

## MANAGING DIRECTOR'S REVIEW

Even though consolidated net income remains down on last year, we had a positive third quarter. The company has maintained its focus on reducing expenses and we look forward to continued improvement in the fourth quarter.

Total income decreased by 11%, relating almost solely to significant losses in net commission and fees of over \$2.5M. On a positive note, there was a \$1.5M reduction in claims incurred, which contributed to a 7% decline in expenses quarter on quarter. The net result was a 20% decline in consolidated income from \$5,846,369 to \$4,672,357.

Despite the fact that 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 Limited (ICB). Looking to the segment results, our underwriting business continued to decline for the quarter, with significant losses incurred in net commission and fees income.

We are happy to report that operations in the Turks and Caicos have increased with the recent acquisition of portfolios in this jurisdiction. It should also be noted that whilst we are positive about fourth quarter results, the effects of Hurricane Sandy could have a negative effect on earnings.



**Alister I. McKellar, FCII**  
Managing Director

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at September 30, 2012 (amounts expressed in Bahamian dollars)

	September 2012	December 2011
<b>ASSETS</b>		
Cash and bank balances	\$ 10,137,015	6,426,316
Term deposits	9,002,204	8,059,928
Accounts receivable	14,900,997	8,673,547
Due from insurance carriers	2,421,568	1,385,851
Investments in securities		
- fair value through profit or loss	2,670,253	2,782,298
- held-to-maturity	8,247,750	9,711,652
- available for sale	2,000,000	2,000,000
Prepayments and other assets	2,463,113	1,175,870
Prepaid reinsurance premiums	19,354,316	17,056,594
Reinsurance recoveries	10,146,912	15,293,640
Intangible asset	249,261	306,846
Investment properties	1,559,040	1,526,516
Property, plant and equipment	8,706,864	8,843,327
<b>Total assets</b>	<b>\$ 91,859,293</b>	<b>83,242,385</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 23,551,622	20,605,805
Outstanding claims	11,861,655	17,746,362
	35,413,277	38,352,167
Other liabilities:		
Due to related parties	3,010,300	578,454
Accounts payable	7,085,730	2,584,715
Due to reinsurers	6,138,567	3,221,643
Accrued expenses and other liabilities	3,596,877	2,937,011
Unearned commission reserve	4,955,819	4,379,196
<b>Total liabilities</b>	<b>60,200,570</b>	<b>52,053,186</b>
<b>Net assets</b>	<b>\$ 31,658,723</b>	<b>31,189,199</b>
<b>EQUITY</b>		
Share capital		
Authorized, issued and fully paid:- 8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	21,101,755	20,849,873
Interest in own shares	(84,600)	(84,600)
	21,097,155	20,845,273
Non-controlling interest	10,561,568	10,343,926
<b>Total equity</b>	<b>\$ 31,658,723</b>	<b>31,189,199</b>

(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

### 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the nine months to September 30, 2012  
(amounts expressed in Bahamian dollars)

	September 2012	September 2011
<b>INCOME</b>		
Net commission and fees	12,726,391	15,335,909
Net premiums earned	5,591,581	5,395,793
Investment income	1,380,624	1,377,614
Profit on sale of property plant & equipment	6,000	11,350
Revaluation gain on investment properties	39,375	-
<b>Total income</b>	<b>19,743,971</b>	<b>22,120,666</b>
<b>EXPENSES</b>		
Salaries and employees benefits	7,763,003	7,696,459
Net claims incurred	1,176,826	2,690,814
Excess of loss reinsurance	2,494,987	2,469,174
Depreciation & amortization	542,265	499,685
Interest expense	8,414	-
Change in net unrealized loss on investments in securities	112,045	115,505
Other operating expenses	2,974,074	2,802,660
<b>Total expenses</b>	<b>15,071,614</b>	<b>16,274,297</b>
<b>Net income</b>	<b>4,672,357</b>	<b>5,846,369</b>
<b>Attributable to:</b>		
Equity holders of the Company	4,245,883	5,863,097
Non-controlling interests	426,474	(16,728)
	<b>4,672,357</b>	<b>5,846,369</b>
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.53	\$ 0.74

(unaudited)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the nine months to September 30, 2012  
(amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholder Equity	Non- Controlling Interest	Total Equity
<b>Balance at January 1, 2011</b>	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)
<b>Balance at September 30, 2011</b>	<b>80,000</b>	<b>21,366,272</b>	<b>(84,600)</b>	<b>21,361,672</b>	<b>9,719,294</b>	<b>31,080,966</b>
<b>Balance at January 1, 2012</b>	80,000	20,849,873	(84,600)	20,845,273	10,343,926	31,189,199
Total comprehensive income for the year:						
Net income	-	4,245,883	-	4,245,883	426,474	4,672,357
Distributions to owners:						
Dividends	-	(3,994,001)	-	(3,994,001)	(208,832)	(4,202,833)
<b>Balance at September 30, 2012</b>	<b>80,000</b>	<b>21,101,755</b>	<b>(84,600)</b>	<b>21,097,155</b>	<b>10,561,568</b>	<b>31,658,723</b>

(unaudited)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the nine months to September 30, 2012  
(amounts expressed in Bahamian dollars)

	September 2012	September 2011
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 4,672,357	5,846,369
<b>Adjustments for:</b>		
Unearned premium reserve	648,095	149,249
Depreciation & amortization	542,265	499,685
Profit on sale of property, plant and equipment	(6,000)	(11,350)
Change in net unrealized (gains)/losses on investments in securities	112,045	(134,395)
Revaluation (gain)/ loss on investment properties	(39,375)	-
Interest income	(847,898)	151,832
Dividend income	(260,849)	126,559
Interest expense	8,414	-
Bad debts	-	-
<b>Cash from operations before changes in assets and liabilities</b>	<b>4,829,054</b>	<b>6,627,949</b>
<b>(Increase)/decrease in assets:</b>		
Accounts receivable	(6,227,450)	(5,999,703)
Due from insurance carriers	(1,035,717)	502,639
Prepayments and other assets	(1,289,132)	(954,791)
Prepaid reinsurance premiums	(2,297,722)	(1,793,271)
Reinsurance recoveries	5,146,728	(2,951,821)
<b>Increase/(decrease) in liabilities:</b>		
Unearned premium reserve	2,297,722	2,118,558
Outstanding claims	(5,884,707)	3,840,619
Due to related parties	2,431,846	1,046,246
Accounts payable, accrued expenses and other liabilities	5,160,880	2,014,671
Due to reinsurers	2,916,924	2,099,953
Unearned commission reserve	576,623	459,482
<b>Net cash provided by operating activities</b>	<b>6,625,049</b>	<b>7,010,531</b>
<b>Cash flows from investing activities:</b>		
Net maturity/(placement) of term deposits	(963,426)	767,985
Purchase of investment property	6,850	3,510
Purchase of property, plant and equipment	(342,218)	(389,807)
(Purchase)/Maturity of investments in securities	1,468,158	76,494
Interest received	864,794	(283,830)
Dividends received	262,739	(126,559)
<b>Net cash provided by (used) in investing activities</b>	<b>1,296,897</b>	<b>47,793</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to shareholders	(3,994,001)	(3,834,240)
Dividends paid to non-controlling interests	(208,832)	(708,744)
Interest paid	(8,414)	-
<b>Net cash used in financing activities</b>	<b>(4,211,247)</b>	<b>(4,542,984)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>3,710,699</b>	<b>2,515,340</b>
Cash and cash equivalents at beginning of period	6,426,316	5,573,352
<b>Cash and cash equivalents at end of period</b>	<b>\$10,137,015</b>	<b>8,088,692</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, 2011.

**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, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 14,134,915	(1,408,524)	12,726,391
Net premiums earned	-	5,591,581	5,591,581
Interest Income	186,884	661,014	847,898
Dividend Income	69,030	191,819	260,849
Other income	99,158	178,719	277,877
Revaluation gain on investment properties	-	39,375	39,375
	<b>\$ 14,489,987</b>	<b>5,253,984</b>	<b>19,743,971</b>

Insurance expenses	-	3,671,813	3,671,813
Depreciation & amortization	496,780	45,485	542,265
Change in net unrealized loss on investments in securities	-	112,045	112,045
Interest expense	-	8,414	8,414
Other expenses	9,995,982	741,095	10,737,077
	<b>\$ 10,492,762</b>	<b>4,578,852</b>	<b>15,071,614</b>
<b>NET INCOME</b>	<b>\$ 3,997,225</b>	<b>675,132</b>	<b>4,672,357</b>

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
	<b>\$ 14,597,904</b>	<b>7,522,762</b>	<b>22,120,666</b>

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
	<b>\$ 10,175,152</b>	<b>6,099,145</b>	<b>16,274,297</b>
<b>NET INCOME</b>	<b>\$ 4,422,752</b>	<b>1,423,617</b>	<b>5,846,369</b>

The segment assets and liabilities as at September 30, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 36,591,427	55,267,866	91,859,293
Total liabilities	21,514,787	38,685,783	60,200,570

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