

SECOND QUARTER

INTERIM REPORT

2018



MANAGING DIRECTOR'S REVIEW

Our second quarter results remain depressed due to the lingering effects of Hurricane Irma. Net income declined from \$3,363,168 to \$2,377,684 with the largest change being in net claims incurred, which was expected. Total income however was much more stable, marginally up to \$11,160,178 and a positive indicator that our economy is slowly recovering.

The Underwriting division was the most significantly impacted by the net claims movement. Also our investment portfolio posted very poor losses rising to \$442,564 from \$241,050, a position we expect to see improve as the year progresses. Overall a net loss of \$1,266 was recorded.

The Agency division was basically flat with net income at \$2,378,950. Again we expect improvement through the rest of the year from this segment. Expenses are up, mainly employee benefits and utility costs which are monitored very closely by our team but are mostly out with our control.

We are optimistic in our expectations for the rest of the year as investment and development is clearly on the uptick. Also with a quiet hurricane season, which we are long overdue, we look forward to more positive reports in the quarters ahead.

Finally it is with deep sadness that I have to record the passing of Mr. Charles Fernie on Tuesday, 7th August 2018. Our Managing Director and Chairman until his retirement in 2004, he was the architect behind growing this great Company into the public entity and market leader that it is today. Our heartfelt condolences to his wife and family from all us. Rest in Peace CTF!

Alister I. McKellar, FCII
Managing Director



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

PEACE OF MIND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018 (amounts expressed in Bahamian dollars)

	June 2018	December 2017
ASSETS		
Cash and bank balances	\$ 10,456,016	13,797,166
Term deposits	5,043,222	5,059,413
Accounts receivable	14,729,887	15,762,743
Due from insurance carriers	127,340	451,226
Investments in securities		
- fair value through profit or loss	4,230,947	4,673,511
- held-to-maturity	9,882,272	9,961,448
- available for sale	5,782,853	5,773,060
Prepayments and other assets	1,927,813	5,076,801
Prepaid reinsurance premiums	17,980,936	18,421,096
Reinsurance recoveries	9,762,777	15,499,181
Intangible assets	18,713	42,510
Investment properties	975,057	976,180
Property, plant and equipment	8,291,117	8,452,834
Total assets	\$ 89,208,950	103,947,169
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 21,339,268	21,778,705
Outstanding claims	13,930,848	20,751,023
	<u>35,270,116</u>	<u>42,529,728</u>
Other liabilities:		
Due to related parties	2,121,532	146,914
Accounts payable	3,373,793	6,189,734
Due to reinsurers	2,378,910	7,204,336
Accrued expenses and other liabilities	2,047,551	3,719,210
Unearned commission reserve	4,974,846	4,984,489
Total liabilities	50,166,748	64,774,411
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	23,912,731	23,972,941
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	60,323	50,530
	<u>23,968,454</u>	<u>24,018,871</u>
Non-controlling interest	15,073,748	15,153,887
Total equity	\$ 39,042,202	39,172,758
Total liabilities and equity	89,208,950	103,947,169

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2018 (amounts expressed in Bahamian dollars)

	June 2018	June 2017
INCOME		
Net commission and fees	8,543,725	8,464,109
Net premiums earned	1,899,738	1,972,200
Investment income	716,715	700,321
Total income	11,160,178	11,136,630
EXPENSES		
Salaries and employees benefits	4,745,477	4,635,503
Net claims incurred	1,162,987	555,678
Depreciation and amortization	282,941	329,503
Change in net unrealised loss on investments in securities	442,564	241,050
Other operating expenses	2,148,525	2,011,728
Total expenses	8,782,494	7,773,462
Net income	2,377,684	3,363,168
Other comprehensive income		
Unrealized gain on available for sale securities	9,793	10,122
Total comprehensive income	2,387,477	3,373,290
Equity holders of the Company	\$ 2,345,982	2,841,945
Non-controlling interests	41,495	531,345
	2,387,477	3,373,290
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.29	\$ 0.36

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2018 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Other Comprehensive Income	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2016	80,000	23,314,875	(84,600)	40,727	23,351,002	14,837,199	38,188,201
Total comprehensive income for the year:							
Net income	-	2,831,823	-	-	2,831,823	531,345	3,363,168
Unrealised gain on available for sale securities	-	-	-	10,122	10,122	-	10,122
Distributions to owners:							
Dividends	-	(2,396,400)	-	-	(2,396,400)	-	(2,396,400)
Balance at June 30, 2017	80,000	23,750,298	(84,600)	50,849	23,796,547	15,368,544	39,165,091
Balance at December 31, 2017	80,000	23,972,942	(84,600)	50,530	24,018,872	15,153,887	39,172,759
Total comprehensive income for the year:							
Net income	-	2,336,189	-	-	2,336,189	41,495	2,377,684
Unrealised loss on available for sale securities	-	-	-	9,793	9,793	-	9,793
Distributions to owners:							
Dividends	-	(2,396,400)	-	-	(2,396,400)	(121,634)	(2,518,034)
Balance at June 30, 2018	80,000	23,912,731	(84,600)	60,323	23,968,454	15,073,748	39,042,202

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2018 (amounts expressed in Bahamian dollars)

	June 2018	June 2017
Cash flows from operating activities:		
Net income for the period	2,377,684	3,363,168
Adjustments for:		
Unearned premium reserve	(105,586)	(138,370)
Depreciation and amortization	282,941	329,503
Change in net unrealized losses on investments in securities	442,564	241,050
Interest income	(346,844)	(394,299)
Dividend income	(246,363)	(260,030)
Bad debts	24,000	24,000
Cash from operations before changes in assets and liabilities	2,428,396	3,165,022
(Increase)/decrease in assets:		
Accounts receivable	1,008,856	(3,166,106)
Due from insurance carriers	323,886	51,645
Prepayments and other assets	3,148,988	(2,178,283)
Prepaid reinsurance premiums	440,160	224,371
Reinsurance recoveries	5,736,404	31,962,319
Increase/(decrease) in liabilities:		
Unearned premium reserve	(333,851)	161,874
Outstanding claims	(6,820,175)	(28,207,621)
Due to related parties	1,974,618	(74,144)
Accounts payable, accrued expenses and other liabilities	(4,487,599)	(5,944,186)
Due to reinsurers	(4,825,426)	(9,887,655)
Unearned commission reserve	(9,643)	(139,064)
Net cash used in operating activities	(1,415,386)	(14,031,828)
Cash flows from investing activities:		
Net placement of term deposits	(118,638)	5,037,540
Purchase of property, plant and equipment	(96,304)	(121,218)
Sale of investments in securities	106,250	8,750
Interest received	454,599	490,382
Dividends received	246,363	260,030
Net cash provided by investing activities	592,270	5,675,484
Cash flows from financing activities:		
Dividends paid to shareholders	(2,396,400)	(2,396,400)
Dividends paid to non-controlling interest	(121,634)	-
Net cash used in financing activities	(2,518,034)	(2,396,400)
Net decrease in cash and cash equivalents	(3,341,150)	(10,752,744)
Cash and cash equivalents at beginning of period	13,797,166	19,862,120
Cash and cash equivalents at end of period	10,456,016	9,109,376

(unaudited)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year December 31, 2017.

2. SEGMENT INFORMATION

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

The segment results for the period ended June 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 8,874,273	(330,548)	8,543,725
Net premiums earned	-	1,899,738	1,899,738
Interest Income	40,440	306,405	346,845
Dividend Income	24,230	222,132	246,362
Other income	49,055	74,453	123,508
	\$ 8,987,998	2,172,180	11,160,178
Insurance expenses	-	1,162,987	1,162,987
Depreciation & amortization	259,736	23,205	282,941
Change in net unrealized loss on investments in securities	-	442,564	442,564
Other expenses	6,349,312	544,690	6,894,002
	\$ 6,609,048	2,173,446	8,782,494
NET INCOME	\$ 2,378,950	(1,266)	2,377,684

The segment results for the period ended June 30, 2017 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$ 8,760,685	(296,576)	8,464,109
Net premiums earned	-	1,972,200	1,972,200
Interest Income	53,736	340,563	394,299
Dividend Income	43,015	217,014	260,029
Other income	38,032	7,961	45,993
	\$ 8,895,468	2,241,162	11,136,630
Insurance expenses	-	555,678	555,678
Depreciation & amortization	306,185	23,318	329,503
Change in net unrealized loss on investment in securities	-	241,050	241,050
Other expenses	6,041,295	605,936	6,647,231
	\$ 6,347,480	1,425,982	7,773,462
NET INCOME	\$ 2,547,988	815,180	3,363,168

The segment assets and liabilities as at June 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 29,951,263	59,257,687	89,208,950
Total liabilities	14,555,427	35,611,321	50,166,748

The segment assets and liabilities as at June 30, 2017 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 34,260,363	62,098,079	96,358,442
Total liabilities	19,395,283	37,798,068	57,193,351