

## MANAGING DIRECTOR'S REVIEW

Consolidated Net Income increased by 10.3% during the third quarter from \$6.680K to \$7.364K, although Net Income attributable to Equity Holders of the Company remained flat.

Net Commission and Fees increased slightly but this increase was more than offset by a reduction in Net Premium Earned. The increase in Net Commission and Fees was due to an improvement in the mix of business and additional Profit Commissions based on last year's good underwriting results.

On the Expense side, Total Expenses reduced by almost \$900,000 or 6%, which was due partly to a reduction in excess of loss reinsurance costs, related to the drop in Premiums Earned, and a decrease in the Net Unrealised Loss of investments in securities. Salaries and Employee Benefits costs were up by 3.6%.

Turning now to the segment results, our Agency & Brokerage operation was more impacted by the current economic climate and continues to experience declines in new business and renewals. Total Income declined by 6% while Expenses grew by 4% resulting in a 24% drop in Net Income. However, most of this was due to the elimination of Profit Commission Income from Insurance Company of The Bahamas (ICB) as a result of consolidation.

On the Underwriting side, ICB had another good quarter with an increase in Total Income and a reduction in Total Expenses. As a result, Net Income more than doubled from \$1.656K to \$3.532K. Conversely, ICB's Net Income was positively impacted by the elimination of the Profit Commission Expense. Fortunately, we have been spared any hurricanes this year, so far, and all Underwriting classes remain profitable.



Marvin V. Bethell, FCI  
Managing Director

## CONSOLIDATED BALANCE SHEET As at 30 September, 2010 (amounts expressed in Bahamian dollars \$'000)

	December 31 2009	
<b>ASSETS</b>		
Cash and bank balances	\$ 12,538	3,594
Term deposits	9,682	7,894
Accounts receivable	11,789	10,684
Due from insurance carriers	(1,678)	1,833
Investments in securities		
- fair value through profit or loss	2,623	2,775
- held-to-maturity	8,660	7,868
- available for sale	2,562	2,613
Prepayments and other assets	1,495	1,541
Prepaid reinsurance premiums	17,319	18,367
Reinsurance recoveries	11,548	12,947
Investment property	2,458	1,984
Property, plant and equipment	8,479	7,983
<b>Total assets</b>	<b>\$ 87,475</b>	<b>80,083</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 21,298	22,622
Outstanding claims	13,816	15,341
	35,114	37,963
Other liabilities:		
Due to related parties	2,816	654
Accounts payable	1,403	3,937
Due to reinsurers	10,808	4,251
Accrued expenses and other liabilities	3,800	3,147
Unearned commission reserve	4,436	4,563
<b>Total liabilities</b>	<b>58,377</b>	<b>54,515</b>
<b>Net assets</b>	<b>\$ 29,098</b>	<b>25,568</b>
<b>EQUITY</b>		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of		
\$0.01 each	\$ 80	80
Retained earnings	19,617	17,471
Interest in own shares	(85)	(85)
	19,612	17,466
Non-controlling interest	9,486	8,102
<b>Total equity</b>	<b>\$ 29,098</b>	<b>25,568</b>

(unaudited)

## LOCATIONS

### Nassau

Collins Avenue	242.322.2341
Thompson Boulevard	242.325.8776
Soldier Road	242.393.6286

### Family Islands

Freeport	242.352.7119
Abaco	242.367.2688
Exuma	242.336.2420

### Turks and Caicos Islands

Providenciales	649.946.4761
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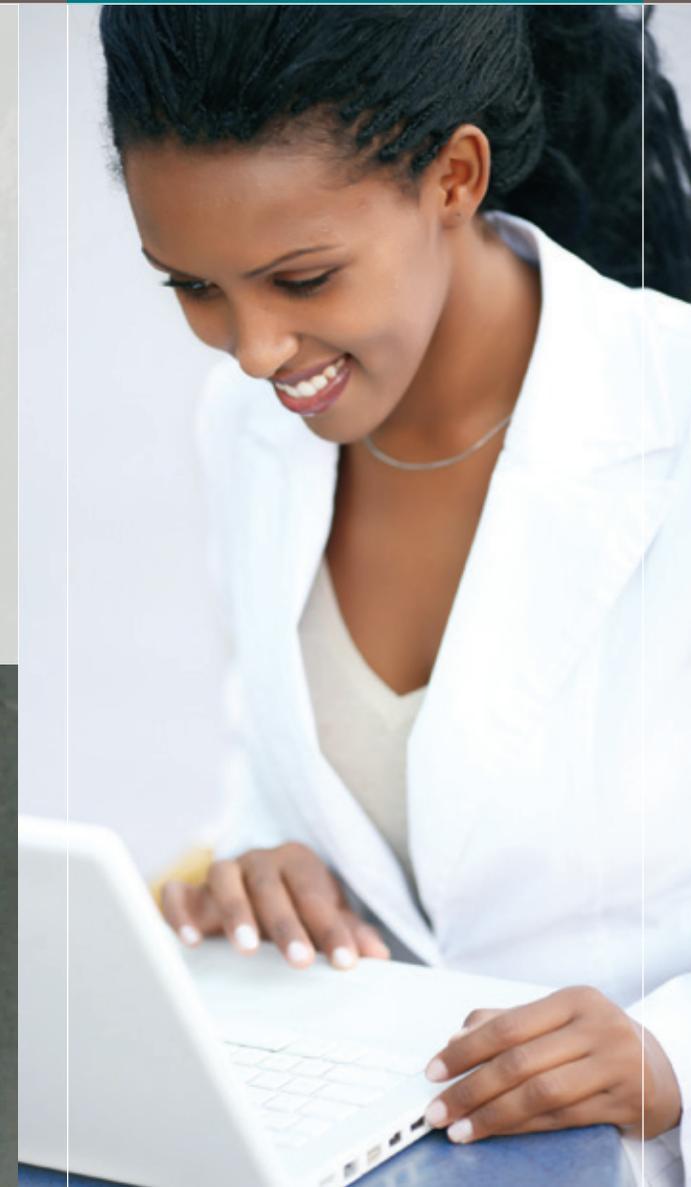
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# THIRD QUARTER INTERIM REPORT 2010



**CONSOLIDATED STATEMENT OF INCOME**  
For the nine months to 30 September, 2010  
(amounts expressed in Bahamian dollars \$'000)

	30 September 2009	
<b>INCOME</b>		
Net commission & fees	14,760	14,324
Net premiums earned	6,130	6,755
Investment income	1,208	1,214
Profit on sale of property, plant & equipment	18	-
<b>Total income</b>	<b>22,116</b>	<b>22,293</b>
<b>EXPENSES</b>		
Salaries and employees benefits	7,335	7,081
Net claims incurred	1,408	1,425
Excess of loss reinsurance	2,783	3,512
Depreciation	481	494
Interest expense	-	8
Net unrealized loss on investments in securities	152	479
Other operating expenses	2,593	2,614
<b>Total expenses</b>	<b>14,752</b>	<b>15,613</b>
<b>Net income</b>	<b>7,364</b>	<b>6,680</b>
<b>Attributable to:</b>		
Equity holders of the Company	5,980	5,993
Non-controlling interests	1,384	687
	7,364	6,680
Earnings per share for the profit attributable to the equity holders of the Company (nine months)		
	\$ 0.75	\$ 0.75

(unaudited)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the nine months to 30 September, 2010  
(amounts expressed in Bahamian dollars \$'000)

	Share Capital	Retained Earnings	Interests in own Shares	Total Shareholder's Equity	Non-Controlling Interest	Total Equity
Balance at January 1, 2009	80	15,729	(85)	15,724	6,248	21,972
Net income		5,993		5,993	687	6,680
Dividends		(3,834)		(3,834)	-	(3,834)
<b>Balance at 30 September, 2009</b>	<b>80</b>	<b>17,888</b>	<b>(85)</b>	<b>17,883</b>	<b>6,935</b>	<b>24,818</b>
Balance at January 1, 2010	80	17,471	(85)	17,466	8,102	25,568
Net income		5,980		5,980	1,384	7,364
Dividends		(3,834)		(3,834)	-	(3,834)
<b>Balance at 30 September, 2010</b>	<b>80</b>	<b>19,617</b>	<b>(85)</b>	<b>19,612</b>	<b>9,486</b>	<b>29,098</b>

(unaudited)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the nine months to 30 September, 2010  
(amounts expressed in Bahamian dollars \$'000)

	September 2009	
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 7,364	6,679
<b>Adjustments for:</b>		
Unearned premium reserve	276	(193)
Depreciation	480	493
Profit on sale of property, plant and equipment	(18)	-
Change in net unrealized losses (gains) on investments in securities	151	479
Interest income	(999)	(587)
Dividend income	(201)	(186)
Bad debts	15	-
Interest expense	-	8
<b>Cash from operations before changes in assets and liabilities</b>	<b>7,068</b>	<b>6,693</b>
<b>(Increase)/decrease in current assets:</b>		
Accounts receivable	(1,121)	(6,543)
Due from insurance carriers	3,944	2,852
Prepayments and other assets	(382)	(765)
Prepaid reinsurance premiums	1,047	(91)
Reinsurance recoveries	1,398	1,260
<b>Increase/(decrease) in current liabilities:</b>		
Unearned premium reserve	(1,599)	478
Outstanding claims	(1,525)	(929)
Due to related parties	2,162	1,937
Accounts payable, accrued expenses and other liabilities	(1,880)	2,090
Due to reinsurers	6,556	2,893
Unearned commission reserve	(127)	(21)
<b>Net cash provided by operating activities</b>	<b>15,541</b>	<b>9,854</b>
<b>Cash flows from investing activities</b>		
Net maturity/(placement) of term deposits	(1,788)	81
Purchase of investment property	(483)	9
Purchase of property, plant and equipment	(949)	(178)
(Purchase)/maturity of investments in securities	(792)	(1,867)
Proceeds from sale of investments in securities	50	-
Interest received	999	588
Dividends received	201	186
<b>Net cash provided by (used) in investing activities</b>	<b>(2,762)</b>	<b>(1,181)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	\$ (3,834)	(3,834)
Dividends paid to non-controlling interest	-	-
Interest Paid	-	(8)
<b>Net cash used in financing activities</b>	<b>(3,834)</b>	<b>(3,842)</b>
Net Increase/(Decrease) in cash and cash equivalents	8,944	4,831
Cash and cash equivalents at beginning of period	3,594	3,943
<b>Cash and cash equivalents at end of period</b>	<b>\$ 12,538</b>	<b>8,774</b>

(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, 2009.

**2. SEGMENT INFORMATION**

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

The segment results for the period ended 30 September, 2010 are as follows:

	Agents & Brokers	Underwriting	TOTAL
<b>INCOME</b>			
Net commission & fees	\$ 13,214	1,546	14,760
Net premiums earned	-	6,130	6,130
Other income	311	763	1,074
	<b>\$ 13,525</b>	<b>8,439</b>	<b>21,964</b>
Insurance expenses	-	4,191	4,191
Other expenses	\$ 9,693	716	10,409
	<b>\$ 9,693</b>	<b>4,907</b>	<b>14,600</b>
<b>NET INCOME</b>	<b>\$ 3,832</b>	<b>3,532</b>	<b>7,364</b>

The segment results for the period ended 30 September, 2009 are as follows:

	Agents & Brokers	Underwriting	TOTAL
<b>INCOME</b>			
Net commission & fees	\$ 13,957	979	14,936
Net premiums earned	-	6,755	6,755
Other income	384	351	735
	<b>\$ 14,341</b>	<b>8,085</b>	<b>22,426</b>
Insurance expenses	-	4,938	4,938
Other expenses	\$ 9,317	1,491	10,808
	<b>\$ 9,317</b>	<b>6,429</b>	<b>15,746</b>
<b>NET INCOME</b>	<b>\$ 5,024</b>	<b>1,656</b>	<b>6,680</b>

The segment assets and liabilities as at 30 September, 2010 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 29,606	57,869	87,475
Total liabilities	15,976	42,401	58,377

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