and his contributions to the Company..."*** I echo those sentiments today and express again our gratitude and respect for Barrett as a colleague and as a friend.

I have mixed emotions in reporting to you that one of our Directors, Mr. Dionisio D'Aguilar, resigned as a Director of the Company on 15 May, 2017 and therefore he will not be standing for re-election to the Board. The date of his resignation reveals the reason for that action. On that date he was elected as a Member of Parliament in the General election and shortly thereafter appointed to Cabinet as the Minister of Tourism and Aviation. On behalf of all of the Directors I congratulate Dionisio for his success in the election and extend to him our best wishes as he enters public service at the highest level. On the one hand, we are sorry to lose the experience, business acumen and insights of Dionisio as a Director of J. S. Johnson. On the other hand, we acknowledge the call of Dionisio to serve his country and applaud his sense of duty and commitment to the Bahamian people. Dionisio has been a constant source of guidance, wise counsel and leadership for the Company and has made an indelible contribution to the development of J. S. Johnson. He leaves a legacy worthy of his father and the pivotal role he played in the life of the Company. His unpretentious business pragmatism, his ability to adeptly analyse and get to the essence of issues, his sound and balanced judgment and his colourful and engaging personality will be greatly missed around the Board table. I thank Dionisio for his many years of service as a Director of J. S. Johnson.

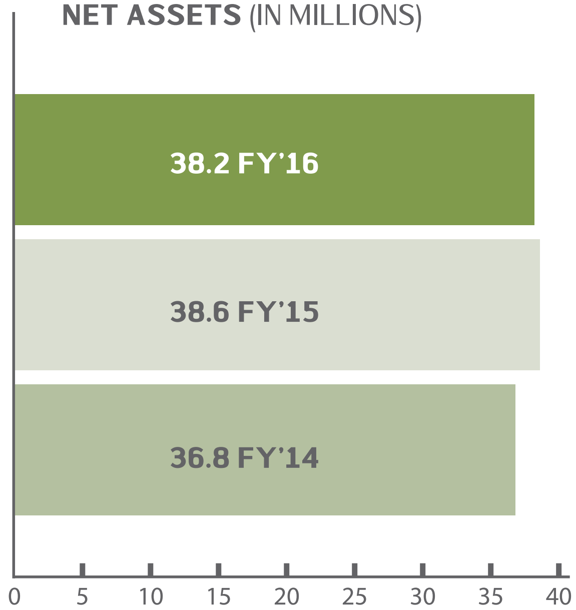
The ultimate success of the Company is directly related to the performance of our Staff and Management. Under the capable leadership of the Managing Director, Mr. Alister McKellar, the J. S. Johnson team has provided stellar service to the Company during 2016. The Directors are grateful for their professionalism, their hard work and their loyalty over the past twelve months.

We will continue to seek to enhance value for the Shareholders of the Company and to earn the loyalty and trust of our customers. We are grateful for your support as we carry out our duties.

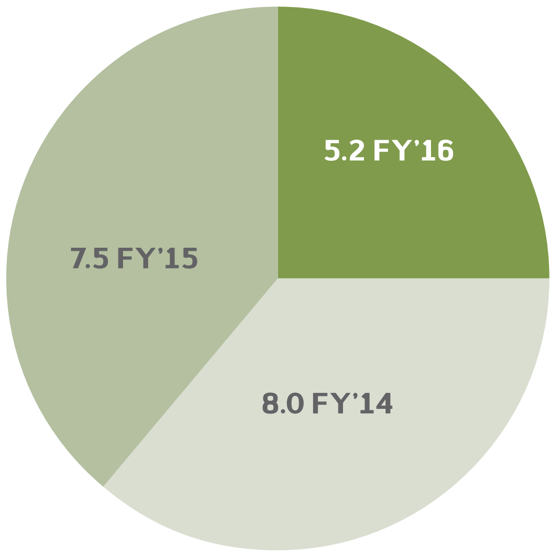
Finally, I once again express my personal appreciation to my fellow Directors for all their contributions to the Company. Together they bring decades of business and management experience from different sectors in our economy and have provided the Company with stable and prudential leadership.

Brian M. Moree, QC
Chairman

NET ASSETS (IN MILLIONS)



NET INCOME (IN MILLIONS)



(Expressed in Bahamian dollars)		2016	2015	2014
Consolidated Statement of Financial Position:				
Total assets	$	139,610,719	82,556,235	84,293,332
Total liabilities		101,422,518	43,935,626	47,458,850
Net assets	$	38,188,201	38,620,609	36,834,482
Consolidated Statement of Comprehensive Income:				
Total income	$	24,447,994	24,703,194	24,391,666
Total expenses		19,221,206	17,154,556	16,382,216
Net income	$	5,226,788	7,548,638	8,009,450
Other Data:				
Dividends per share	$	0.64	0.64	0.64
Annual dividends	$	5,112,320	5,112,320	5,112,319
Total shareholders' equity	$	23,351,002	23,293,034	22,580,752
Earnings per share for the profit attributable to the equity holders of the Company	$	0.65	0.73	0.74

ALISTER I. McKELLAR, FCII
Managing Director

One year later, almost to the day, we again were directly impacted by a major storm. On 6th October, 2016 Hurricane Matthew unleashed its fury on the Northern Bahamas leaving extensive damage and destruction in its path. Power was disrupted to many for several weeks but thankfully there was no loss of life. The resulting claims seriously impacted our year end performance with a 30.8% drop in consolidated net income from $7,548,638 in 2015 to $5,226,788 this year.

With a local market loss in excess of $400 million, it was anticipated that our Underwriting segment, Insurance Company of The Bahamas Limited (ICB) would be adversely affected by Hurricane Matthew. Their Net Claims incurred rose 110% year over year to $4,185,653 from $1,992,557. Consequently, net income fell to $64,076, a 97% decrease from $2,918,100 the previous year. A disappointing result, but reflective of our business sector.

Our Agency and Brokerage business enjoyed modest growth on the back of a strong fourth quarter, with net income up 11.5% to $5,162,712 from $4,630,538 the year prior. Business written and renewed was up combined with the ongoing initiatives by Management to contain costs.

For almost a century, the Company's strength has been evident by its resilience to weather periods of economic decline and rising costs. In 2016 we endured a record year in terms of claims experience but are optimistic that 2017 will introduce new growth for the economy. We will remain focused on our core business values and maintain excellence in service to all.

I am pleased to report that since the official launch of our Online Service Centre (OSC), over 1,500 of our customers have signed up and most are using this new forum to facilitate their insurance enquiries. As we move this initiative forward, we will engage their feedback to ensure our product embraces relevant changes in technology.

Once again I wish to applaud the hard work of our dedicated Board of Directors, Shareholders and Staff, as well as the continued support of our Customers, in keeping this Company great!

Alister I. McKellar, FCII
Managing Director

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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Building a better working world

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The Shareholders and Directors
J.S. Johnson & Company Limited

Opinion

We have audited the consolidated financial statements of J.S. Johnson & Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provides the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of outstanding claims liability

The Company has outstanding claims liabilities of $44.5 million, including $7.4 million of claims incurred but not reported (IBNR). The estimation of outstanding claims involves a significant degree of judgement. Outstanding claims are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods, may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Given the materiality of the outstanding claims liability and the complexity of management's judgements, we identified the valuation of outstanding claims liability as a key audit matter.

We assessed management's calculation of the outstanding claims liability by performing the following procedures:

- We gained an understanding of the outstanding claims liability process.

- We compared the data provided to the Company's external actuaries and our actuarial specialist to the Company's financial systems.

- Using our actuarial specialist team members, we compared the Company's methodology, models and assumptions to recognised actuarial practices.

- Our actuarial specialist team members performed independent re-projections on all classes of business, particularly focusing on the largest and longer tail lines of business which require more actuarial judgment. In order to re-project the claims liabilities we considered actual historical information and how losses emerged in the current period compared to previous expectations of loss emergence.

- We compared these re-projections of claim liabilities to management's recorded claim liabilities.

Responsibilities of management and the audit committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Tiffany Norris-Pilcher.

Ernst & Young

March 30, 2017

Consolidated Statement of Financial Position

(Expressed in Bahamian Dollars)

	December 2016	December 2015
Assets		
Cash and bank balances *(Notes 6 and 25)*	$ 19,862,120	$ 4,066,278
Term deposits *(Notes 7 and 25)*	10,149,867	9,963,416
Accounts receivable *(Notes 4 and 25)*	12,449,473	10,835,493
Due from insurance carriers *(Notes 9 and 25)*	144,897	122,943
Investment in securities *(Notes 8 and 25)*	20,693,303	19,648,553
Prepayments and other assets *(Notes 10 and 25)*	4,103,670	1,350,038
Prepaid reinsurance premiums *(Note 14)*	17,623,673	17,410,387
Reinsurance recoverables *(Notes 5 and 25)*	44,679,464	8,358,602
Intangible assets *(Note 11)*	111,228	138,130
Investment properties *(Note 12)*	978,425	1,585,826
Property, plant, and equipment *(Note 13)*	8,814,599	9,076,569
Total assets	$ 139,610,719	$ 82,556,235
Liabilities		
General insurance funds:		
Unearned premium reserve *(Note 14)*	$ 20,766,914	$ 20,702,877
Outstanding claims *(Notes 14 and 25)*	44,539,856	9,477,799
	65,306,770	30,180,676
Other liabilities		
Due to related parties *(Notes 23 and 25)*	563,189	331,326
Accounts payable *(Notes 15 and 25)*	7,495,226	3,679,373
Due to reinsurers *(Notes 5 and 25)*	20,050,123	3,422,086
Accrued expenses and other liabilities *(Notes 18, 23, and 25)*	3,118,564	1,472,228
Unearned commission reserve	4,888,646	4,849,937
Total liabilities	101,422,518	43,935,626
Equity		
Share capital		
Authorized, issued, and fully paid:- 8,000,000 ordinary shares of $0.01 each	$ 80,000	$ 80,000
Retained earnings *(Note 20)*	23,314,875	23,267,294
Interest in own shares *(Note 22)*	(84,600)	(84,600)
Fair value reserve *(Note 8)*	40,727	30,340
	23,351,002	23,293,034
Non-controlling interest	14,837,199	15,327,575
Total Equity	38,188,201	38,620,609
Total Liabilities and Equity	$ 139,610,719	$ 82,556,235

See accompanying notes to consolidated financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 30, 2017 by:
Approved by the Board:

Director alter m'dull

Director

(Expressed in Bahamian Dollars)

	Year Ended December 31 2016	2015
Income:		
Net commission and fees *(Note 23)*	$ 18,145,703	$ 18,109,178
Net premiums earned *(Note 16)*	4,558,146	4,540,878
Investment income *(Note 17)*	1,683,397	1,473,935
Change in net unrealized gain on investment in securities *(Note 8)*	60,748	563,032
Profit on sale of property, plant, and equipment	–	16,171
Total income	24,447,994	24,703,194
Expenses:		
Salaries and employee benefits *(Notes 19 and 23)*	10,079,659	10,311,718
Net claims incurred *(Note 14)*	4,185,653	1,992,557
Depreciation and amortization *(Notes 11, 12, and 13)*	787,059	701,455
Impairment loss on investment property *(Note 12)*	–	24,164
Loss on sale of investment property *(Note 12)*	97,333	–
Other operating expenses *(Note 17)*	4,071,502	4,124,662
Total expenses	19,221,206	17,154,556
Net income	$ 5,226,788	$ 7,548,638
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized gain on available for sale investments	10,387	19,045
Total comprehensive income	$ 5,237,175	$ 7,567,683
Attributable to:		
Equity holders of the company *(Note 22)*	$ 5,170,288	$ 5,824,602
Non-controlling interest	66,887	1,743,081
	$ 5,237,175	$ 7,567,683
Basic & diluted earnings per share for the profit attributable to the equity holders of the Company *(Note 22)*	$ 0.65	$ 0.73

See accompanying notes to consolidated financial statements

Consolidated Statement of Changes in Equity

(Expressed in Bahamian Dollars)

	Share Capital	Retained Earnings	Interest in Own Shares	Fair Value Reserve	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2014	$ 80,000	$ 22,574,057	$ (84,600)	$ 11,295	$ 22,580,752	$ 14,253,730	$ 36,834,482
Net income	–	5,805,557	–	–	5,805,557	1,743,081	7,548,638
Unrealized gain on available for sale securities				19,045	19,045		19,045
Distributions to owners:							
Dividends (Note 18)	–	(5,112,320)	–	–	(5,112,320)	(669,236)	(5,781,556)
Balance at December 31, 2015	80,000	23,267,294	(84,600)	30,340	23,293,034	15,327,575	38,620,609
Net income	–	5,159,901	–	–	5,159,901	66,887	5,226,788
Unrealized gain on available for sale securities	–	–	–	10,387	10,387	–	10,387
Distributions to owners:							
Dividends (Note 18)	–	(5,112,320)	–	–	(5,112,320)	(557,263)	(5,669,583)
Balance at December 31, 2016	$ 80,000	$ 23,314,875	$ (84,600)	$ 40,727	$ 23,351,002	$ 14,837,199	$ 38,188,201

See accompanying notes to consolidated financial statements.

(Expressed in Bahamian Dollars)

	Year Ended December 31 2016	2015
Operating activities		
Net income	$ 5,226,788	$ 7,548,638
Adjustments for:		
Unearned premium reserve *(Note 14)*	149,250	(39,745)
Depreciation and amortization	787,059	701,455
Profit on sale of property, plant, and equipment	–	(16,171)
Impairment loss on investment property	–	24,164
Loss on sale of investment property	97,333	–
Change in net unrealized gains on investments in securities	(60,748)	(563,032)
Interest income *(Note 17)*	(927,693)	(981,994)
Dividend income *(Note 17)*	(429,361)	(378,214)
Bad debts	48,000	48,000
Cash from operations before changes in assets and liabilities	4,890,628	6,343,101
(Increase) decrease in assets:		
Accounts receivable	(1,661,979)	(1,308,337)
Due from insurance carriers	(21,954)	(55,338)
Prepayments and other assets	(2,403,632)	(149,222)
Prepaid reinsurance premiums	(213,286)	1,218,550
Reinsurance recoverable	(36,320,862)	1,399,696
Increase (decrease) in liabilities:		
Unearned premium reserve	(85,213)	(1,139,062)
Outstanding claims	35,062,057	(1,329,904)
Due to related parties	231,863	(84,204)
Accounts payable, accrued expenses and other liabilities	5,462,189	(275,908)
Due to reinsurers	16,628,037	(513,353)
Unearned commission reserve	38,709	(141,048)
Net cash provided by operating activities	21,606,557	3,964,971
Investing activities		
Net maturity/(placement) of term deposits	$ (86,155)	$ 179,862
Proceeds from sale of property, plant, and equipment	–	16,171
Proceeds from sale of investment property	150,000	–
Purchase of intangible asset *(Note 11)*	(55,198)	–
Purchase of property, plant, and equipment *(Note 13)*	(432,921)	(922,892)
Purchase of investments in securities	(1,078,752)	(2,686,188)
Proceeds from principal payments of investments	103,346	102,096
Interest received	829,187	1,061,129
Dividends received	429,361	378,214
Net cash used in investing activities	(141,132)	(1,871,608)

(Expressed in Bahamian Dollars)

	Year Ended December 31 2016	Year Ended December 31 2015
Financing activities		
Dividends paid to shareholders	$ (5,112,320)	$ (5,112,320)
Dividends paid to non-controlling interest	(557,263)	(669,236)
Net cash used in financing activities	(5,669,583)	(5,781,556)
Net increase/(decrease) in cash and cash equivalents	15,795,842	(3,688,193)
Cash and cash equivalents, beginning of year	4,066,278	7,754,471
Cash and cash equivalents, end of year	$ 19,862,120	$ 4,066,278
Supplemental cash flow information		
Premium tax paid	$ 1,465,835	$ 1,428,646

See accompanying notes to consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

J.S. Johnson & Company Limited ("the Company") and its subsidiaries, Insurance Company of The Bahamas Limited ("ICB") and J.S. Johnson & Company (Turks & Caicos) Limited ("JSJ Turks & Caicos") (together, the Group) carry on general insurance business. The Company and JSJ Turks & Caicos carry on business as agents and brokers in The Bahamas and the Turks & Caicos Islands, respectively. ICB is licensed to operate as a property and casualty insurance company in The Bahamas and the Turks & Caicos Islands under the Insurance Act 2005, as amended, and the Insurance Ordinance, 1989, amended December 2015, respectively.

The Company is incorporated in The Commonwealth of The Bahamas. The registered office of the Company and ICB are situated at the offices of Messrs. McKinney, Bancroft & Hughes, Mareva House, No. 4 George Street, Nassau, The Bahamas. The registered office of JSJ Turks & Caicos is situated at the offices of Twa, Marcelin & Wolf, Chancery Court, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

The Company's principal place of business is located at 34 Collins Avenue, Nassau, The Bahamas. ICB's principal place of business is located at 33 Collins Avenue, Nassau, The Bahamas. JSJ Turks & Caicos' principal place of business is located at Graceway Plaza, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The methods used to measure fair value are discussed further in the significant accounting policies below.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Bahamian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgments

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3(b), 3(c), 3(f), 3(g), 3(h), 3(i), 3(j),11,12,13,14,25 and 26.

(e) New Standards Adopted During the Year

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently by the Group and are consistent with those used in the previous year, except as outlined in Note 2(e).

(a) Basis of Consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities of which the Company holds, directly or indirectly, the majority of voting rights are fully consolidated.

Entities that are less than 50% owned, but in which the Company exercises de facto control, that is, has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, are considered to be subsidiaries of the Company. The financial statements of such entities are fully consolidated into the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in net income or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Goodwill at the acquisition date is measured as the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less the net recognized amounts (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in net income or loss in the consolidated statement of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in net income or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income or loss.

The consolidated financial statements include the accounts of the Company and the following entities:

Name	Country of Incorporation	Ownership
Insurance Company of The Bahamas Limited	The Bahamas	40%
J.S. Johnson & Company (Turks & Caicos) Limited	Turks & Caicos Islands, BWI	80%

Inter-company transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies are consistent with the policies adopted by the Group.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Insurance Contracts

(i) Classification, Recognition, and Measurement

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer insurance risks. Such contracts may also transfer financial risk. The Group considers an insurance risk to be significant where the sum insured or limit of indemnity exceeds $250,000. The classification of contracts identifies both the insurance and reinsurance contracts entered into by the Group.

Short term insurance contracts consist of Property, Casualty, Motor, and Marine insurance contracts.

Property insurance contracts, both personal and commercial, provide compensation for loss, or damage to property. Business interruption coverage provides compensation for loss of earnings following physical damage to the insured premises.

Casualty/liability insurance contracts protect the insured against the risk of causing financial loss or injury to third parties following some act of negligence. Liabilities covered include both contractual and non-contractual. Two of the most common protections offered are "Employer's Liability", designed to indemnify employers who become legally liable to pay compensation to injured employees, and "Public Liability", designed to indemnify individuals, and businesses who become legally liable to pay compensation to third parties.

Motor insurance contracts cover the driver's liability to third parties in respect of personal injury or property damage. If comprehensive cover is purchased, the policy also covers damage to the policyholder's vehicle.

Marine insurance contracts include the insurance of goods in transit over land or sea and also the insurance of hulls. Hull insurances typically cover both physical damage to the vessel and also the boat owner's liability to third parties in respect of personal injury or property damage.

Premiums generated from insurance and inwards reinsurance contracts are recognized as revenue (gross written premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve, calculated using net retained premiums. Gross written premiums are shown before deduction of premium tax, premiums ceded to reinsurers, and commissions. Premiums received prior to the year end and processed after the year end by the agents are recognized at the time of processing.

Claims and loss adjustment expenses are charged to income as incurred based on the known or estimated liability for compensation owed to policyholders or third parties. They include direct or indirect claims settlement costs and arise from events that have occurred up to the reporting date regardless of whether or not they have been reported. Gross outstanding claims comprise the estimated cost of all claims incurred but not settled as of the reporting date whether reported or not. The Group does not discount its liabilities for outstanding claims. Liabilities for outstanding claims are estimated using: (a) the judgment of the Company's claims manager in regards to routine claims, (b) external legal opinion in connection with more complex claims, and (c) statistical analyses for claims incurred but not reported.

(ii) Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. These tests are carried out at the portfolio level for the classes of motor and casualty lines of business. Should any trend in reserve deficiency, at total portfolio level, become apparent, the deficiency would immediately be charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

(iii) Reinsurance Contracts Held and Assumed

The Group cedes (or assumes) reinsurance under a variety of formal treaty arrangements, with retention limits varying by the line of business. Under these treaties which are classified as reinsurance contracts held (or assumed) the Group is compensated (or compensates) in respect of one or more losses under contracts that meet the classification requirements for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets (or financial liabilities).

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets are classified as reinsurance recoverables and comprise:

- recoverables due from reinsurers in respect of claims paid, and
- the reinsured portion of the reserves for outstanding claims allocated in accordance with the treaty arrangements for the class of business in question.

Amounts paid to the reinsurers relating to the unexpired portion of reinsured contracts are classified as prepaid reinsurance premiums.

Reinsurance liabilities are classified as due to reinsurers and are primarily premiums payable under treaty reinsurance contracts after deduction of reinsurance recoverables on proportional contracts.

Premiums to be ceded are recognized as an expense from the date the gross premiums are written and over the term of the reinsurance in the consolidated statement of comprehensive income.

Amounts shown as reinsurance recoverables, prepaid reinsurance premiums or due to reinsurers are measured consistently with the amounts associated with reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for any indication of impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of comprehensive income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 3 (j).

(iv) Portfolio Transfer

At the anniversary date of the reinsurance agreements and at the Company's option proportional reinsurers agree to assume the unexpired liability of all risks in force at such anniversary date. The unexpired liability is computed in accordance with the method outlined in the reinsurance agreement and accounted for when determined in the consolidated statement of comprehensive income.

(v) Receivables and Payables Related to Insurance Contracts

Receivables and payables are recognized when the contractual right to receive payment and contractual obligation to make payment arise, respectively. These include amounts due to and from insurance carriers and reinsurers and the receivable balances are assessed for impairment and doubtful accounts. As at December 31, 2016 and 2015, no provision was made for impairment or doubtful accounts.

(vi) Fronting Arrangements

Gross Written Premium includes the risk premium from fronting arrangements whereby the company reinsures one hundred percent of an individual risk to an insurer not licensed to transact business in The Bahamas. The reinsured amounts are included within the amount shown as "Ceded to reinsurers", amounting to $2,725,926 (2015: $2,165,565).

(c) Accounts Receivable

Accounts receivable, other than receivables relating to insurance contracts, are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(d) Segment Reporting

The Group determines and presents operating segments based on the information that is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any other Group entities. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(e) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognized in net income or loss in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences, if any, relating to investments at fair value through profit or loss are included in net realized gain/loss or change in net unrealized gain/loss on investments in securities in net income or loss in the consolidated statement of comprehensive income. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are recognized in net income or loss in the consolidated statement of comprehensive income.

(f) Investment Property

The Group classifies property held for capital appreciation and rental as investment property. Investment property, which comprises land and buildings, is carried at cost using the cost model and measured in accordance with IAS 16 – Property, Plant, and Equipment, and is stated at historical cost less accumulated depreciation and impairment losses. Depreciation on the buildings is recognized in net income or loss in the consolidated statement of comprehensive income on a straight line basis either at the annual rate of 2.00% or over the estimated useful life of 50 years (2015 – 50 years). No depreciation is taken on land. The carrying value of the land and buildings are also assessed annually for any impairment losses.

The Group performs annual impairment assessments based on fair value less cost to sell. The fair value of investment property is determined by third-party professional appraisals, which are performed every three years. The fair value of the investment property is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(g) Property, Plant, and Equipment

Property, plant, and equipment, except for land, are stated at historical cost less accumulated depreciation and impairment losses. Land is stated at cost and not subject to depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Repairs and maintenance are charged to net income or loss in the consolidated statement of comprehensive income when the expenditure is incurred.

Depreciation is recognized in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the items of the assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In the year of acquisition, a full year's depreciation is charged to net income or loss in the consolidated statement of comprehensive income, regardless of the acquisition date.

The estimated depreciation rates for the current and corresponding period are as follows:

	Useful Lives	Depreciation Rates
Buildings	50	2%
Office furniture and equipment	6.67	15%
Computer equipment	5	20%
Motor vehicles	4 - 5	20% - 25%
Leasehold improvements		Lesser of useful life or Duration of lease

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income in the consolidated statement of comprehensive income. Repairs and maintenance are charged to net income or loss in the statement of comprehensive income when the expenditure is incurred.

(h) Financial Instruments

Financial instruments comprise cash and cash equivalents, term deposits, loans and receivables, due from insurance carriers, due from/to related parties, investments in equity and debt securities, due to reinsurers, accounts payable, and accrued expenses and other liabilities.

Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date the Group commits itself to purchase or sell the asset. Financial assets are derecognized when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash and term deposits held with financial institutions with original maturities of less than three months. Bank overdraft and margin loan that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(i) Investments at Fair Value Through Profit or Loss

An instrument is classified as held at fair value through profit or loss if it is acquired for the purposes of selling in the near term, and which may be disposed of in response to the needs for liquidity, or changes in interest rates, exchange rates, or equity prices, or is designated as such upon initial recognition.

Financial assets classified as held at fair value through profit or loss include investments in equity securities.

Upon initial recognition, attributable transaction costs are recognized in net income or loss when incurred. Financial instruments as held at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income or loss in the consolidated statement of comprehensive income.

(ii) Investments Held-to-Maturity

Financial assets and liabilities with fixed dates of maturity that management has the intent and ability to hold-to-maturity are classified as held-to-maturity. Financial assets classified as held-to-maturity include Government debt instruments and corporate bonds. Subsequent to initial recognition, investments held-to-maturity are measured at amortized cost using the effective interest method, less any impairment losses.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(iii) Available For Sale Investments

Available for sale investments are financial assets and liabilities that are either designated in this category or are not classified as loans and receivables, held-to-maturity investments, or investments at fair value through profit or loss. Financial assets classified as available for sale investments include preferred shares and mutual funds and, subsequent to initial recognition, are measured at fair value less any impairment losses.

Changes in fair value, other than impairment losses, are recognized in other comprehensive income in the consolidated statement of comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred to net income or loss in the consolidated statement of comprehensive income.

(iv) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables arising from insurance contracts, accounts receivable from customers, other receivables and cash and cash equivalents are classified in this category.

(v) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(vi) Fair Value Measurement Principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; in the principal or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the company.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Any equity security that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses, if any. If a reliable measure of fair value becomes available subsequently, the instrument is measured at fair value.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(vii) Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(i) Intangible Assets

Intangible assets include customer relationships acquired from third parties and are stated at cost less accumulated amortization and impairment losses, if any. Amortization is recognized in income or loss in the consolidated statement of comprehensive income on a straight line basis over the estimated useful life of the customer relationship from the date that it is acquired. The estimated useful life of customer relationships is five years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in net income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through net income or loss in the consolidated statement of comprehensive income.

Impairment losses on available for sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to net income or loss. The cumulative loss that is removed from other comprehensive income and recognized in net income or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in net income or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net income or loss, then the impairment loss is reversed, with the amount of the reversal recognized in net income or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

(ii) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in net income or loss in the consolidated statement of comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Income and Expense Recognition

Premiums are recognized as revenue over the periods covered by the related policies after allowing for premiums ceded.

Commission income from reinsurers is received on premiums ceded and is recognized over the periods covered by the related policies.

Commission income on agency business is recognized at the time when premiums are billed to customers as the Group has no further service obligations associated with these commissions.

Other revenues and expenses of the Group are recognized on an accrual basis, except as follows:

i. Dividend income – recognized when the Group's right to receive payment has been established.
ii. Treaty profit commission income – recognized in the year in which the treaty profits are crystallized.
iii. Loyalty commission income and profit commission expense – recognized when the Group's right to receive or obligation to make payment has been established.
iv. Fronting fees – recognized when premiums are billed to customers as the Group has no further service obligations associated with these fees.
v. Commission expense – recognized when the obligation to pay the commissions has been established.

(l) Premium Tax

Premium tax is incurred at a rate of 3.00% of gross written premiums written in The Commonwealth of The Bahamas and 2.50% of gross written premiums in the Turks & Caicos Islands, BWI. Premium tax is recognized when the Company's obligation to make payment has been established.

(m) Employee Benefits

(i) Defined Contribution Pension Plan

The Group has a defined contribution pension plan for eligible employees whereby the Group pays contributions to a privately administered pension plan. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their eligible earnings and such amounts are matched by the Group. The Group's contributions to the defined contribution pension plan are charged to income or loss in the year to which they relate.

(ii) Short-Term Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided in net income or loss.

A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to net income or loss using a straight-line method over the period of the lease.

(o) Related Parties

Related parties include affiliates of Aon Corporation, major shareholders, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Group (see Note 23 for further details).

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(q) Treasury Share Capital (Interest In Own Shares)
Treasury share capital represents the Group's own equity instruments, which are acquired and are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(r) Earnings Per Share
The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(s) Dividends
Dividends proposed or declared after the reporting date are not recognized at the reporting date.

(t) New Standards, Interpretations, and Amendments to Published Standards that are Not Yet Effective Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods but which the Group has not early adopted are as follows:

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company is currently assessing the impact of the standard on the financial statements.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. The Company is currently assessing the impact of the standard on the financial statements.

Amendments to* IFRS 10 and IAS *28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company is assessing the potential effect of the amendments on its financial statements.

IAS 7 Disclosure *Initiative- Amendments to IAS 7*
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company. The Company is currently assessing the impact of the standard on the financial statements.

IFRS 2 Classification *and Measurement of Share-based Payment Transactions-Amendments to IFRS 2*
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is assessing the potential effect of the amendments on its financial statements.

4. ACCOUNTS RECEIVABLE

Accounts receivable are stated at amortized cost less provision for doubtful accounts. Interest is charged on accounts that are financed at a rate of 10% (2015 – 10%) per annum on the total balance financed for periods of three months or six months. The Group reserves the right and from time to time may negotiate lower interest rates and longer periods for commercial customers. Collateral is not held against any of the outstanding balances; however the Group has the right to cancel the financed policy for non-payment. As at December 31, 2016, the rates of interest on the premium finance receivables range from 5% to 10% per annum (2015 – 5% to 10%) and are all financed for periods within three months.

As at December 31 accounts receivable consist of:

	2016	2015
Trade	$ 12,666,247	$ 10,781,715
Premium finance	255,460	478,012
	12,921,707	11,259,727
Provision for doubtful accounts	(472,234)	(424,234)
	$ 12,449,473	$ 10,835,493

The aging analysis of accounts receivable as at December 31 is as follows:

2016

	0 – 6 Months	6 – 9 Months	9 – 12 Months	More than 12 Months	Past due and Impaired	Total
Trade	$ 10,441,354	$ 1,361,757	$ 110,585	$ 280,317	$ 472,234	$ 12,666,247
Premium finance	255,460	–	–	–	–	255,460
Total	$ 10,696,814	$ 1,361,757	$ 110,585	$ 280,317	$ 472,234	$ 12,921,707

2015

	0 - 6 Months	6 - 9 Months	9 - 12 Months	More than 12 Months	Past due and Impaired	Total
Trade	$ 8,105,033	$ 1,847,073	$ 145,654	$ 259,721	$ 424,234	$ 10,781,715
Premium finance	476,946	1,066	-	-	-	478,012
Total	$ 8,581,979	$ 1,848,139	$ 145,654	$ 259,721	$ 424,234	$ 11,259,727

Based on the Groups's current aging procedure, all trade balances over five months are considered to be past due but not impaired. All trade balances that have been outstanding for more than one year and have had no activity within the past 12 months are considered to be past due and impaired. Cancellation or extension of the terms of the credit is instituted on a case by case basis. Specific provisions are made against trade balances based on the above aging procedure.

For premium financed receivables, in the event of default of payment by the customer on any of the agreed installments, the balance automatically and immediately becomes due and payable in full. The Group may in its sole discretion reinstate the finance agreement if the overdue installment is paid in full within the grace period. Failure to pay the overdue installments within the grace period will result in the cancellation of the underlying policy. The Group has the sole right to amend the policy after the grace period. As at December 31, 2016, $31,615 (2015 - $120,009) related to policies that were in default of payment of the agreed installments and are considered to be past due but not impaired.

The movement in the provision for doubtful accounts as at December 31 is as follows:

	2016	2015
Balance as of January 1	$ 424,234	$ 376,234
Write-off against provision	-	-
Provision for the year	48,000	48,000
Balance as at December 31	$ 472,234	$ 424,234

5. UNDERWRITING POLICIES AND REINSURANCE AGREEMENTS

The Group follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Group. The reinsurance of contracts does not, however, relieve the Group of its primary obligation to the policyholders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would also be liable for the reinsured amount. The Group's credit risk management procedures are detailed in Note 25.

Aon Limited, whose registered office is in London, England, a related party of the Company, is the Group's reinsurance broker and acts as the intermediary between the Group and the reinsurers. Reinsurance contracts between the Group and its reinsurers are renewable annually in accordance with the terms of the individual contracts.

Reinsurance recoverables consist of:

	2016	2015
Recoverables under excess of loss reinsurance for claims paid and outstanding	$ 6,843,524	$ 368,335
Recoverables under proportional contracts for outstanding claims *(Note 14)*	37,835,940	7,990,267
	$ 44,679,464	$ 8,358,602

Amounts due to reinsurers of $20,050,123 (2015 - $3,422,086) represent premiums to be ceded to the reinsurers as at December 31, 2016, less reinsurance recoverables on proportional contracts.

6. CASH AND BANK BALANCES

The Group earned interest at varying rates up to 0.5% (2015 - varying rates up to 0.5%) per annum on accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to $30,820 (2015 - $37,224).

7. TERM DEPOSITS

Term deposits with banks include accrued interest totaling $245,707 (2015 - $145,411). The term deposits are held more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates 2016		2016	Interest Rates 2015		2015
Three months - one year	1.0279%-3.00%	$	5,565,394	0.4112%-3.25%	$	5,476,050
Over one year	2.75%-4.25%		4,584,473	2.75%-4.25%		4,487,366
		$	10,149,867		$	9,963,416

To meet the requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 27, ICB renewed its term deposit of $1,179,118 (2015 - $1,150,282) with maturity date of December 21, 2017. The term deposit is held with a recognized financial institution in The Bahamas.

ICB is also required under the Insurance Regulations in Turks and Caicos to meet certain capital requirements as outlined in Note 27, and maintained a restricted deposit of $507,784 (2015 - $505,705), with a maturity date of December 6, 2017. The deposit is held with a recognized financial institution in Turks and Caicos.

8. INVESTMENTS IN SECURITIES

Investments in securities are classified as follows:

		2016		2015
Securities at fair value through profit or loss	$	4,191,840	$	4,052,340
Held-to-maturity		10,600,236		10,705,373
Available for sale		5,901,227		4,890,840
As of end of year	$	20,693,303	$	19,648,553

Securities at Fair Value Through Profit or Loss

Securities at fair value through profit or loss principally comprise marketable equity securities, which are listed on The Bahamas International Securities Exchange, and are stated at fair value using quoted bid prices.

Movements during the year were as follows:

		2016		2015
As at beginning of year	$	4,052,340	$	3,489,308
Additions		78,752		-
Change in net unrealized gains during the year		60,748		563,032
As of end of year	$	4,191,840	$	4,052,340

As of December 31, 2016, the cost of securities at fair value through profit or loss was $2,302,615 (2015 - $2,223,863).

Held-to-Maturity Securities

Held-to-maturity securities consist of the following:

	Interest Rates	Maturity		Amortized Cost 2016
The Bridge Authority Bond	6.25%	2024	$	130,250
Bahamas Government Registered Stocks	4.89% to 5.37%	2019 - 2037		5,831,727
Clifton Heritage Authority	5.50%	2035		283,139
Bahamas Electricity Corporation Bond	6.40%	2021		500,792
Fidelity Bank (Bahamas) Ltd.	7.00%	2017		507,000
Fidelity Bank (Bahamas) Ltd	6.00%	2018		100,510
Nassau Airport Development:				
Company - senior secured note	8.50%	2031		458,364
College of The Bahamas	7.00%	2026		357,143
Public Hospital Authority Ser A	6.00%	2033		908,267
Bahamas Govt Stock Tranche 1	6.25%	2044		501,370
Bahamas Govt Stock Tranche 2	4.50%	2022		1,021,674
			$	10,600,236

	Interest Rates	Maturity		Amortized Cost 2015
The Bridge Authority Bond	6.25%	2024	$	130,250
Bahamas Government Registered Stocks	4.89% to 5.37%	2019 - 2037		5,831,675
Clifton Heritage Authority	5.50%	2035		282,714
Bahamas Electricity Corporation Bond	6.40%	2021		500,792
Fidelity Bank (Bahamas) Ltd.	7.00%	2017		507,000
Fidelity Bank (Bahamas) Ltd	6.00%	2018		100,674
Nassau Airport Development:				
Company - senior secured note	8.50%	2031		473,686
College of The Bahamas	7.00%	2026		392,857
Public Hospital Authority Ser A	6.00%	2033		961,696
Bahamas Govt Stock Tranche 1	6.25%	2044		501,370
Bahamas Govt Stock Tranche 2	4.50%	2022		1,022,659
			$	10,705,373

Included in amortized costs for held-to-maturity investments is accrued interest totaling $150,419 (2015 - $152,210).

In accordance with the Note Purchase Agreement dated March 20, 2009 for Nassau Airport Development Company - Senior Secured Note, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2031. During 2016, ICB received $15,000 (2015 - $13,750) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated June 24, 2011 for The College of The Bahamas, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2026. During 2016, the Company received $35,714 (2015 - $35,714) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated November 13, 2013, for Public Hospital Authority, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2033. Starting in 2016, the Company received $52,632 towards the principal of the Secured Note.

Available For Sale Securities
Available for sale securities consist of the following:

	No. of Shares	2016 Fair Value	No. of Shares	2015 Fair Value
Commonwealth Bank Ltd. 7% (perpetuity)	10,000	$ 1,000,000	10,000	$ 1,000,000
Bank of The Bahamas 6.75% (perpetuity)	500	500,000	500	500,000
Cable Bahamas Ltd. Series Thirteen 6.25% (2019)	1,000	1,000,000	-	-
Cable Bahamas Ltd. Series Six 5.75% (2019)	539	539,000	539	539,000
Cable Bahamas Ltd. Series Nine 6.25% (2019)	1,249	1,249,500	1,249	1,249,500
APD Limited Series A 5.5%	1,000	500,000	1,000	500,000
Grand Bahama Power Company Limited 7.25%	322,000	322,000	322,000	322,000
Prime Income Fund Ser Four	100,000	512,589	100,000	509,700
High Yield Income Fund	25,000	278,138	25,000	270,640
		$ 5,901,227		$ 4,890,840

Included in prepayments and other assets is $71,347 (2015 - $87,655) relating to dividends receivable (Note 10) at December 31, 2016.

Fair Value Hierarchy
Securities at fair value through profit or loss and available for sale securities are categorized as Level 2 as at December 31, 2016 and 2015. There has been no transfer of financial instruments between Level 1 and Level 2 during the year ended December 31, 2016 and 2015.

9. DUE FROM INSURANCE CARRIERS

As of December 31, 2016, balances totaling $144,897 (2015 - $122,943) comprise funds due from insurance carriers relating to cancellations and for policies that were processed subsequent to the year end.

10. PREPAYMENTS AND OTHER ASSETS

	2016	2015
Staff loans and advances (i)	$ 655,089	$ 528,830
Prepayments and security deposits	106,452	89,406
Capital projects - deposits (ii)	96,771	129,028
Proceeds due from sale of building	350,000	-
Commissions receivable	275,942	219,500
Other assets (Note 8)	2,619,416	383,274
	$ 4,103,670	$ 1,350,038

(i) Staff loans are secured by the employee's pension fund and are granted based on an employee's tenure with the Company. The maturity dates normally extend up to 24 months of issuance.

(ii) This balance represents payments made for architect fees related to the planned building extension project, for which the expected date of commencement has not yet been determined. During 2015, the Company began amortizing this balance over a five year period.

11. INTANGIBLE ASSETS

		2016		2015
Cost:				
At January 1	$	665,308	$	665,308
Acquisitions		55,198		-
At December 31	**$**	**720,506**	**$**	**665,308**
Accumulative amortization:				
At January 1	$	493,686	$	392,002
Charge for the year		82,100		101,684
At December 31	**$**	**575,786**	**$**	**493,686**
Impairment:				
At January 1	$	33,492	$	33,492
Reversal of impairment during the year		-		-
At December 31	**$**	**33,492**	**$**	**33,492**
Net carrying value	**$**	**111,228**	**$**	**138,130**

Intangible assets relate to the purchase of three portfolios of businesses ("business") consisting of customer relationships with insurance policies in the Turks and Caicos Islands and a recently acquired portfolio in Exuma, Bahamas. In 2011, the Company paid $383,600 for one of the portfolios of business and an impairment loss of $77,167 was incurred in 2012 and is included in the consolidated statement of comprehensive income. In 2014, a reversal of $43,675 impairment loss was made as this portfolio still carried a value for the Company at the end of December 2014. This portfolio is now fully amortized as of December 31, 2016.

The second portfolio was acquired for $256,708 in accordance with a Purchase and Sales Agreement, which represented commissions collected up to April 30, 2013. The third portfolio was purchased on August 1, 2014. As of December 31, 2016, $80,198 has been paid.

Amortization charged in 2016 of $82,100 (2015 - $101,684) is included in depreciation and amortization in the consolidated statement of comprehensive income.

There have been no changes in the estimates and assumptions that were initially used to assess the fair value of the intangible assets.

12. INVESTMENT PROPERTIES

Investment properties are accounted for using the cost model and are as follows:

		Land		Buildings		Total
Cost:						
Balance as at January 1, 2016	$	1,714,819	$	378,809	$	2,093,628
Disposals		(802,047)		(266,540)		(1,068,587)
Balance as at December 31, 2016	$	912,772	$	112,269	$	1,025,041
Accumulated depreciation:						
Balance as at January 1, 2016	$	-		94,426	$	94,426
Disposals				(82,042)		(82,042)
Charge for the year		-		10,068		10,068
Balance as at December 31, 2016	$	-	$	22,452	$	22,452
Impairment:						
Balance as at January 1, 2016 and December 31, 2016	$	322,046	$	91,330	$	413,376
Disposals		(322,046)		(67,166)		(389,212)
Balance as at December 31, 2016	$	-	$	24,164	$	24,164
Net Carrying Value as at December 31, 2016	$	912,772	$	65,653	$	978,425
Net Carrying Value as at December 31, 2015	$	1,392,773	$	193,053	$	1,585,826

As at December 31, 2016, the Company's investment properties are comprised of two parcels of land, one of which is a vacant lot with a carrying value of $536,917 (2015 - $536,917).

During 2016, a sale was recorded for one land and building. Considering the cost of this land and building with related accumulated depreciation a realized loss of $97,333 was reflected. A receivable from this sale of $350,000 will be repaid over 7 years at a rate of 7% in eighty four equal instalments.

The second investment property is another land and building, which have carrying values of $375,856 (2015 – $375,856) for land and $65,651 (2015 – $67,897) for building.

Investment properties are being assessed annually for any indication of impairment, one of the factors being considered is the estimated fair value. During 2011, an impairment loss was recorded for the second investment property land and building. While impairment loss of $nil (2015: 24,164) was recorded for the third investment property building. The Company has a policy in place to perform appraisals every three years for the purpose of facilitating impairment assessment only as the Company uses the cost method. The latest independent appraisals were performed for the years ended 31 December 2015. No other impairment losses were recognized in 2016 and 2015. Included in depreciation in the statement of comprehensive income is the depreciation charge on the building of $10,068 (2015 - $10,778).

13. PROPERTY, PLANT, AND EQUIPMENT

	Land	Building	Furniture, Equipment & Motor Vehicles	Leasehold Improvements	Computer Hardware & Software	Total
Cost:						
Balance as of January 1, 2016	$ 2,340,044	$ 6,946,341	$ 1,856,031	$ 1,343,073	$ 2,244,870	$ 14,730,359
Additions	–	150,812	128,615	7,805	145,689	432,921
Disposals	–	–	(39,532)	–	–	(39,532)
Balance as of December 31, 2016	$ 2,340,044	$ 7,097,153	$ 1,945,114	$ 1,350,878	$ 2,390,559	$ 15,123,748
Accumulated depreciation:						
Balance as of January 1, 2016	–	2,026,046	1,347,345	415,944	1,864,455	5,653,790
Depreciation charge for the year	–	214,777	179,273	112,009	188,832	694,891
Disposals	–	–	(39,532)	–	–	(39,532)
Balance as of December 31, 2016	$ –	$ 2,240,823	$ 1,487,086	$ 527,953	$ 2,053,287	$ 6,309,149
Net carrying value:						
December 31, 2016	$ 2,340,044	$ 4,856,330	$ 458,028	$ 822,925	$ 337,272	$ 8,814,599
December 31, 2015	$ 2,340,044	$ 4,920,295	$ 508,686	$ 927,129	$ 380,415	$ 9,076,569

14. OUTSTANDING CLAIMS AND NET CLAIMS INCURRED

Included in the consolidated statement of comprehensive income is net claims incurred as follows:

	2016	2015
Claims incurred	$ 63,133,830	$ 11,386,572
Less: recoverable from reinsurers	(58,948,177)	(9,394,015)
	$ 4,185,653	$ 1,992,557

Assumptions, change in assumptions and sensitivity

(i) Process Used to Decide on Assumptions

The reserving process commences at the moment an insured reports a claim and there is prima facie evidence that the Group is liable under the policy. An initial reserve is established at that point based on the best information available. Assuming liability is subsequently confirmed, the reserve is revised whenever more detailed information becomes available concerning the nature of the injury or physical damage involved. The setting of reserves is the responsibility of the Group's claims manager who will use external legal or other expert advice where appropriate. Where the initial reserve exceeds the claims manager's settling threshold, the adequacy of the reserve will also be discussed with the management of the Group. An established reserve is expected to be sufficient to meet the final cost of a claim whenever it is finally determined.

A provision for incurred but not reported ("IBNR") claims has been established for each class of business and is monitored for accuracy at each year end. In determining the accuracy of the provision, management reviews the historical cost of IBNR claims and amends the provision, where necessary, taking into account statistical trends and changes in the shape and size of the portfolio.

All claims reserves are established on a gross basis and the Group accounts to proportional reinsurers for their share through quarterly returns. Claims recoveries against Excess of Loss reinsurers are made on a case by case basis on proof of payment being established.

(ii) Sensitivity Analysis – Claims Development

The development of long tail insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Accurate claims reserving is crucial to the long term health of the Group as it allows for more accurate pricing of products and also generates the necessary level of confidence on the part of both reinsurers and shareholders. Management uses a variety of statistical tools, including "Loss Triangulations" developed annually on an accident year basis to monitor the development of the Group's long tail liabilities.

The following tables show the development of the Group's claims costs by Accident year over the period of 2011 to 2016:

Insurance Claims - Gross Accident Year

Accident Year	2011	2012	2013	2014	2015	2016	Total
Original estimate of ultimate claims cost at end of accident year	$ 25,592,731	$ 11,986,068	$ 14,439,443	$ 10,929,613	$ 12,532,624	$ 70,176,155	$ 145,656,634
Current estimate of cumulative claims	$ 21,806,877	$ 11,968,059	$ 13,662,715	$ 11,228,718	$ 12,282,714	$ 70,176,155	$ 141,125,238
Cumulative payments to date	(21,498,026)	(11,530,529)	(13,210,583)	(10,528,914)	(10,977,454)	(31,657,229)	(99,402,735)
Liability recognized in the consolidated statement of financial position	$ 308,851	$ 437,530	$ 452,132	$ 699,804	$ 1,305,260	$ 38,518,926	$ 41,722,503
Liability in respects of years prior to 2011							2,817,353
Gross claims outstanding included in the consolidated statement of financial position							$ 44,539,856

Insurance Claims - Net Retention Accident Year

Accident Year	2011	2012	2013	2014	2015	2016	Total
Original estimate of ultimate cost at end of accident year	$ 3,659,091	$ 2,312,978	$ 2,359,634	$ 1,738,553	$ 2,065,023	$ 9,030,176	$ 21,165,455
Current estimate of cumulative claims	$ 3,426,761	$ 2,255,561	$ 2,282,079	$ 1,801,686	$ 2,023,374	$ 9,030,176	$ 20,819,637
Cumulative payments to date	(3,380,434)	(2,189,229)	(2,213,829)	(1,696,204)	(1,822,334)	(5,774,438)	(17,076,468)
Liability recognized in the consolidated statement of financial position	$ 46,327	$ 66,332	$ 68,250	$ 105,482	$ 201,040	$ 3,255,738	$ 3,743,169
Liability in respects of years prior to 2011							101,557
Net claims outstanding included in the consolidated statement of financial position							$ 3,844,726

(iii) Movements in Outstanding Claims

Outstanding Claims

As at December 31, 2016, outstanding claims of $44,539,856 (2015 - $9,477,799) are shown gross of reinsurance recoverables of $44,679,464 (2015 - $8,358,602) as disclosed in Note 5.

Included in gross outstanding claims is a provision of $7,421,798 (2015 - $935,000) for claims incurred but not reported as of the year end.

Year Ended December 31	2016			2015		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Outstanding claim at January 1, consists of:						
Notified claims	$ 8,542,799	$ (7,208,217)	$ 1,334,582	$ 9,982,703	$ (8,453,637)	$ 1,529,066
Incurred but not reported	935,000	(782,050)	152,950	825,000	(688,000)	137,000
Total claims outstanding at beginning of the year	$ 9,477,799	$ (7,990,267)	$ 1,487,532	$ 10,807,703	$ (9,141,637)	$ 1,666,066
Cash paid for claims settled in the year	(34,459,482)	30,995,835	(3,463,647)	(12,810,526)	10,639,436	(2,171,090)
Increase in liabilities						
arising in current year claims	62,861,024	(54,311,374)	8,549,650	13,508,752	(9,249,096)	4,259,656
arising from prior years claims	173,717	(142,427)	31,290	(2,138,130)	(144,920)	(2,283,050)
movement in incurred but not reported	6,486,798	(6,387,708)	99,090	110,000	(94,050)	15,950
Total claims outstanding at end of the year	**$ 44,539,856**	**$ (37,835,941)**	**$ 6,703,915**	**$ 9,477,799**	**$ (7,990,267)**	**$ 1,487,532**

(iii) Movements in Outstanding Claims *(Continued)*

Year Ended December 31	2016			2015		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Outstanding claim at December 31, consist of: Notified claims	37,118,058	(30,666,183)	6,451,875	8,542,799	(7,208,217)	1,334,582
Incurred but not reported	7,421,798	(7,169,758)	252,040	935,000	(782,050)	152,950
Total claims outstanding at end of the year	**$ 44,539,856**	**$ (37,835,941)**	**$ 6,703,915**	**$ 9,477,799**	**$ (7,990,267)**	**$ 1,487,532**

(iv) Unearned Premium Reserve

Year Ended December 31	2016			2015		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
At beginning of the year	20,702,878	(17,410,385)	3,292,493	21,881,684	(18,628,939)	3,252,745
Net increase in the year	64,036	(212,287)	(149,251)	(1,178,807)	1,218,552	39,745
Total claims outstanding at end of the year	**$ 20,766,914**	**$ (17,623,672)**	**$ 3,143,242**	**$ 20,702,877**	**$ (17,410,387)**	**$ 3,292,490**

Included in net premiums earned in the consolidated statement of comprehensive income is the net decrease in unearned premium reserve of $149,250 (2015 – net increase of $39,745).

These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at year-end.

15. ACCOUNTS PAYABLE

Included in accounts payable is $1,479,029 (2015 – $1,256,088) representing customer accounts with credit balances. These credit balances comprise funds received from customers for policies that were processed subsequent to the year-end or amounts due to customers as returned premiums for cancelled or amended policies.

16. NET PREMIUMS EARNED

	2016	**2015**
Gross written premiums	$ 44,627,393	$ 45,243,384
Premium tax	(1,246,558)	(1,284,047)
	43,380,835	43,959,337
Ceded to reinsurers	(36,918,398)	(37,101,547)
Excess of loss reinsurance	(2,053,541)	(2,277,167)
Net retained premiums	4,408,896	4,580,623
Decrease in unearned premium reserve *(Note 14)*	149,250	(39,745)
Net premium earned	$ 4,558,146	$ 4,540,878

17. INCOME AND EXPENSES

Investment income consists of:	**2016**	**2015**
Interest income *(Notes 6 and 7)*	$ 927,693	$ 981,994
Dividend income *(Note 8)*	429,361	378,214
Other income	326,343	113,727
	$ 1,683,397	$ 1,473,935

Other operating expenses consist of:

	2016	2015
Office expenses	$ 1,357,096	$ 1,398,900
General expenses	1,129,568	1,040,625
Premise costs	930,872	975,875
Computer related expenses	379,940	387,820
Travel and entertainment	274,026	321,442
	$ 4,071,502	$ 4,124,662

18. DIVIDENDS

During the year, the Company declared dividends of $0.64 per share (2015 - $0.64 per share) totaling $5,112,320 (2015 - $5,112,320) in respect of the final quarter of 2015 and the first three quarters of 2016. Included in accrued expenses and other liabilities in the consolidated statement of financial position are dividends payable of $512,000 (2015 - $nil).

19. PENSION PLAN

The Group's employees are members of a defined contribution plan covering all eligible employees. This plan provides for benefits to be paid upon retirement. Employees are required to contribute an amount equal to 5% of their eligible earnings, which is matched by the Group. The amount charged to salaries and employee benefits in the consolidated statement of comprehensive income during the year for pension costs was $367,003 (2015 - $415,714).

20. RETAINED EARNINGS

ICB has made an appropriation to a general reserve for unforeseeable risks and future losses. The general reserve can only be distributed following approval by the Board of Directors of ICB. Included in retained earnings is $800,000 (2015 - $800,000) representing the Company's 40% share of this reserve.

21. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Group leases certain premises under non-cancellable operating leases. Future minimum rental commitments are as follows:

	2016	2015
Not later than one year	$ 154,619	$ 137,620
More than one year but not later than five years	85,936	224,515
	$ 240,555	$ 362,135

The Group also leases certain premises on a month-to-month basis, which have not been included in the future minimum rental commitments.

Contingencies

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its operations. Management of the Group does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Group.

22. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net income attributable to equity holders of the Company	$ 5,170,288	$ 5,824,602
Weighted average number of ordinary shares in issue	8,000,000	8,000,000
Less: Interest in own shares	(30,000)	(30,000)
	7,970,000	7,970,000
Basic & diluted earnings per share	$ 0.65	$ 0.73

ICB holds 30,000 (2015 – 30,000) shares at a cost of $84,600 (2015 – $84,600) in the Company's own shares, which have been excluded from the weighted average number of ordinary shares in issue in the calculation of the earnings per share.

23. RELATED-PARTY TRANSACTIONS

Related parties comprise: i) major shareholders, directors and key management personnel of the Group; ii) entities in which the parties in (i) have control or significant influence; and iii) entities that have control or significant influence of the parties in (i).

Aon UK Holdings Intermediaries Ltd. (formerly Bain Hogg Management Ltd.), a company incorporated in the United Kingdom, and a subsidiary of Aon Corporation ("Aon"), is the Company's principal shareholder with a shareholding of 40% (2015 – 40%) of the Company's outstanding shares. Aon, through its subsidiaries, serves as the Group's reinsurance broker. In these consolidated financial statements, an affiliate is defined as a subsidiary, or associate of Aon.

The consolidated financial statements include the following balances and transactions with related parties:

	2016	2015
Assets/(Liabilities)		
Due to related parties	$ (563,189)	$ (331,326)
Dividends payable	(512,000)	nil
Transactions		
Net commissions and net premiums earned	6,258,707	6,751,677
Key management compensation:		
Salaries and other short-term employee benefits, including directors fees	2,391,048	2,369,853
Post employee benefits	54,546	55,400
Dividends paid	1,536,000	2,560,000

24. SEGMENT INFORMATION

The Group is organized into two business segments, which are described below. Each segment offers different services, and is managed separately. For each business segment, the Group's Managing Director reviews internal management reports on, at least, a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Insurance agents & brokers, where the Group sells and administers insurance policies on behalf of those insurance companies it represents. The Group bears no business risk associated with the insurance policies.
- General insurance underwriting where the Group assumes its portion of the business risk associated with the insurance policies.

All transactions between the business segments are conducted on normal commercial terms and conditions.

The segment results for the year ended December 31, 2016, are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	$ 18,623,733	$ (478,030)	$ 18,145,703
Net premiums earned *(Note 16)*	–	4,558,146	4,558,146
Interest income *(Note 17)*	84,660	843,033	927,693
Dividend income *(Note 17)*	–	429,361	429,361
Other income *(Note 17)*	126,635	199,708	326,343
Change in net unrealized gains on investments in securities	–	60,748	60,748
	$ 18,835,028	$ 5,612,966	$ 24,447,994

	Agents & Brokers	Underwriting	Total
Insurance expenses	$ -	$ 4,185,653	$ 4,185,653
Depreciation and amortization	743,287	43,772	787,059
Loss on sale of Investment Property	-	97,333	97,333
Other expenses	12,929,029	1,222,132	14,151,161
	$ 13,672,316	$ 5,548,890	$ 19,221,206
Net income	$ 5,162,712	$ 64,076	$ 5,226,788

The segment results for the year ended December 31, 2015 are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	$ 18,468,949	$ (359,771)	$ 18,109,178
Net premiums earned *(Note 16)*	-	4,540,878	4,540,878
Interest income *(Note 17)*	122,019	859,975	981,994
Dividend income *(Note 17)*	-	378,214	378,214
Other income *(Note 17)*	(10,812)	124,539	113,727
Profit on sale of property, plant and equipment	-	16,171	16,171
Change in net unrealized gains on investments in securities	-	563,032	563,032
	$ 18,580,156	$ 6,123,038	$ 24,703,194

	Agents & Brokers	Underwriting	Total
Insurance expenses	$ -	$ 1,992,557	$ 1,992,557
Depreciation and amortization	654,289	47,166	701,455
Revaluation of Investment Property	24,164	-	24,164
Other expenses	13,271,165	1,165,215	14,436,380
	$ 13,949,618	$ 3,204,938	$ 17,154,556
Net income	$ 4,630,538	$ 2,918,100	$ 7,548,638

The segment assets and liabilities at December 31, 2016, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	$ 36,060,834	$ 103,549,885	$ 139,610,719
Total liabilities	$ 22,423,739	$ 78,998,779	$ 101,422,518

The segment assets and liabilities at December 31, 2015, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	$ 24,443,840	$ 58,112,395	$ 82,556,235
Total liabilities	$ 10,408,915	$ 33,526,711	$ 43,935,626

25. RISK MANAGEMENT

The Group is exposed to insurance risk and financial risk through its insurance assets and insurance liabilities, financial assets and financial liabilities. The insurance risk covers such things as the vagaries of the weather, the unpredictability of serious injury losses and fortuitous events such as outbreaks of fire. The main components of the financial risk are credit risk, liquidity risk and interest-rate risk. The Group's financial performance is affected by its capacity to understand and effectively manage these risks. The Group's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities. A critical goal of the Group is to ensure that its financial assets are always more than sufficient to fund the obligations arising from its insurance contracts. Close attention is also paid to cash management policies.

The following notes expand on the nature of the aforementioned risks and the manner in which the Group manages them.

(a) Insurance Risk

Insurance risk is the risk that the insured event might occur. At the individual policy level and also at the portfolio level, there is uncertainty in terms of both frequency of occurrence and severity of loss. For any given portfolio of insurance contracts, where the theory of probability is applied to pricing and loss reserving, the principal risk that the Group faces is that claims and other costs might exceed premiums earned. This could occur because the frequency or severity of claims is greater than estimated or that estimated original policy rates prove not to be sustainable or a combination of both. Experience shows that the greater the commonality of risk within a class of business, the smaller will be the relative variability in the expected outcome. In addition, a more diversified portfolio is less vulnerable to deterioration in the loss experience in any particular class of business. The Group has developed its underwriting strategy to produce a diversified portfolio of insurance risks. Within each of the individual classes of business it has sought to achieve, wherever possible, a sufficiently large population of risks to reduce the variability of the expected outcome.

At the macro level, the Group suffers from a lack of diversification in the sense that it only insures the non-life risks of individuals located in The Bahamas and Turks and Caicos; therefore, there is a concentration of insurance risk within the industry sector and territory in which the Group operates.

Casualty Insurance Risks

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Claims frequency can be influenced by changes in the size, composition and quality of a portfolio. Changes in social/economic conditions can also severely impact claims frequency. Claim severity is impacted by such things as general inflation. In the case of liability claims, the most significant factor is the increasing level of awards for personal injury. Claims involving serious long term injury can take five years or more to settle.

The Group manages these risks by means of its well developed underwriting and reinsurance strategies and also by adopting a proactive approach to claims handling. The underwriting strategy attempts to ensure that the portfolio remains biased towards high quality risks. Underwriting guidelines are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include both proportional and catastrophe excess of loss coverage. The effect of such reinsurance arrangements is to limit the total net insurance loss that the Group can suffer in any one year.

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to IBNR claims and unexpired risks. Given the uncertainty in establishing claims provisions, it is likely in many cases that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims (both reported or not), the Group uses various industry standard loss estimation techniques and the experience of its staff in settling claims of similar types.

Property Insurance Contracts

(i) Frequency and severity of claims

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (e.g., hurricanes, flooding, etc.) and their consequences. The Group has the right to re-price each individual risk on renewal. It also has the ability to impose or increase deductibles. Contracts are priced on the basis of the commercial replacement value of the properties and contents insured. The sum insured represents the maximum amount payable under a policy. The cost of repairing or rebuilding properties, the cost of providing indemnity for damaged or stolen contents and time taken to restart business operations (business interruption insurances) are the key factors that influence the value of claims under these policies. The most likely cause of major loss under the property portfolio arises from a hurricane event or other serious weather related event. The Group has reinsurance coverage in place to limit the impact of such losses in any one year.

The Group underwrites property insurance in The Bahamas and Turks and Caicos.

(ii) Sources of uncertainty in the estimation of future claim payments

The development of large losses/catastrophes is analyzed separately. Property claims can be estimated with greater reliability due to the shorter settlement period for these claims resulting in lesser amounts of IBNR held at year end.

(b) Financial Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

In the normal course of business, the Group seeks to limit its exposure to losses that may arise from any single occurrence. Reinsurance is primarily placed using a combination of proportional and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Group of its primary obligations to the policyholders; therefore the Group is exposed to the risk that the reinsurers may be unable to fulfill their obligations under the contracts. The Group seeks to mitigate this risk by placing its reinsurance coverage with large multi-national companies and syndicates. The Group, with the assistance of its reinsurance broker, also evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers on an ongoing basis to minimize its exposure to significant losses from insurer insolvency. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group's credit risk exposure emanates from reinsurers in the form of prepaid premiums held or claims recoveries still to be made/paid under the various proportional and excess of loss treaties and is disclosed in total on the consolidated statement of financial position. It is the Group's policy that no single counterparty exposure with specific reinsurers should exceed 25% of the total reinsurance assets at any given time. In addition, the Group's proportional treaties contain a "Reinsurer Participation Review Clause", which provides the Group with the option of canceling any individual reinsurer's participation whose financial strength rating (as determined by Standard & Poor and/or A.M. Best) falls below A- or equivalent and to call for the return of prepaid premiums and loss reserves. The Group is required to serve notice of its intention within thirty days of the date of downgrade.

The Group monitors its credit risk exposure relating to accounts receivable on a daily basis. Management separately reviews all trade receivables (provided mainly to commercial businesses) that are in excess of $100,000 on a monthly basis for any indication of impairment. As at December 31, 2016, the total of trade receivables in excess of this amount was $5,988,631 (2015 - $5,391,094). Historically, the Company has not experienced significant credit losses on the trade receivables. On the premium financed receivables the Company may, at its discretion, cancel the policies being financed after a 14-day grace period from the date of the missed contractual payment.

The following procedures are also in place to mitigate the Group's exposure to credit risk:

- places cash with credit-worthy banks;
- monitors the payment history of its customers before continuing to do business with them;and
- invests in debt securities of The Bahamas Government, Government-backed companies and financially sound companies.

The carrying amounts of the financial assets, excluding reinsurance balances, on the consolidated statement of financial position represents the current risk exposure.

Liquidity Risk

The objective of liquidity management is to ensure the availability of sufficient funds to honor all of the Group's financial commitments including claims. The Group maintains a level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes.

The tables included in Note 7 for term deposits and Note 8 for investments in securities show the expected recovery or settlement of financial instruments held from the dates of acquisition. Cash and bank balances as disclosed in Note 6 have original maturities of less than three months.

The following table summarizes the expected recovery or settlement of financial assets held (within 12 months from the reporting date) and the maturity profile of the Group's liabilities relating to financial instruments and insurance contracts:

Year Ended December 31	2016			2015		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial assets						
Cash and bank balances	$ 19,862,120	$ –	$ 19,862,120	$ 4,066,278	$ –	$ 4,066,278
Term deposits	5,565,394	4,584,473	10,149,867	5,476,052	4,487,364	9,963,416
Accounts receivable	12,169,156	280,317	12,449,473	10,575,772	259,721	10,835,493
Due from insurance carriers	144,897	–	144,897	122,943	–	122,943
Investments in securities:						
fair value through profit or loss	4,191,840	–	4,191,840	4,052,340	–	4,052,340
held-to-maturity	–	10,600,236	10,600,236	–	10,705,373	10,705,373
available for sale	–	5,901,227	5,901,227	–	4,890,840	4,890,840
Other assets	3,997,218	–	3,997,218	1,260,632	–	1,260,632
Reinsurance recoverables	–	44,679,464	44,679,464	–	8,358,602	8,358,602
Total	**$ 45,930,625**	**$ 66,045,717**	**$111,976,342**	**$ 25,554,017**	**$ 28,701,900**	**$ 54,255,917**
Financial liabilities						
Outstanding claims	–	44,539,856	44,539,856	–	9,477,799	9,477,799
Due to related-parties	563,189	–	563,189	331,326	–	331,326
Accounts payable	7,495,226	–	7,495,226	3,679,373	–	3,679,373
Due to reinsurers	20,050,123	–	20,050,123	3,422,086	–	3,422,086
Accrued expenses and other liabilities	3,118,564	–	3,118,564	1,472,228	–	1,472,228
Total	$ 31,227,102	$ 44,539,856	$ 75,766,958	$ 8,905,013	$ 9,477,799	$ 18,382,812
Liquidity gap	**$ 14,703,523**	**$ 21,505,861**	**$ 36,209,384**	**$ 16,649,004**	**$ 19,224,101**	**$ 35,873,105**

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest-Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group mitigates this risk by investing in interest-bearing assets with floating interest rates, or investing for short time periods. The rates of interest on financial instruments are disclosed in Notes 4, 6, 7 and 8 in the consolidated financial statements. All other financial assets and financial liabilities are non-interest bearing.

At December 31, 2016, an increase of 25 basis points in interest rates with all other variables remaining constant, would have increased the net income of the Company by approximately $66,628 (2015 - $63,899). A decrease of 25 basis points would have an opposite effect with all other variables remaining constant.

Price Risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market.

As the Group's investments in securities at fair value through profit or loss are carried at fair value with fair value changes recognized in net income or loss in the consolidated statement of comprehensive income, all changes in market conditions will directly affect operating income.

The Group is exposed to price risks arising from equity investments. Price risk is mitigated by the Group by investing in a diversified portfolio of instruments.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Most of the Group's financial assets and liabilities are measured at cost or amortized cost, except for financial instruments at fair value through profit or loss and available for sale financial instruments which are measured at fair value as of the reporting date or are carried at values which approximate fair value. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

The Group measures fair values of financial assets using the fair value hierarchy as disclosed in Note 8.

Except as stated elsewhere in the notes, the carrying amounts of the Group's financial assets and liabilities approximate their fair values due to one or both of the following reasons:

a) immediate or short-term maturity; or
b) carrying amount approximates or equals fair value.

27. CAPITAL MANAGEMENT

The Group's capital management policies are based on the following requirements:

Externally imposed capital requirements are set by The Insurance Commission of the Bahamas ("the Commission") and by the Financial Services Commission in Turks and Caicos Islands. These requirements are put in place to ensure sufficient solvency margins.

The Company and ICB are registered under the Insurance Act 2005 ("the Act") and the Company and ICB have met the required minimum paid up and unencumbered capital of $50,000 and $2,000,000 respectively. ICB is also required to establish and maintain a statutory deposit in respect of its insurance business in The Bahamas, such deposit to be held in trust pursuant to Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2010 ("the Regulations"). ICB established a Statutory Deposit Trust ("the Trust") in the sum of $1,000,000 included in the term deposit (Note 7) in the consolidated statement of financial position with a recognized financial institution appointed as trustees of the Trust and the Insurance Commission of The Bahamas ("the Commission") as the protectors of the Trust.

Solvency ratios are established on the basis of risk assessment for each particular entity. ICB is required to meet a minimum margin of solvency. The Act defines solvency as the inability of any Company to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the Commission may prescribe. Of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in Section 70 of the Regulations. As at December 31, 2016, ICB exceeded the minimum margin of solvency required under the Act.

As at December 31, 2016, the Group has complied with the regulatory imposed capital requirement, met the required restricted deposit and exceeded the minimum margin of solvency required under the Act.

ICB is registered as a Foreign Ordinary Company in accordance with the Insurance Ordinance (Ordinance) 1989 in TCI and as such ICB's annual return, pursuant to section 4 of the Ordinance, includes the filing of the solvency margins on the consolidated business and TCI domestic business. ICB is required to maintain a minimum solvency margin relating to an excess of permitted assets over its liabilities. In addition, ICB is required to maintain a restricted deposit, as approved by the Financial Services Commission in TCI, with an approved financial institution in TCI, and as such $500,000 is included in term deposits (Note 7) in the consolidated statement of financial position.

As at December 31, 2016, ICB has met the required restricted deposit and its solvency requirement in accordance with the Ordinance.

The Group's policy is to maintain a strong capital base to sustain future development of the business and limit the need to borrow funds. Dividends are paid after the Group ensures that it has sufficient cash on demand to meet operational expenses. There has been no change in the Group's management of capital during the year.

28. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company declared a quarterly dividend of $0.16 per share as of record date February 24, 2017. There are no other subsequent events from December 31, 2016 through to the date of these financial statements.

NOTES

J.S. Johnson is a proud sponsor of Hands For Hunger, Paradise Plates

Hands For Hunger is a registered not-for-profit Bahamian charity led by a volunteer Board of Directors, a small staff, and fueled by the efforts of over 600 dedicated volunteers annually. The organization depends on the success of their signature fundraiser, Paradise Plates. Through the dedication of corporate partners, community/civic groups and the generosity of the Bahamian community, Hands For Hunger seeks to achieve its mission until no one goes hungry.

All proceeds from this event benefit Hands For Hunger, the non-profit humanitarian organization committed to the elimination of unnecessary hunger and the reduction of food waste throughout New Providence. Since the organization's inception in 2008, Hands For Hunger has provided more than 1,000,000 meals to members of the community facing hunger and food insecurity through its food rescue program that currently serves 17 Recipient Outreach Agencies.

Hands for Hunger
PARADISE PLATES

J.S. JOHNSON
PEACE OF MIND
INSURANCE AGENTS & BROKERS

BRIAN M. MOREE, QC
Chairman

ALISTER I. MCKELLAR, FCII
Managing Director

BARRETT H. MCDONALD, ACII
Executive Director

BETTY A. ROBERTS

C. R. BRUCE FERNIE

SHARON E. BROWN

MARVIN V. BETHELL, FCII

DIONISIO J. D'AGUILAR

TERRY L. WILCOX (USA)

THOMAS F. HACKETT

SENIOR MANAGERS

WILLIAM MILLS
Deputy Managing Director
(27 Years)
Mr. Mills is responsible for Property & Casualty Broking/Underwriting.

ROBERTHA BROWN
Senior Manager
(29 Years)
Ms. Brown oversees staff in the Commercial Underwriting and Commercial Processing Departments, with particular focus on the enhancement of internal controls and improving efficiency in these areas.

RACARDO UNDERWOOD
Chief Financial Officer (CFO)
(5 Years)
Mr. Underwood manages Financial risks, planning and reporting for the organization, focusing on automation and process improvement.

CHARLES JOHNSON
Senior Manager
(28 Years)
Mr. Johnson is responsible for the management and production of motor, sub agents and new business in general.

ROBERT BARTLETT
Senior Manager
(39 Years)
Mr. Bartlett is specifically responsible for Customer Service at the Collins Avenue Office and deals with customer complaints for our entire organization.

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SERVICES

HOMEOWNERS	COMPUTERS	TRAVEL
AUTOMOBILE	LIFE & HEALTH	SPORTS
ANNUITIES	SPECIAL RISKS	PERSONAL ACCIDENT
PENSIONS	CRIME	DIRECTORS & OFFICERS
MARINE	BANKERS' BONDS	COMMERCIAL LIABILITY
AVIATION	OFFICE	PROFESSIONAL INDEMNITY

PEACE OF MIND

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