

FIRST QUARTER

INTERIM REPORT

2020



MANAGING DIRECTOR'S REVIEW

It's doubtful anyone could have predicted the level of disruption that Covid-19 would cause around the globe. The first case in The Bahamas was announced on 15th March, and we've been in a government-decreed state of curfew and lockdown ever since. Our borders have been closed, a new regime of social distancing and wearing of facemasks has been mandated, while our nation's number one industry—tourism—has been completely shut down. As of this writing, the virus has claimed 11 lives in the country and nearly 278,000 worldwide.

The pandemic has also cost many Bahamians their livelihoods, as closed businesses have had to lay off employees to cut costs. We were also initially ordered to close, until the government re-classified insurance companies as "essential" and we were allowed to reopen on a limited basis under strict protocols. It has been heartwarming to witness the committed response of our staff to these tough new working conditions, as well as the enduring loyalty of our customers.

On the business front, our Agency division experienced a 21% decline in profits for the quarter, from \$749,646 to \$589,038, as a result of lower-than-expected premiums and a loss of dividend income. We're still recovering from Dorian and the first quarter was actually shaping up to be positive until the pandemic arrived.

Our Underwriting division showed an increase in net revenue of \$422,570 from contracts with customers, offsetting an unrealized loss on investments of \$379,909. This resulted in an 8% increase in profitability.

Overall, net income fell by just over 6% from \$1,574,395 to \$1,476,421 year on year. This provided the board with enough confidence to declare a dividend of 14 cents per share this quarter.

To be prudent, we'd like to caution against undue optimism regarding future dividend levels, given the longer-term effect that Covid-19 will likely have on the economy. Times are extremely uncertain at the moment and all businesses face serious threats to their profitability, with hurricane season also just around the corner.

I want to thank all our stakeholders, past and present, our employees, and especially our customers, for their confidence as we continue to navigate these uncharted waters. It may take some time, but we'll overcome this challenge, as we have others throughout our 101-year history. Please stay safe.

Alister I. McKellar, FCII
Managing Director



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

PEACE OF MIND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	March 2020	December 2019
ASSETS		
Cash and bank balances	\$ 63,713,590	74,940,376
Term deposits	7,079,246	7,079,247
Accounts receivable	13,486,828	15,055,628
Due from insurance carriers	1,148,026	928,153
Investments in securities		
- fair value through profit or loss	8,416,739	8,797,749
- Amortized costs	11,803,313	11,810,813
Prepayments and other assets	1,305,140	2,110,101
Prepaid reinsurance premiums	19,008,990	21,355,421
Reinsurance recoveries	83,800,080	149,577,324
Right of use asset	605,337	605,337
Investment properties	787,774	787,774
Property, plant and equipment	8,187,634	8,215,068
Total assets	\$ 219,342,697	301,262,991
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 22,092,700	25,298,812
Outstanding claims	82,464,139	146,289,255
	<u>104,556,839</u>	<u>171,588,067</u>
Other liabilities:		
Due to related parties	3,371,452	2,545,350
Accounts payable	33,675,337	37,123,417
Due to reinsurers	29,658,185	40,124,199
Lease Liability	613,227	613,227
Accrued expenses and other liabilities	8,018	1,344,576
Unearned commission reserve	5,064,551	5,725,488
Total liabilities	176,947,609	259,064,324
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	26,376,718	26,774,645
Interest in own shares	(84,600)	(84,600)
	<u>26,372,118</u>	<u>26,770,045</u>
Non-controlling interest	16,022,970	15,428,622
Total equity	\$ 42,395,088	42,198,667
Total liabilities and equity	219,342,697	301,262,991

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2020 *(amounts expressed in Bahamian dollars)*

	March 2020	March 2019
INCOME		
Net revenue from contracts with customers	4,497,755	4,141,675
Net premiums earned	1,215,070	1,033,316
Investment income	427,509	577,430
Total income	6,140,334	5,752,421
EXPENSES		
Salaries and employees benefits	2,573,168	2,497,600
Net claims incurred	428,551	288,682
Depreciation and amortization	146,027	138,770
Change in net unrealised loss on investments in securities	379,909	17,171
Other operating expenses	1,136,258	1,235,803
Total expenses	4,663,913	4,178,026
Net income	1,476,421	1,574,395
Total comprehensive income	1,476,421	1,574,395
Equity holders of the Company	\$ 882,073	1,061,602
Non-controlling interests	594,348	512,793
	1,476,421	1,574,395
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.11	\$ 0.13

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 2020 *(amounts expressed in Bahamian dollars)*

	Share Capital	Retained Earnings	Interest in own Shares	Other Comprehensive Income	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2018	80,000	25,355,007	(84,600)	-	25,350,407	15,932,826	41,283,233
Total comprehensive income for the year:							
Net income	-	1,061,602	-	-	1,061,602	512,793	1,574,395
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(1,198,200)	-	-	(1,198,200)	-	(1,198,200)
Balance at March 31, 2019	80,000	25,218,409	(84,600)	-	25,213,809	16,445,619	41,659,428
Balance at December 31, 2019	80,000	26,774,645	(84,600)	-	26,770,045	15,428,622	42,198,667
Total comprehensive income for the year:							
Net income	-	882,073	-	-	882,073	594,348	1,476,421
Unrealised gain on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(1,280,000)	-	-	(1,280,000)	-	(1,280,000)
Balance at March 31, 2020	80,000	26,376,718	(84,600)	-	26,372,118	16,022,970	42,395,088

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2020 *(amounts expressed in Bahamian dollars)*

	March 2020	March 2019
Cash flows from operating activities:		
Net income for the period	1,476,421	1,574,395
Adjustments for:		
Unearned premium reserve	169,036	99,227
Depreciation and amortization	146,027	138,770
Change in net unrealized losses on investments in securities	379,909	17,171
Interest income	(300,381)	(191,832)
Dividend income	(81,786)	(345,820)
Bad debts	12,000	12,000
Cash from operations before changes in assets and liabilities	1,801,226	1,303,911
(Increase)/decrease in assets:		
Accounts receivable	1,556,800	329,723
Due from insurance carriers	(219,873)	6,161
Prepayments and other assets	804,961	(423,913)
Prepaid reinsurance premiums	2,346,431	1,047,440
Reinsurance recoveries	65,777,244	1,322,259
Increase/(decrease) in liabilities:		
Unearned premium reserve	(3,375,148)	(1,487,356)
Outstanding claims	(63,825,116)	(1,556,928)
Due to related parties	826,102	131,792
Accounts payable, accrued expenses and other liabilities	(4,784,638)	(52,620)
Due to reinsurers	(10,466,014)	(1,974,534)
Unearned commission reserve	(660,937)	(235,243)
Net cash used in operating activities	(10,218,962)	(1,589,308)
Cash flows from investing activities:		
Net placement of term deposits	(99,675)	(121,029)
Purchase of property, plant and equipment	(118,593)	(140,112)
Sale of investments in securities	30,374	(126,466)
Interest received	378,284	313,030
Dividends received	81,786	345,820
Net cash provided by investing activities	272,176	271,243
Cash flows from financing activities:		
Dividends paid to shareholders	(1,280,000)	(1,198,200)
Net cash used in financing activities	(1,280,000)	(1,198,200)
Net decrease in cash and cash equivalents	(11,226,786)	(2,516,265)
Cash and cash equivalents at beginning of period	74,940,376	9,700,629
Cash and cash equivalents at end of period	63,713,590	7,184,364

(unaudited)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year December 31, 2019.

2. SEGMENT INFORMATION

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

The segment results for the period ended March 31, 2020 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 4,009,112	488,643	4,497,755
Net premiums earned	-	1,215,070	1,215,070
Interest Income	109,100	191,281	300,381
Dividend Income	11,978	69,808	81,786
Other income	1,609	43,733	45,342
	\$ 4,131,799	2,008,535	6,140,334
Insurance expenses	-	428,551	428,551
Depreciation & amortization	133,695	12,332	146,027
Change in net unrealized loss on investments in securities	-	379,909	379,909
Other expenses	3,409,066	300,360	3,709,426
	\$ 3,542,761	1,121,152	4,663,913
NET INCOME	\$ 589,038	887,383	1,476,421

The segment results for the period ended March 31, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 4,075,602	66,073	4,141,675
Net premiums earned	-	1,033,316	1,033,316
Interest Income	12,579	179,252	191,831
Dividend Income	231,917	113,902	345,819
Other income	(553)	40,333	39,780
	\$ 4,319,545	1,432,876	5,752,421
Insurance expenses	-	288,682	288,682
Depreciation & amortization	129,037	9,733	138,770
Provision for tax assessment	-	17,171	17,171
Other expenses	3,440,862	292,541	3,733,403
	\$ 3,569,899	608,127	4,178,026
NET INCOME	\$ 749,646	824,749	1,574,395

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

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 78,615,644	140,727,053	219,342,697
Total liabilities	61,282,142	115,665,467	176,947,609

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

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 28,406,653	58,531,497	86,938,150
Total liabilities	12,645,699	32,633,023	45,278,722