

MANAGING DIRECTOR'S REVIEW

Even though we achieved a 9% increase in Net Commission and Fees, this was offset by decreases in Net Premiums Earned and Investment Income. As a result, Total Income was virtually the same as last year.

Unfortunately, Expenses continued to rise with increases in Salary Costs, Net Claims Incurred and Other Operating Expenses resulting in a 10% increase in Total Expenses.

Therefore, Consolidated Net Income declined by 20% from \$7,365,727 to \$5,846,369. However, Net Income attributable to Equity Holders of the Company was only down by 1% and Earnings per Share dropped by 1¢ to 74¢. Dividends were maintained at 16¢ per quarter.

Whilst our core Agency & Brokerage business performed well for the 9 month period, this was offset by a decline in the Underwriting results for Insurance Company of The Bahamas (ICB).

Turning now to the Segment Report, the results for our Agency & Brokerage business are looking good in spite of current economic conditions. Net Income increased by 15% as a result of the increase in Net Commission and Fees. On the other hand, ICB's Net Income is down from the same period last year, a decline of 60%. There has been a steady increase in claims costs during the year exacerbated by Hurricane Irene in late August. Additionally, there were also declines in Net Commission and Fees as well as Net Premiums Earned.



Marvin V. Bethell, FCII
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at September 30, 2011 (amounts expressed in Bahamian dollars)

	December 31,	
	2011	2010
ASSETS		
Cash and bank balances	\$ 8,088,692	5,573,352
Term deposits	7,768,177	8,536,162
Accounts receivable	15,808,026	9,808,323
Due from insurance carriers	326,573	829,212
Investments in securities		
- fair value through profit or loss	2,773,272	2,638,877
- held-to-maturity	9,604,914	9,236,911
- available for sale	2,000,000	2,312,500
Prepayments and other assets	2,061,681	1,106,889
Prepaid reinsurance premiums	18,573,516	16,780,244
Reinsurance recoveries	14,218,619	11,266,798
Investment property	1,960,376	1,969,463
Property, plant and equipment	8,768,771	8,861,725
Total assets	\$ 91,952,617	78,920,456
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 22,551,733	20,283,926
Outstanding claims	17,012,960	13,172,341
	39,564,693	33,456,267
Other liabilities:		
Due to related parties	1,566,831	520,586
Accounts payable	6,311,512	4,262,434
Due to reinsurers	5,836,012	3,736,059
Accrued expenses and other liabilities	2,848,397	2,882,805
Unearned commission reserve	4,744,206	4,284,724
Total liabilities	60,871,651	49,142,875
Net assets	\$ 31,080,966	29,777,581
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	21,366,272	19,337,415
Interest in own shares	(84,600)	(84,600)
	21,361,672	19,332,815
Non-controlling interest	9,719,294	10,444,766
Total equity	\$ 31,080,966	29,777,581

(unaudited)

LOCATIONS

Nassau

Collins Avenue	242.397.2100
Thompson Boulevard	242.676.6300
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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THIRD QUARTER

INTERIM REPORT

2011



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months to September 30, 2011

(amounts expressed in Bahamian dollars)

	September 30,	
	2011	2010
INCOME		
Net commission and fees	15,335,909	14,760,565
Net premiums earned	5,395,793	6,130,295
Investment income	1,377,614	1,207,886
Profit on sale of property, plant & equipment	11,350	18,361
Total income	22,120,666	22,117,107
EXPENSES		
Salaries and employees benefits	7,696,459	7,335,820
Net claims incurred	2,690,814	1,408,118
Excess of loss reinsurance	2,469,174	2,783,462
Depreciation	499,685	480,707
Change in net unrealized loss on investments in securities	115,505	152,016
Other operating expenses	2,802,660	2,591,257
Total expenses	16,274,297	14,751,380
Net income	5,846,369	7,365,727
Attributable to:		
Equity holders of the Company	5,863,097	5,981,697
Non-controlling interests	(16,728)	1,384,030
	5,846,369	7,365,727
Earnings per share for the profit attributable to the equity holders of the Company (nine months)	\$ 0.74	\$ 0.75

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months to September 30, 2011

(amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholder Equity	Non-Controlling Interest	Total Equity
Balance at January 1, 2010	80,000	17,470,986	(84,600)	17,466,386	8,101,652	25,568,038
Total comprehensive income for the year:						
Net income	-	5,981,697	-	5,981,697	1,384,030	7,365,727
Distributions to owners:						
Dividends	-	(3,834,240)	-	(3,834,240)	-	(3,834,240)
Balance at September 30, 2010	80,000	19,618,443	(84,600)	19,613,843	9,485,682	29,099,525
Balance at January 1, 2011	80,000	19,337,415	(84,600)	19,332,815	10,444,766	29,777,581
Total comprehensive income for the year:						
Net income	-	5,863,097	-	5,863,097	(16,728)	5,846,369
Distributions to owners:						
Dividends	-	(3,834,240)	-	(3,834,240)	(708,744)	(4,542,984)
Balance at September 30, 2011	80,000	21,366,272	(84,600)	21,361,672	9,719,294	31,080,966

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months to September 30, 2011

(amounts expressed in Bahamian dollars)

	September 2010	
Cash flows from operating activities:		
Net income for the period	\$ 5,846,369	7,364,461
Adjustments for:		
Unearned premium reserve	149,249	276,300
Depreciation	499,685	480,707
Profit on sale of property, plant and equipment	(11,350)	(18,000)
Change in net unrealized (gain)/loss on investments in securities	(134,395)	151,656
Interest income	151,832	(999,365)
Dividend income	126,559	(201,521)
Bad debts	-	15,000
Cash from operations before changes in assets and liabilities	6,627,949	7,069,238
(Increase)/decrease in current assets:		
Accounts receivable	(5,999,703)	(1,121,059)
Due from insurance carriers	502,639	3,511,476
Due from related parties	-	432,547
Prepayments and other assets	(954,791)	(382,417)
Prepaid reinsurance premiums	(1,793,271)	1,047,102
Reinsurance recoveries	(2,951,821)	1,398,710
(Increase)/decrease in current liabilities:		
Unearned premium reserve	2,118,558	(1,599,704)
Outstanding claims	3,840,619	(1,525,614)
Due to related parties	1,046,246	2,162,215
Accounts payable, accrued expenses and other liabilities	2,014,671	(1,880,870)
Due to reinsurers	2,099,953	6,556,764
Unearned commission reserve	459,482	(127,222)
Net cash provided by operating activities	7,010,531	15,541,166
Cash flows from investing activities:		
Net maturity/(placement) of term deposits	767,985	(1,788,259)
Purchase of investment property	3,510	(483,312)
Purchase of property, plant and equipment	(389,807)	(949,567)
(Purchase)/maturity of investments in securities	76,494	(792,522)
Proceeds from sale of investments in securities	-	50,000
Interest received	(283,830)	999,365
Dividends received	(126,559)	201,526
Net cash provided by (used) in investing activities	47,793	(2,762,769)
Cash flows from financing activities:		
Dividends paid to shareholders	(3,834,240)	(3,834,240)
Dividends paid to non-controlling interests	(708,744)	-
Net cash used in financing activities	(4,542,984)	(3,834,240)
Net Increase/(Decrease) in cash and cash equivalents	2,515,340	8,944,157
Cash and cash equivalents at beginning of period	5,573,352	3,594,471
Cash and cash equivalents at end of period	\$ 8,088,692	12,538,628
Represented by:		
Cash and current accounts	8,088,692	12,538,628
Interest bearing accounts	-	-
	8,088,692	12,538,628

(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, 2010.

2. SEGMENT INFORMATION

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

The segment results for the period ended September 30, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 14,289,050	1,046,859	15,335,909
Net premiums earned	-	5,395,793	5,395,793
Interest Income	206,538	763,042	969,580
Dividend Income	-	317,068	317,068
Other income	102,316	-	102,316
	\$ 14,597,904	7,522,762	22,120,666

Insurance expenses	-	5,159,988	5,159,988
Depreciation	448,834	50,851	499,685
Change in net unrealized loss on investments in securities	-	115,505	115,505
Other expenses	9,726,318	772,801	10,499,119
	\$ 10,175,152	6,099,145	16,274,297
NET INCOME	\$ 4,422,752	1,423,617	5,846,369

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

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 13,214,261	1,546,304	14,760,565
Net premiums earned	-	6,130,295	6,130,295
Interest Income	260,938	738,427	999,365
Dividend Income	32,110	182,172	214,282
Other income	18,000	(5,400)	12,600
	\$ 13,525,309	8,591,798	22,117,107

Insurance expenses	-	4,191,580	4,191,580
Depreciation	420,395	60,312	480,707
Change in net unrealized loss on investments in securities	-	152,016	152,016
Other expenses	9,271,678	655,399	9,927,077
	\$ 9,692,073	5,059,307	14,751,380
NET INCOME	\$ 3,833,236	3,532,491	7,365,727

The segment assets and liabilities as at September 30, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 33,584,109	58,368,508	91,952,617
Total liabilities	18,410,750	42,460,901	60,871,651

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

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 29,598,539	57,876,910	87,475,449
Total liabilities	18,410,750	39,966,093	58,376,843