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**ANNUAL
REPORT**
2014



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

OUR MISSION :



To provide the **highest quality** of **professional service** by **giving our personal best** to our Clients, our Co-Workers and the Community at large, thus **remaining the leader** in the **insurance market** through continued **growth and innovation**.

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BRIAN M. MOREE, QC

Chairman

CHAIRMAN'S STATEMENT :

Once again in 2014 J.S. Johnson has delivered excellent value to its shareholders. In a volatile economic market the Company has epitomized stability, consistency and reliability as for the seventh consecutive year it paid an aggregate annual dividend of 64 cents in 2014. This represented a dividend return of 5.52%. We have been able to maintain our dividend policy even as interest rates have significantly fallen over the past several years and other companies have struggled to meet investor expectations. The strong financial results of the Company were reflected in the increase of its share price from \$11.25 to \$11.60. The Net Income in 2014 of \$8,009,450 was a 12% increase over last year's figure of \$7,170,586 and was the first time that the Net Income of the Company exceeded the \$8 million target since 2010.

Fortunately, 2014 was a relatively quiet weather year for the Bahamas with no major hurricanes or weather events and this contributed to the year's impressive financial results. The Company's Underwriting business led the way with a substantial increase in net income of 38% moving from \$2,508,564 in 2013 to \$3,465,355 in 2014. With its 96 years of experience in the insurance industry in the Bahamas, J.S. Johnson continues to be a market leader and a company which is committed to maximizing shareholder return in the context of a prudent and well managed business model.

Management of the Company has been focused on preparation for the implementation of Value Added Tax ("VAT") in the insurance industry in July, 2015. The Directors have been advised by management that the billing system purchased by the Company in 2008 is VAT compliant and testing has been underway for some time to facilitate a seamless transition to the new tax regime. The Company is also closely monitoring the public statements of the Government relating to the introduction of a National Health Insurance Plan to ensure that we stay current on developments which may have an impact on our business.

I would like to take this opportunity to congratulate Mr. William Mills for his appointment as the Deputy Managing Director of the Company. He is a long standing and very experienced senior member of the Company's management team and the Directors look forward to working with him in his new position as he discharges his additional duties and responsibilities.

In his Report, the Managing Director noted the imminent opening of the Company's newly renovated and expanded Thompson Boulevard branch which is another tangible step in our commitment to upgrade and improve our customer service platform. In its quest to deliver premium products and service, the Company must be prepared to take its business to where its policy holders are living and working

in order to make it convenient and efficient for them to conduct their insurance business. The newly renovated branch with its additional departments and staff is consistent with this strategy and will provide a wider range of services to our customers in the Thompson Boulevard and surrounding areas thereby reducing the need for them to drive to Collins Avenue to visit the head office. Hopefully, our customers in the Western district of New Providence will find this more convenient.

The short to medium term forecasts for the national economy indicate a slow recovery over the next three to five years based on the stated intention of the Government to reduce the national debt and the unemployment rate to pre-recession rates. In this economic climate, the Directors are acutely aware of the imperative to rationalize the operations of the Company to sustain profitability. That process is ongoing and will continue throughout 2015 to ensure that J.S. Johnson is properly positioned to meet the challenges of the upcoming years.

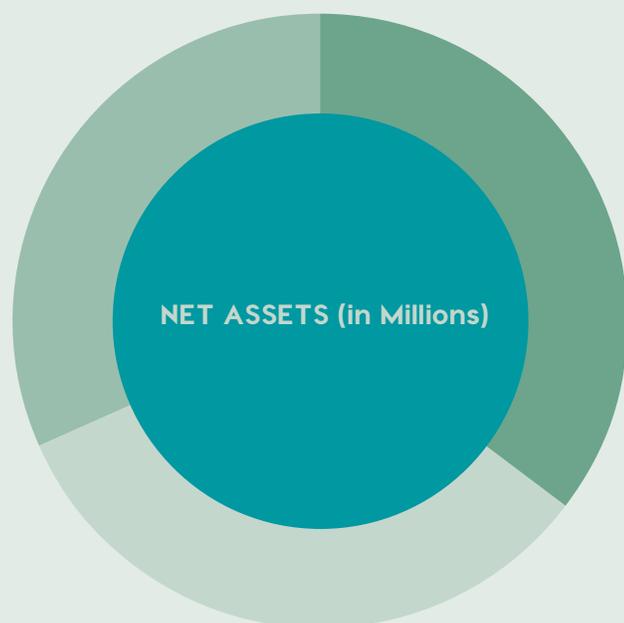
The unsung heroes of the Company continue to be our staff who are the back bone of our operations. They provide loyal, proficient and diligent service to the Company year after year and I would like to take this opportunity to publicly commend them for their invaluable contribution to the growth and success of J.S. Johnson. Also, on behalf of all the Directors I express our gratitude to our senior management team for their hard work, dedication and very capable service to the Company during the past year. The strong financial performance of the Company in 2014 is a testament to their ability and very competent leadership in managing the operations of the Company during that period. As always, I am grateful for the support and counsel of the Directors as I have worked with them over the past several years. The Company has benefited from their commercial acumen and the scores of years of their collective business experience.

In conclusion, I wish to thank the shareholders for their continued trust and confidence in the Company. New challenges and opportunities will arise in 2015 and we will strive to manage the challenges and take advantage of the opportunities in order to preserve and grow value for our shareholders.

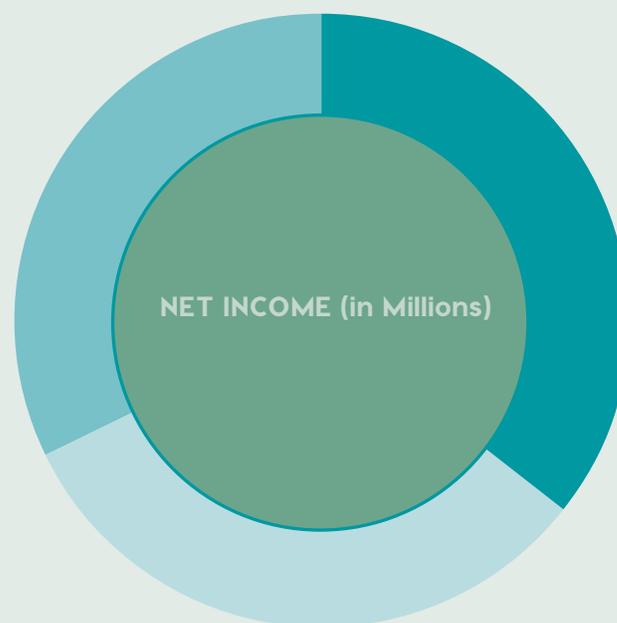


BRIAN M. MOREE, QC
Chairman

FINANCIAL HIGHLIGHTS :



● 36.8 FY'14 ● 34.4 FY'13 ● 32.8 FY'12



● 8.0 FY'14 ● 7.2 FY'13 ● 7.2 FY'12

(Expressed in Bahamian dollars)

2014

2013

2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

Total assets	\$	84,293,332	82,216,163	81,966,100
Total liabilities		47,458,850	47,806,822	49,118,862
Net assets	\$	36,834,482	34,409,341	32,847,238

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:

Total income	\$	26,877,961	27,310,102	27,064,485
Total expenses		18,868,511	20,139,516	19,905,534
Net income	\$	8,009,450	7,170,586	7,158,951

OTHER DATA:

Dividends per share	\$	0.64	0.64	0.66
Annual dividends	\$	5,112,319	5,112,321	5,272,080
Total shareholders' equity	\$	22,580,752	21,767,248	21,238,338
Earnings per share for the profit attributable to the equity holders of the Company	\$	0.74	0.71	0.71



Pictured L to R: Robert Bartlett, Senior Manager, Customer Service, J.S. Johnson & Co., Ltd.; Stephanie Hanna, Public Relations & Administration Manager, J.S. Johnson & Co., Ltd.; Lionel Sands, Director of Education; Seretha Clarke, Deputy Director of Education, and Evon Wisdom, Head of the Sports Unit, Ministry of Education.



National High School Volleyball Championships :

It is with great pride and pleasure that J.S. Johnson was the title sponsor for the Ministry of Education, Science and Technology's 2nd Annual National High School Volleyball Tournament, in conjunction with The Bahamas Volleyball Federation.

J.S. Johnson has always recognized the importance of being responsible corporate citizens. We believe that the future is with our young people and to encourage them into meaningful sporting activity, is without question, a positive role.

Some 12 talented high school teams from across the country (made up of four categories, junior, senior, male and female) came together in the spirit of lively competition and camaraderie to compete for the chance to be crowned tournament champions.

It is our sincere hope that through partnerships like this we can continue to achieve success and promote the sustainability of important civic events. Our goal is to give back wherever we can, leading to the betterment of our country's future and to us that's a win, win situation.

CORPORATE SPONSORSHIP : 2014

Bahamas Red Cross Society Fair :

J.S. Johnson is a proud Sponsor of the Bahamas Red Cross Society and in addition to giving assistance annually, this year we decided to also participate in one of their major fundraising events.

We manned the 'Bean Bag Toss' booth at the 2014 Bahamas Red Cross Fair. It was a wonderful day of fun, family and friends and a great opportunity to support a very important function that helps the Red Cross continue their tireless work helping our community.





ALISTER I. MCKELLAR, FCII

Managing Director

MANAGING DIRECTOR'S STATEMENT :

The year 2014 was fairly uneventful in terms of weather related activity as the Bahamian archipelago was blessed with a quiet hurricane season which combined with prudent underwriting and careful fiscal management contributed to the attainment of very positive results. I am happy to report that our net income increased by 12% to \$8,009,450 from \$7,170,586 in the previous year.

From a pure risk analysis our Underwriting results were the third best in the history of our associate, Insurance Company of The Bahamas Limited (ICB) as net income rose from \$2,508,564 to \$3,465,355. The unusually low claims experience coupled with favorably negotiated reinsurance terms combined to augment profitability levels.

Under our Agency and Brokerage segment, net income fell slightly due to softening market conditions which exerted downward pressure on premium rating levels but this was partially offset by a decrease in expenses as our management team continues to focus on cost savings and process improvement initiatives to combat the effects of the fluctuations in the Insurance market.

In line with our philosophy to be accessible to our clients, anticipate their demands and continue to provide the excellent service to which they are entitled, we embarked upon an expansion project at our Thompson Boulevard branch that is scheduled to be completed in the second quarter of 2015. The newly renovated facilities are to meet the demands of our growing customer base, especially in light of the Baha Mar Resort opening and related demographic development in the Western area of New Providence.

To strengthen our executive team, I'm delighted to announce that effective 1st January, 2015 William Mills has been promoted to the role of Deputy Managing Director. His depth of knowledge and market experience will bode well for our future growth and sustainability.

As we move towards 1st July, 2015, we are preparing for the introduction of Value Added Tax (VAT) at a rate of 7.5% on all insurance policies except for life products. Our team has been working diligently to ensure that proper systems are in place to make the implementation as seamless as we can for all our customers.

I wish to say thanks once again to our Board of Directors for their continued support in relation to our initiatives, my hard working staff for maintaining our high service standards and finally, our loyal customers, many of whom are shareholders. It is because of you, that we have enjoyed success since 1919. Together, we shall continue to meet and surpass your needs in 2015 and beyond!



ALISTER I. MCKELLAR, FCII
Managing Director

**CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2014 :**

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Independent Auditors' Report
The Shareholders
J.S. Johnson & Company Limited

We have audited the accompanying financial statements of J.S. Johnson & Company Limited (the Company) which comprise the consolidated statement of financial position as of December 31, 2014, and the related statements of comprehensive income, changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards; and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the prior year ended December 31, 2013, were audited by a predecessor auditor. The predecessor auditor issued an unqualified opinion with an Independent Auditors' Report date of April 14, 2014.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of J.S. Johnson & Company Limited as at December 31, 2014, and its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

March 25, 2015

J.S. JOHNSON & COMPANY LIMITED :
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Bahamian Dollars)

	December 2014	December 2013
ASSETS		
Cash and bank balances (Notes 6 and 25)	\$ 7,754,471	\$ 5,592,087
Term deposits (Notes 7 and 25)	10,240,705	9,509,260
Accounts receivable (Notes 4 and 25)	9,575,155	10,108,955
Due from insurance carriers (Notes 9 and 25)	67,605	334,050
Investment in securities (Notes 8 and 25)	16,464,093	15,624,060
Prepayments and other assets (Notes 8, 10, and 25)	1,200,816	1,101,377
Prepaid reinsurance premiums (Note 14)	18,628,937	18,114,441
Reinsurance recoverables (Notes 5 and 25)	9,758,298	11,674,880
Intangible assets (Note 11)	239,814	298,589
Investment properties (Note 12)	1,620,768	1,631,548
Property, plant, and equipment (Note 13)	8,742,670	8,226,916
Total assets	\$ 84,293,332	\$ 82,216,163
LIABILITIES		
General insurance funds:		
Unearned premium reserve (Note 14)	\$ 21,881,684	\$ 21,540,372
Outstanding claims (Notes 14 and 25)	10,807,703	12,715,977
	32,689,387	34,256,349
OTHER LIABILITIES		
Due to related parties (Notes 23 and 25)	415,530	917,364
Accounts payable (Notes 15 and 25)	3,432,514	2,659,416
Due to reinsurers (Notes 5 and 25)	3,935,439	3,473,922
Accrued expenses and other liabilities (Notes 18, 23, and 25)	1,994,995	1,682,645
Unearned commission reserve (Note 25)	4,990,985	4,817,126
Total liabilities	47,458,850	47,806,822
EQUITY		
Share capital		
Authorized, issued, and fully paid:—		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	\$ 80,000
Retained earnings (Note 20)	22,574,057	21,771,848
Interest in own shares (Note 22)	(84,600)	(84,600)
Other comprehensive income (Note 8)	11,295	—
	22,580,752	21,767,248
Non-controlling interest	14,253,730	12,642,093
Total Equity	\$ 36,834,482	\$ 34,409,341
Total Liabilities and Equity	\$ 84,293,332	\$ 82,216,163

Commitment and contingencies (Note 21)

See accompanying notes to consolidated financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 25, 2015 by:

Approved by the Board:


 Director


 Director

	Year Ended December 31	
	2014	2013
INCOME:		
Net commission and fees <i>(Note 23)</i>	\$ 17,667,982	\$ 18,500,897
Net premiums earned <i>(Note 16)</i>	7,029,895	6,666,586
Investment income <i>(Note 17)</i>	1,817,222	1,885,360
Reversal of impairment loss on intangible asset	43,675	–
Change in net unrealized gain on investment in securities <i>(Note 8)</i>	312,437	257,259
Profit on sale of property, plant, and equipment	6,750	–
Total income	<u>26,877,961</u>	<u>27,310,102</u>
EXPENSES:		
Salaries and employee benefits <i>(Notes 19 and 23)</i>	10,125,250	10,106,050
Net claims incurred <i>(Note 14)</i>	1,471,980	1,885,193
Excess of loss reinsurance	2,486,295	2,821,709
Depreciation and amortization <i>(Notes 11, 12, and 13)</i>	627,721	761,952
Write-off of property, plant and equipment <i>(Note 13)</i>	–	375,975
Other operating expenses <i>(Note 17)</i>	4,157,265	4,188,637
Total expenses	<u>18,868,511</u>	<u>20,139,516</u>
NET INCOME	<u>\$ 8,009,450</u>	<u>\$ 7,170,586</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealized gain on available for sale investments	\$ 11,295	\$ –
Total comprehensive income	<u>\$ 8,020,745</u>	<u>\$ 7,170,586</u>
ATTRIBUTABLE TO:		
Equity holders of the company <i>(Note 22)</i>	5,925,823	5,641,231
Non-controlling interest	2,094,922	1,529,355
	<u>\$ 8,020,745</u>	<u>\$ 7,170,586</u>
Earnings per share for the profit attributable to the equity holders of the company <i>(Note 22)</i>	\$ 0.74	\$ 0.71

See accompanying notes to consolidated financial statements.

J.S. JOHNSON & COMPANY LIMITED :

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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, 2012	\$ 80,000	\$ 21,242,938	\$ (84,600)	\$ —	\$ 21,238,338	\$ 11,608,900	\$ 32,847,238
Net income	—	5,641,231	—	—	5,641,231	1,529,355	7,170,586
Distributions to owners:							
Dividends (Note 18)	—	(5,112,321)	—	—	(5,112,321)	(496,162)	(5,608,483)
Balance at December 31, 2013	80,000	21,771,848	(84,600)	—	21,767,248	12,642,093	34,409,341
Total comprehensive income for the year:							
Net income	—	5,914,528	—	—	5,914,528	2,094,922	8,009,450
Other comprehensive income:							
Unrealized gain on available for sale securities	—	—	—	11,295	11,295	—	11,295
Distributions to owners:							
Dividend (Note 18)	—	(5,112,319)	—	—	(5,112,319)	(483,285)	(5,595,604)
Balance at December 31, 2014	\$ 80,000	\$ 22,574,057	\$ (84,600)	\$ 11,295	\$ 22,580,752	\$ 14,253,730	\$ 36,834,482

See accompanying notes to consolidated financial statements.

	Year Ended December 31	
	2014	2013
OPERATING ACTIVITIES		
Net income	\$ 8,009,450	\$ 7,170,586
Adjustments for:		
Unearned premium reserve	173,183	(152,697)
Depreciation and amortization	627,721	761,952
Profit on sale of property, plant, and equipment	(6,750)	—
Write-off of property, plant, and equipment	—	375,975
Reversal of impairment loss on intangible assets	(43,675)	—
Change in net unrealized gains on investments in securities	(312,437)	(257,259)
Interest income <i>(Note 17)</i>	(999,780)	(996,028)
Dividend income <i>(Note 17)</i>	(314,500)	(393,427)
Bad debts	48,000	50,000
Cash from operations before changes in assets and liabilities	7,181,212	6,559,102
(INCREASE) DECREASE IN ASSETS:		
Accounts receivable	485,800	(765,270)
Due from insurance carriers	266,445	1,731,789
Prepayments and other assets	(99,439)	440,115
Prepaid reinsurance premiums	(514,496)	(254,322)
Reinsurance recoverable	1,916,582	533,013
INCREASE (DECREASE) IN LIABILITIES:		
Unearned premium reserve	168,128	254,321
Outstanding claims	(1,908,274)	(1,420,560)
Due to related parties	(501,834)	534,708
Accounts payable, accrued expenses and other liabilities	1,085,448	(1,255,441)
Due to reinsurers	461,517	659,222
Unearned commission reserve	173,859	241,053
Net cash provided by operating activities	8,714,948	7,257,730

J.S. JOHNSON & COMPANY LIMITED :
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2014	2013
INVESTING ACTIVITIES		
Net (placement)/maturity of term deposits	(669,599)	2,491,007
Proceeds from sale of property, plant, and equipment	6,750	–
Purchase of intangible asset	(25,000)	(42,907)
Purchase of property, plant, and equipment	(1,005,245)	(502,086)
Purchase of investments in securities	(553,350)	(2,212,925)
Proceeds from redemption/sale of investments in securities	45,714	–
Interest received	929,270	1,114,660
Dividends received	314,500	393,427
Net cash (used in)/provided by investing activities	(956,960)	1,241,176
FINANCING ACTIVITIES		
Dividends paid to shareholders	(5,112,319)	(5,112,321)
Dividends paid to non-controlling interest	(483,285)	(496,162)
Net cash used in financing activities	\$ (5,595,604)	\$ (5,608,483)
Net increase in cash and cash equivalents	2,162,384	2,890,423
Cash and cash equivalents, beginning of year	5,592,087	2,701,664
Cash and cash equivalents, end of year	\$ 7,754,471	\$ 5,592,087
Cash and cash equivalents comprise:		
Cash and bank balances	7,754,471	5,592,087
	7,754,471	5,592,087
Supplemental cash flow information		
Premium tax paid	\$ 1,725,676	\$ 2,912,663

See accompanying notes to consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

J.S. Johnson & Company Limited (“the Company”) and its subsidiaries, Insurance Company of The Bahamas Limited (“ICB”) and J.S. Johnson & Company (Turks & Caicos) Limited (“JSJ Turks & Caicos”) (together, the Group) carry on general insurance business. The Company and JSJ Turks & Caicos carry on business as agents and brokers in The Bahamas and the Turks & Caicos Islands, respectively. ICB is licensed to operate as a property and casualty insurance company in The Bahamas and the Turks & Caicos Islands under the Insurance Act 2005, as amended, and the Insurance Ordinance, 1989, respectively.

The Company is incorporated in The Commonwealth of The Bahamas. The registered office of the Company and ICB are situated at the offices of Messrs. McKinney, Bancroft & Hughes, Mareva House, No. 4 George Street, Nassau, The Bahamas. The registered office of JSJ Turks & Caicos is situated at the offices of Twa, Marcelin & Wolf, Chancery Court, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

The Company’s principal place of business is located at 34 Collins Avenue, Nassau, The Bahamas. ICB’s principal place of business is located at 33 Collins Avenue, Nassau, The Bahamas. JSJ Turks & Caicos’ principal place of business is located at Graceway Plaza, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities that have been measured at fair value.

The methods used to measure fair value are discussed further in the significant accounting policies below.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Bahamian dollars, which is the Company’s functional currency.

(d) Use of Estimates and Judgments

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3(b), 3(c), 3(f), 3(g), 3(h), 3(i), 3(j), 11, 12, 13, 14, 25 and 26.

(e) New Standards Adopted During the Year

The accounting policies adopted are consistent with those used in the previous financial year.

Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- Amendments to IFRS10, IFRS12 and IAS 27 – *Investment Entities*
- Amendment to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 36 Impairment of Assets – *Recoverable Amount Disclosures for Non-Financial Assets*
- *Annual Improvements to IFRSs 2010 – 2012 Cycle*
- *Annual Improvements to IFRSs 2011 – 2013 Cycle*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently by the Group and are consistent with those used in the previous year, except as outlined in Note 2(e).

(a) Basis of Consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities of which the Company holds, directly or indirectly, the majority of voting rights are fully consolidated.

Entities that are less than 50% owned, but in which the Company exercises de facto control, that is, has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, are considered to be subsidiaries of the Company. The financial statements of such entities are fully consolidated into the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in net income or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Goodwill at the acquisition date is measured as the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less the net recognized amounts (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in net income or loss in the consolidated statement of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in net income or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income or loss.

The consolidated financial statements include the accounts of the Company and the following entities:

Name	Country of Incorporation	Ownership
Insurance Company of The Bahamas Limited	The Bahamas	40%
J.S. Johnson & Company (Turks & Caicos) Limited	Turks & Caicos Islands, BWI	80%

Inter-company transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies are consistent with the policies adopted by the Group.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Insurance Contracts

(i) Classification, Recognition, and Measurement

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer insurance risks. Such contracts may also transfer financial risk. The Group considers an insurance risk to be significant where the sum insured or limit of indemnity exceeds \$250,000. The classification of contracts identifies both the insurance and reinsurance contracts that the Group enters into.

Short term insurance contracts consist of Property, Casualty, Motor, and Marine insurance contracts.

Property insurance contracts, both personal and commercial, provide compensation for loss, or damage to property. Business interruption coverage provides compensation for loss of earnings following physical damage to the insured premises.

Casualty/liability insurance contracts protect the insured against the risk of causing financial loss or injury to third parties following some act of negligence. Liabilities covered include both contractual and non-contractual. Two of the most common protections offered are “Employer’s Liability”, designed to indemnify employers who become legally liable to pay compensation to injured employees, and “Public Liability”, designed to indemnify individuals, and businesses who become legally liable to pay compensation to third parties.

Motor insurance contracts cover the driver’s liability to third parties in respect of personal injury or property damage. If comprehensive cover is purchased, the policy also covers damage to the policyholder’s vehicle.

Marine insurance contracts include the insurance of goods in transit over land or sea and also the insurance of hulls. Hull insurances typically cover both physical damage to the vessel and also the boat owner’s liability to third parties in respect of personal injury or property damage.

Premiums generated from insurance and inwards reinsurance contracts are recognized as revenue (gross written premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve, calculated using net retained premiums. Gross written premiums are shown before deduction of premium tax, premiums ceded to reinsurers, and commissions. Premiums received prior to the year end and processed after the year end by the agents are recognized at the time of processing.

Claims and loss adjustment expenses are charged to income as incurred based on the known or estimated liability for compensation owed to policyholders or third parties. They include direct or indirect claims settlement costs and arise from events that have occurred up to the reporting date regardless of whether or not they have been reported. Gross outstanding claims comprise the estimated cost of all claims incurred but not settled as of the reporting date whether reported or not. The Group does not discount its liabilities for outstanding claims. Liabilities for outstanding claims are estimated using: (a) the judgment of the Company’s claims manager in regards to routine claims, (b) external legal opinion in connection with more complex claims, and (c) statistical analyses for claims incurred but not reported.

(ii) *Liability Adequacy Test*

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. These tests are carried out at the portfolio level for the classes of motor and casualty lines of business. Should any trend in reserve deficiency, at total portfolio level, become apparent then the deficiency would be immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

(iii) *Reinsurance Contracts Held and Assumed*

The Group cedes (or assumes) reinsurance under a variety of formal treaty arrangements, with retention limits varying by the line of business. Under these treaties which are classified as reinsurance contracts held (or assumed) the Group is compensated (or compensates) in respect of one or more losses under contracts that meet the classification requirements for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets (or financial liabilities).

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets are classified as reinsurance recoverables and comprise:

- recoverables due from reinsurers in respect of claims paid, and
- the reinsured portion of the reserves for outstanding claims allocated in accordance with the treaty arrangements for the class of business in question.

Amounts paid to the reinsurers relating to the unexpired portion of reinsured contracts are classified as prepaid reinsurance premiums.

Reinsurance liabilities are classified as due to reinsurers and are primarily premiums payable under treaty reinsurance contracts after deduction of reinsurance recoverables on proportional contracts.

Premiums to be ceded are recognized as an expense from the date the gross premiums are written and over the term of the reinsurance in the consolidated statement of comprehensive income.

Amounts shown as reinsurance recoverables, prepaid reinsurance premiums or due to reinsurers are measured consistently with the amounts associated with reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for any indication of impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of comprehensive income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 3 (j).

(iv) Portfolio Transfer

At the anniversary date of the reinsurance agreements and at the Company's option proportional reinsurers agree to assume the unexpired liability of all risks in force at such anniversary date. The unexpired liability is computed in accordance with the method outlined in the reinsurance agreement and accounted for when determined in the consolidated statement of comprehensive income.

(v) Receivables and Payables Related to Insurance Contracts

Receivables and payables are recognized when the contractual right to receive payment and contractual obligation to make payment arise, respectively. These include amounts due to and from insurance carriers and reinsurers and the receivable balances are assessed for impairment and doubtful accounts. As at December 31, 2014 and 2013, no provision was made for impairment or doubtful accounts.

(c) Accounts Receivable

Accounts receivable, other than receivables relating to insurance contracts, are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(d) Segment Reporting

The Group determines and presents operating segments based on the information that is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any other Group entities. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(e) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognized in net income or loss in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences, if any, relating to investments at fair value through profit or loss are included in net realized gain/loss or change in net unrealized gain/loss on investments in securities in net income or loss in the consolidated statement of comprehensive income. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are recognized in net income or loss in the consolidated statement of comprehensive income.

(f) Investment Property

The Group classifies property held for capital appreciation and rental as investment property. Investment property, which comprises land and buildings, is carried at cost using the cost model and measured in accordance with IAS 16 – Property, Plant, and Equipment, and is stated at historical cost less accumulated depreciation and impairment losses. Depreciation on the buildings is recognized in net income or loss in the consolidated statement of comprehensive income on a straight line basis either at the annual rate of 2.00% or over the estimated useful life of 18.75 years (2013 – 18.75 years), being the remaining estimated useful life. No depreciation is taken on land. The carrying value of the land and buildings are also assessed annually for any impairment losses.

The fair value of investment property is determined by third-party professional appraisals, which are performed every three years. In the intervening years, the Directors determine the fair value of the investment property. The fair value of the investment property is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

(g) Property, Plant, and Equipment

Property, plant, and equipment, except for land, are stated at historical cost less accumulated depreciation and impairment losses. Land is stated at cost and not subject to depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Repairs and maintenance are charged to net income or loss in the consolidated statement of comprehensive income when the expenditure is incurred.

Depreciation is recognized in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the items of the assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In the year of acquisition, a full year's depreciation is charged to net income or loss in the consolidated statement of comprehensive income, regardless of the acquisition date.

The estimated depreciation rates for the current and corresponding period are as follows:

	Useful Lives	Depreciation Rates
Buildings	50	2%
Office furniture and equipment	6.67	15%
Computer equipment	5	20%
Motor vehicles	4 – 5	20% – 25%
Leasehold improvements		Lesser of useful life or Duration of lease

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income in the consolidated statement of comprehensive income. Repairs and maintenance are charged to net income or loss in the statement of comprehensive income when the expenditure is incurred.

(h) Financial Instruments

Financial instruments comprise cash and cash equivalents, term deposits, loans and receivables, due from insurance carriers, due from/to related parties, investments in equity and debt securities, due to reinsurers, accounts payable, and accrued expenses and other liabilities.

Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date the Group commits itself to purchase or sell the asset. Financial assets are derecognized when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash and term deposits held with financial institutions with original maturities of less than three months. Bank overdraft and margin loan that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(i) *Investments at Fair Value Through Profit or Loss*

An instrument is classified as at fair value through profit or loss if it is acquired for the purposes of selling in the near term, and which may be disposed of in response to the needs for liquidity, or changes in interest rates, exchange rates, or equity prices, or is designated as such upon initial recognition.

Financial assets classified as held at fair value through profit or loss include investments in equity securities.

Upon initial recognition, attributable transaction costs are recognized in net income or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income or loss in the consolidated statement of comprehensive income.

(ii) *Investments Held-to-Maturity*

Financial assets and liabilities with fixed dates of maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity. Financial assets classified as held-to-maturity include Government debt instruments and corporate bonds. Subsequent to initial recognition, investments held-to-maturity are measured at amortized cost using the effective interest method, less any impairment losses.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(iii) *Available For Sale Investments*

Available for sale investments are financial assets and liabilities that are either designated in this category or are not classified as loans and receivables, held-to-maturity investments, or investments at fair value through profit or loss. Financial assets classified as available for sale investments include preferred shares and mutual funds and, subsequent to initial recognition, are measured at fair value less any impairment losses.

Changes in fair value, other than impairment losses, are recognized in other comprehensive income in the consolidated statement of comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred to net income or loss in the consolidated statement of comprehensive income.

(iv) *Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables arising from insurance contracts, accounts receivable from customers, other receivables and cash and cash equivalents are classified in this category.

(v) *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(vi) *Fair Value Measurement Principles*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; in the principal or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the company.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Any equity security that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses, if any. If a reliable measure of fair value becomes available subsequently, the instrument is measured at fair value.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(vii) *Amortized Cost Measurement*

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(i) *Intangible Assets*

Intangible assets include customer relationships acquired from third parties and are stated at cost less accumulated amortization and impairment losses, if any. Amortization is recognized in income or loss in the consolidated statement of comprehensive income on a straight line basis over the estimated useful life of the customer relationship from the date that it is acquired. The estimated useful life of customer relationships is five years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in net income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through net income or loss in the consolidated statement of comprehensive income.

Impairment losses on available for sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to net income or loss. The cumulative loss that is removed from other comprehensive income and recognized in net income or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in net income or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net income or loss, then the impairment loss is reversed, with the amount of the reversal recognized in net income or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

(ii) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in net income or loss in the consolidated statement of comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Income and Expense Recognition

Premiums are recognized as revenue over the periods covered by the related policies after allowing for premiums ceded.

Commission income from reinsurers is received on premiums ceded and is recognized over the periods covered by the related policies.

Commission income on agency business is recognized at the time when premiums are billed to customers as the Group has no further service obligations associated with these commissions.

Other revenues and expenses of the Group are recognized on an accrual basis, except as follows:

- (i) Dividend income – recognized when the Group's right to receive payment has been established.
- (ii) Treaty profit commission income – recognized in the year in which the treaty profits are crystallized.
- (iii) Loyalty commission income and profit commission expense – recognized when the Group's right to receive or obligation to make payment has been established.

(iv) Fronting fees – recognized when premiums are billed to customers as the Group has no further service obligations associated with these fees.

(v) Commission expense – recognized when the obligation to pay the commissions has been established.

(l) Premium Tax

Premium tax is incurred at a rate of 3% of gross premiums written in The Commonwealth of The Bahamas and 2.5% of gross written premiums in the Turks & Caicos Islands, BWI. Premium tax is recognized when the Company's obligation to make payment has been established.

(m) Employee Benefits

(i) Defined Contribution Pension Plan

The Group has a defined contribution pension plan for eligible employees whereby the Group pays contributions to a privately administered pension plan. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their eligible earnings and such amounts are matched by the Group. The Group's contributions to the defined contribution pension plan are charged to income or loss in the year to which they relate.

(ii) Short-Term Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided in net income or loss.

A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to net income or loss using a straight-line method over the period of the lease.

(o) Related Parties

Related parties include affiliates of Aon Corporation, major shareholders, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Group (see Note 23 for further details).

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(q) Treasury Share Capital (Interest In Own Shares)

Treasury share capital represents the Group's own equity instruments which are acquired and are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(r) Earnings Per Share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(s) Dividends

Dividends proposed or declared after the reporting date are not recognized at the reporting date.

(t) New Standards, Interpretations, and Amendments to Published Standards that are Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods but which the Group has not early adopted are as follows:

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization*

Effective for annual periods beginning on or after January 1, 2017:

- IFRS 15 – *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9 – *Financial Instruments (issued in 2014)*

IFRS 9, as issued in July 2014 must be applied to annual periods beginning on or after January 1, 2018. However, for annual periods beginning before January 1, 2018, an entity may elect to apply this standard if and only if the entity's date of initial application is before February 1, 2015.

The Group is currently assessing the impact of the new and revised standards, however, does not anticipate any material impact on the results of its operations from the implementation of these new standards when they become effective.

4. ACCOUNTS RECEIVABLE

Accounts receivable are stated at amortized cost less provision for doubtful accounts. Interest is charged on accounts that are financed at a rate of 10% (2013 – 10%) per annum on the total balance financed for periods of three months or six months. The Company reserves the right and from time to time may negotiate lower interest rates and longer periods for commercial customers. Collateral is not held against any of the outstanding balances; however the Company has the right to cancel the financed policy for non-payment. As at December 31, 2014, the rates of interest on the premium finance receivables range from 5% to 10% per annum (2013 – 1% to 10%) and are all financed for periods within three months.

As at December 31 accounts receivable consist of:

	2014	2013
Trade	\$ 8,925,331	\$ 9,204,827
Premium finance	1,026,058	1,077,123
Other	–	155,897
	<u>9,951,389</u>	<u>10,437,847</u>
Provision for doubtful accounts	(376,234)	(328,892)
	<u>\$ 9,575,155</u>	<u>\$ 10,108,955</u>

The aging analysis of accounts receivable as at December 31 is as follows:

						Total
	0-6 Months	6-9 Months	9-12 Months	More than 12 Months	Past due and Impaired	
Trade	\$ 6,435,903	\$ 1,741,128	\$ 243,772	\$ 128,294	\$ 376,234	\$ 8,925,331
Premium finance	1,024,928	1,130	–	–	–	1,026,058
Other	–	–	–	–	–	–
Total	<u>\$ 7,460,831</u>	<u>\$ 1,742,258</u>	<u>\$ 243,772</u>	<u>\$ 128,294</u>	<u>\$ 376,234</u>	<u>\$ 9,951,389</u>

2013

						Total
	0-6 Months	6-9 Months	9-12 Months	More than 12 Months	Past due and Impaired	
Trade	\$ 5,914,992	\$ 2,313,699	\$ 328,581	\$ 318,663	\$ 328,892	\$ 9,204,827
Premium finance	1,067,567	2,712	5,118	1,726	–	1,077,123
Other	155,897	–	–	–	–	155,897
Total	<u>\$ 7,138,456</u>	<u>\$ 2,316,411</u>	<u>\$ 333,699</u>	<u>\$ 320,389</u>	<u>\$ 328,892</u>	<u>\$ 10,437,847</u>

Based on the Company's current aging procedure, all trade balances over five months are considered to be past due but not impaired. All trade balances that have been outstanding for more than one year and have had no activity within the past 12 months are considered to be past due and impaired. Cancellation or extension of the terms of the credit is instituted on a case by case basis. Specific provisions are made against trade balances based on the above aging procedure.

For premium financed receivables, in the event of default of payment by the customer on any of the agreed installments, the balance automatically and immediately becomes due and payable in full. The Company may in its sole discretion reinstate the finance agreement if the overdue installment is paid in full within the grace period. Failure to pay the overdue installments within the grace period will result in the cancellation of the underlying policy. The Company has the sole right to amend the policy after the grace period. As at December 31, 2014, \$294,314 (2013 – \$121,468) related to policies that were in default of payment of the agreed installments and are considered to be past due but not impaired.

The movement in the provision for doubtful accounts as at December 31 is as follows:

	2014	2013
Balance as of January 1	\$ 328,892	\$ 278,892
Write-off against provision	(658)	–
Provision for the year	48,000	50,000
Balance as at December 31	<u>\$ 376,234</u>	<u>\$ 328,892</u>

5. UNDERWRITING POLICIES AND REINSURANCE AGREEMENTS

The Group follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Group. The reinsurance of contracts does not, however, relieve the Group of its primary obligation to the policyholders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would also be liable for the reinsured amount. The Group's credit risk management procedures are detailed in Note 25.

Aon Limited, whose registered office is in London, England, a related party of the Company, is the Group's reinsurance broker and acts as the intermediary between the Group and the reinsurers. Reinsurance contracts between the Group and its reinsurers are renewable annually in accordance with the terms of the individual contracts.

Reinsurance recoverables consist of:

	2014	2013
Recoverables under excess of loss reinsurance for claims paid and outstanding	\$ 616,661	\$ 992,824
Recoverables under proportional contracts for outstanding claims (Note 14)	9,141,637	10,682,056
	<u>\$ 9,758,298</u>	<u>\$ 11,674,880</u>

Amounts due to reinsurers of \$3,935,439 (2013 – \$3,473,922) represent premiums to be ceded to the reinsurers as at December 31, 2014, less reinsurance recoverables on proportional contracts.

6. CASH AND BANK BALANCES

The Group earned interest at varying rates up to 0.5% (2013 – varying rates up to 0.5%) per annum on accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to \$21,350 (2013 – \$36,886).

7. TERM DEPOSITS

Term deposits with banks include accrued interest totaling \$242,838 (2013 – \$180,992). The term deposits are held more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates 2014	2014	Interest Rates 2013	2013
Three months – one year	0.13%-4.00%	\$ 9,224,403	0.22% to 4.00%	\$ 6,688,217
Over one year	4.25%	1,016,302	3.75% – 4.25%	2,821,043
		<u>\$ 10,240,705</u>		<u>\$ 9,509,260</u>

To meet the requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 27 under capital management, ICB renewed its term deposit of \$1,124,964 (2013 – \$1,086,928) with maturity date of December 21, 2015, and it is held with a recognized financial institution in The Bahamas.

ICB is also required under the Insurance Regulations (2012 Consolidation) in Turks and Caicos to meet certain capital requirements as outlined in Note 27, and maintained a restricted deposit of \$504,589 (2013 – \$503,480), with a maturity date of December 7, 2015, and it is held with a recognized financial institution in Turks and Caicos.

8. INVESTMENTS IN SECURITIES

Investments in securities classified as follows:

	2014	2013
Securities at fair value through profit or loss	\$ 3,489,308	\$ 3,123,521
Held-to-maturity	9,891,490	9,428,539
Available for sale	3,083,295	3,072,000
As of end of year	<u>\$ 16,464,093</u>	<u>\$ 15,624,060</u>

Securities at Fair Value Through Profit or Loss

Securities at fair value through profit or loss principally comprise marketable equity securities, which are listed on The Bahamas International Securities Exchange, and are stated at fair value using quoted bid prices.

Movements during the year were as follows:

	2014	2013
As at beginning of year	\$ 3,123,521	\$ 2,782,123
Additions	53,350	84,139
Change in net unrealized gains during the year	312,437	257,259
As of end of year	<u>\$ 3,489,308</u>	<u>\$ 3,123,521</u>

As of December 31, 2014, the cost of securities at fair value through profit or loss was \$2,223,863 (2013 – \$2,170,513).

Held-to-Maturity Securities

Held-to-maturity securities consist of the following:

	Interest Rates	Maturity	Amortized Cost 2014
The Bridge Authority Bond	6.25%	2024	\$ 130,250
Bahamas Government Registered Stocks	4.89% to 5.37%	2015 – 2037	5,937,058
Clifton Heritage Authority	5.50%	2035	283,139
Bahamas Electricity Corporation	6.40%	2026	500,792
Fidelity Bank (Bahamas) Ltd.	7.00%	2017	507,000
Fidelity Bank (Bahamas) Ltd	6.00%	2018	100,542
Nassau Airport Development:			
Company – senior secured note	8.50%	2031	487,730
College of The Bahamas	7.00%	2026	428,572
Public Hospital Authority Ser A	6.00%	2033	1,015,123
Bahamas Govt Stock Tranche 1	6.25%	2044	501,284
			<u>\$ 9,891,490</u>

	Interest Rates	Maturity	Amortized Cost 2013
The Bridge Authority Bond	6.25%	2024	\$ 130,250
Bahamas Government Registered Stocks	4.89% to 5.37%	2015 – 2037	5,937,057
Clifton Heritage Authority	5.50%	2035	283,139
Bahamas Electricity Corporation	6.40%	2021	500,792
Fidelity Bank (Bahamas) Ltd.	7.00%	2017	507,000
Fidelity Bank (Bahamas) Ltd.	6.00%	2018	100,510
Nassau Airport Development Company – Senior Secured Note	8.50%	2031	497,945
College of The Bahamas	7.00%	2026	464,286
Public Hospital Authority Ser A	6.00%	2033	1,007,560
			<u>\$ 9,428,539</u>

Included in amortized costs for held-to-maturity investments is accrued interest totaling \$133,919 (2013 – \$125,254).

In accordance with the Note Purchase Agreement dated March 20, 2009 for Nassau Airport Development Company – Senior Secured Note, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2031. During 2014, ICB received \$10,000 (2013 – \$7,500) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated June 24, 2011 for The College of The Bahamas, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2026. During 2014, the Company received \$35,714 (2013 – \$35,714) towards the principal of the Secured Note.

Available For Sale Securities

Available for sale securities consist of the following:

	No. of Shares	2014 Fair Value	No. of Shares	2013 Fair Value
Commonwealth Bank Ltd. 7% (perpetuity)	10,000	\$ 1,000,000	10,000	\$ 1,000,000
Bank of The Bahamas Prime+2% (perpetuity)	500	500,000	500	500,000
Cable Bahamas Ltd. Series Four 8% (2019)	50,000	500,000	50,000	500,000
APD Limited Series A	1,000	500,000	1,000	500,000
Grand Bahama Power Company Limited	322,000	322,000	322,000	322,000
High Yield Income Fund	25,000	261,295	25,000	250,000
		<u>\$ 3,083,295</u>		<u>\$ 3,072,000</u>

Included in prepayments and other assets is \$31,604 (2013 – \$33,420) relating to dividends receivable at December 31, 2014.

Fair Value Hierarchy

Securities at fair value through profit or loss and available for sale securities are categorized as Level 2 as at December 31, 2014 and 2013. There has been no transfer of financial instruments between Level 1 and Level 2 during the year ended December 31, 2014 and 2013.

9. DUE FROM INSURANCE CARRIERS

As of December 31, 2014, balances totaling \$67,605 (2013 – \$334,050) comprise funds due from insurance carriers relating to overpayments, cancellations, and for policies that were processed subsequent to the year end.

10. PREPAYMENTS AND OTHER ASSETS

	2014	2013
Staff loans and advances (i)	\$ 500,965	\$ 457,427
Prepayments and security deposits	77,641	88,361
Capital projects – deposits (ii)	161,285	161,285
Other assets	460,925	394,304
	<u>\$ 1,200,816</u>	<u>\$ 1,101,377</u>

- (i) Staff loans are secured by the employee's pension fund and are granted based on an employee's tenure with the Company. The maturity dates normally extend up to 24 months of issuance.
- (ii) This balance represents payments made for architect fees related to the planned building extension project, for which the expected date of commencement has not yet been determined.

11. INTANGIBLE ASSETS

	2014	2013
Cost:		
At January 1	\$ 640,308	\$ 597,401
Acquisitions	25,000	42,907
At December 31	<u>\$ 665,308</u>	<u>\$ 640,308</u>
Accumulative amortization:		
At January 1	\$ 264,552	\$ 153,536
Charge for the year	127,450	111,016
At December 31	<u>\$ 392,002</u>	<u>\$ 264,552</u>
Impairment:		
At January 1	\$ 77,167	\$ 77,167
Reversal of impairment during the year	(43,675)	–
At December 31	<u>\$ 33,492</u>	<u>\$ 77,167</u>
Net carrying value	<u>\$ 239,814</u>	<u>\$ 298,589</u>

Intangible assets relate to the purchase of three portfolios of businesses ("business") consisting of customer relationships with insurance policies in the Turks and Caicos Islands and a recently acquired portfolio in Exuma, Bahamas. In 2011, the Company paid \$383,600 for one of the portfolios of business and an impairment loss of \$77,167 was incurred in 2012 and is included in the consolidated statement of comprehensive income. In 2014, a reversal of \$43,675 impairment loss was made as this portfolio still carried a value for the Company at the end of December 2014.

The second portfolio was acquired for \$256,708 in accordance with a Purchase and Sales Agreement, which represented commissions collected up to April 30, 2013.

The third portfolio was purchased on August 1, 2014. As of December 31, 2014, \$25,000 has been paid and will be subjected to additional fees upon completion of the contract in February 2016.

Amortization charged for the year of \$127,450 (2013 – \$111,016) is included in depreciation and amortization in the consolidated statement of comprehensive income.

There have been no changes in the estimates and assumptions which were initially used to assess the fair value of the intangible assets.

12. INVESTMENT PROPERTIES

Investment properties are accounted for using the cost model and is as follows:

	Land	Buildings	Total
Cost:			
Balance as at January 1, 2014	\$ 1,714,819	\$ 378,809	\$ 2,093,628
Balance as at December 31, 2014	\$ 1,714,819	\$ 378,809	\$ 2,093,628
Accumulated depreciation:			
Balance as at January 1, 2014	\$ —	\$ 72,868	\$ 72,868
Charge for the year	—	10,780	10,780
Balance as at December 31, 2014	\$ —	\$ 83,648	\$ 83,648
Impairment:			
Balance as at January 1, 2014 and December 31, 2014	\$ 322,046	\$ 67,166	\$ 389,212
Balance as at December 31, 2014	\$ 1,392,773	\$ 227,995	\$ 1,620,768
Balance as at December 31, 2013	\$ 1,392,773	\$ 238,775	\$ 1,631,548

As at December 31, 2014, the Company's investment properties are comprised of three parcels of land, one of which is a vacant lot with a carrying value of \$536,917 (2013 - \$536,917). This vacant lot was appraised on December 20, 2012 by a qualified third-party appraiser using the sales comparable approach, and the estimated fair value was \$600,000.

The other investment property is represented by land and a building. This land and building have carrying values of \$480,000 (2013 - \$480,000), and \$133,687 (2013 \$142,221), respectively. This investment property was appraised on October 9, 2014 by a qualified third-party appraiser and the estimated fair value was \$623,000 (December 2, 2011 appraised value of \$640,000). The land's appraised value remained at \$480,000 using the comparable sales approach for similar properties within the vicinity and resulted in an impairment loss of \$322,046 in 2011. The building was appraised to \$143,000 (December 2, 2011 appraised value of \$160,000) using the cost or summation approach, taking into consideration the age of the building and the conditions and other factors that may reduce market appeal and resulted in an impairment loss of \$67,166 in 2011.

Also included in the carrying value of land is another property with a book value at the reporting date of \$375,856 (2013 - \$375,856) for land and \$94,306 (2013 - \$78,775) for building. A third-party appraisal performed by a qualified appraiser on October 7, 2013, issued a total appraised value of \$446,000 using the replacement cost approach. The Directors have determined that the decline in value is deemed immaterial when total carrying value and appraised value are compared.

Included in depreciation in the statement of comprehensive income is the depreciation charge on the building of \$10,780 (2013 - \$10,778).

13. PROPERTY, PLANT, AND EQUIPMENT

	Land	Building	Furniture, Equipment & Motor Vehicles	Leasehold Improvements	Computer Hardware & Software	Total
Cost:						
Balance as of January 1, 2014	\$ 2,340,044	\$ 6,637,520	\$ 1,494,773	\$ 628,372	\$ 2,068,095	\$ 13,168,804
Additions	—	308,821	200,380	402,094	93,950	1,005,245
Write-offs	—	—	—	(309,730)	—	(309,730)
Disposals	—	—	(19,453)	—	—	(19,453)
Balance as of December 31, 2014	\$ 2,340,044	\$ 6,946,341	\$ 1,675,700	\$ 720,736	\$ 2,162,045	\$ 13,844,866
Accumulated depreciation:						
Balance as of January 1, 2014	—	1,740,044	1,122,766	598,855	1,480,223	4,941,888
Depreciation charge for the year	—	136,905	128,222	36,562	187,802	489,491
Write-offs	—	—	—	(309,730)	—	(309,730)
Disposals	—	—	(19,453)	—	—	(19,453)
Balance as of December 31, 2014	\$ —	\$ 1,876,949	\$ 1,231,535	\$ 325,687	\$ 1,668,025	\$ 5,102,196
Net carrying value:						
December 31, 2014	\$ 2,340,044	\$ 5,069,392	\$ 444,165	\$ 395,049	\$ 494,020	\$ 8,742,670
December 31, 2013	\$ 2,340,044	\$ 4,897,476	\$ 372,007	\$ 29,517	\$ 587,872	\$ 8,226,916

14. OUTSTANDING CLAIMS AND NET CLAIMS INCURRED

Included in the consolidated statement of comprehensive income is net claims incurred as follows:

	2014	2013
Claims incurred	\$ 9,832,025	\$ 16,284,415
Less: recoverable from reinsurers	(8,360,045)	(14,399,222)
	\$ 1,471,980	\$ 1,885,193

Assumptions, change in assumptions and sensitivity

(i) Process Used to Decide on Assumptions

The reserving process commences at the moment an insured reports a claim and there is prima facie evidence that the Group is liable under the policy. An initial reserve is established at that point based on the best information available. Assuming liability is subsequently confirmed, the reserve is revised whenever more detailed information becomes available concerning the nature of the injury or physical damage involved. The setting of reserves is the responsibility of the Group's claims manager who will use external legal or other expert advice where appropriate. Where the initial reserve exceeds the claims manager's settling threshold, the adequacy of the reserve will also be discussed with the management of the Group. An established reserve is expected to be sufficient to meet the final cost of a claim whenever it is finally determined.

A provision for incurred but not reported ("IBNR") claims has been established for each class of business and is monitored for accuracy at each year end. In determining the accuracy of the provision, management reviews the historical cost of IBNR claims and amends the provision, where necessary, taking into account statistical trends and changes in the shape and size of the portfolio.

All claims reserves are established on a gross basis and the Group accounts to proportional reinsurers for their share through quarterly returns. Claims recoveries against Excess of Loss reinsurers are made on a case by case basis on proof of payment being established.

(ii) Sensitivity Analysis – Claims Development

The development of long tail insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Accurate claims reserving is crucial to the long term health of the Group as it allows for more accurate pricing of products and also generates the necessary level of confidence on the part of both reinsurers and shareholders. Management uses a variety of statistical tools, including "Loss Triangulations" developed annually on an accident year basis to monitor the development of the Group's long tail liabilities.

The following tables show the development of the Group's claims costs by Accident year over the period of 2009 to 2014:

Insurance Claims Other Than Catastrophe – Gross:

Accident Year	2009	2010	2011	2012	2013	2014	Total
Original estimate of ultimate claims cost at end of accident year	\$ 10,638,063	\$ 12,492,855	\$ 25,592,731	\$ 11,986,068	\$ 14,439,443	\$ 10,929,613	\$ 86,078,773
Current estimate of cumulative claims	\$ 10,120,513	\$ 13,151,790	\$ 21,634,909	\$ 11,983,167	\$ 13,865,896	\$ 10,929,613	\$ 81,685,888
Cumulative payments to date	(9,324,551)	(12,207,720)	(21,160,741)	(11,290,597)	(12,955,921)	(8,030,501)	(74,970,031)
Liability recognized in the consolidated statement of financial position	\$ 795,962	\$ 944,070	\$ 474,168	\$ 692,570	\$ 909,975	\$ 2,899,112	\$ 6,715,857
Liability in respects of years prior to 2009							4,091,846
Gross claims outstanding included in the consolidated statement of financial position							\$ 10,807,703

Insurance Claims Other Than Catastrophe – Net Retention:

Accident Year	2009	2010	2011	2012	2013	2014	Total
Original estimate of ultimate cost at end of accident year	\$ 2,123,113	\$ 2,718,254	\$ 3,659,091	\$ 2,312,978	\$ 2,359,634	\$ 1,738,553	\$ 14,911,623
Current estimate of cumulative claims	\$ 1,913,218	\$ 2,356,084	\$ 3,400,966	\$ 2,258,086	\$ 2,295,205	\$ 1,738,553	\$ 13,962,112
Cumulative payments to date	(1,792,469)	(2,281,302)	(3,329,841)	(2,153,497)	(2,175,098)	(1,290,760)	(13,022,967)
Liability recognized in the consolidated statement of financial position	\$ 120,749	\$ 74,782	\$ 71,125	\$ 104,589	\$ 120,107	\$ 447,793	\$ 939,145
Liability in respects of years prior to 2009							110,260
Net claims outstanding included in the consolidated statement of financial position							\$ 1,049,405

(iii) Movements in Outstanding Claims

Outstanding Claims

As at December 31, 2014, outstanding claims of \$10,807,703 (2013 – \$12,715,977) are shown gross of reinsurance recoverables of \$9,141,637 (2013 – \$10,682,056) as disclosed in Note 5.

Included in gross outstanding claims is a provision of \$825,000 (2013 – \$850,000) for claims incurred but not reported as of the year end.

Year Ended December 31	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Notified claims	\$ 11,865,977	\$ (9,974,056)	\$ 1,891,921	\$ 13,286,538	\$ (10,605,826)	\$ 2,680,712
Incurred but not reported	850,000	(708,000)	142,000	\$ 850,000	\$ (708,000)	\$ 142,000
Total claims outstanding at beginning of the year	\$ 12,715,977	\$ (10,682,056)	\$ 2,033,921	\$ 14,136,538	\$ (11,313,826)	\$ 2,822,712
Cash paid for claims settled in the year	(11,752,349)	9,912,514	(1,839,835)	(17,704,976)	14,852,245	(2,852,731)
Increase in liabilities arising in current year claims	12,931,686	(9,579,773)	3,351,913	16,506,595	(13,881,804)	2,624,791
arising from prior years claims	(3,062,611)	1,187,678	(1,874,933)	(222,180)	(338,671)	(560,851)
movement in incurred but not reported	(25,000)	20,000	(5,000)	–	–	–
Total claims outstanding at end of the year	\$ 10,807,703	\$ (9,141,637)	\$ 1,666,066	\$ 12,715,977	\$ (10,682,056)	\$ 2,033,921
Outstanding claim at December 31, consist of:						
Notified claims	9,982,703	(8,453,637)	1,529,066	11,865,977	(9,974,056)	1,891,921
Incurred but not reported	825,000	(688,000)	137,000	850,000	(708,000)	142,000
Total claims outstanding at end of the year	\$ 10,807,703	\$ (9,141,637)	\$ 1,666,066	\$ 12,715,977	\$ (10,682,056)	\$ 2,033,921

(iv) Unearned Premium Reserve

Year Ended December 31	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At beginning of the year	21,540,372	(18,114,440)	3,425,932	\$ 21,438,748	\$ (17,860,120)	\$ 3,578,628
Net increase in the year	341,312	(514,497)	(173,185)	\$ 101,624	\$ (254,321)	\$ (152,697)
Total claims outstanding at end of the year	\$ 21,881,684	\$ (18,628,937)	\$ 3,252,747	\$ 21,540,372	\$ (18,114,441)	\$ 3,425,931

Included in net premiums earned in the consolidated statement of comprehensive income is the net increase in unearned premium reserve of \$173,185 (2013 – net decrease of \$152,697).

These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at year-end.

15. ACCOUNTS PAYABLE

Included in accounts payable is \$974,223 (2013 – \$993,641) representing customer accounts with credit balances. These credit balances comprise funds received from customers for policies that were processed subsequent to the year-end or amounts due to customers as returned premiums for cancelled or amended policies.

16. NET PREMIUMS EARNED

	2014	2013
Gross written premiums	\$ 45,381,207	\$ 45,778,159
Premium tax	(1,303,842)	(1,315,487)
	44,077,365	44,462,672
Ceded to reinsurers	(37,220,655)	(37,220,209)
Net retained premiums	6,856,710	7,242,463
Decrease in unearned premium reserve (Note 14)	173,185	152,697
Portfolio transfer	–	(728,574)
Net premiums earned	\$ 7,029,895	\$ 6,666,586

17. INCOME AND EXPENSES

Investment income consists of:	2014	2013
Interest income (Notes 6 and 7)	\$ 999,780	\$ 996,028
Dividend income (Note 8)	314,501	393,427
Other income	502,941	495,905
	\$ 1,817,222	\$ 1,885,360

Other operating expenses consist of:

	2014	2013
Office expenses	\$ 1,373,006	\$ 1,458,238
General expenses	1,071,644	1,011,703
Premise costs	1,014,896	1,075,294
Computer related expenses	360,601	350,847
Travel and entertainment	337,118	292,555
	\$ 4,157,265	\$ 4,188,637

18. DIVIDENDS

During the year, the Company declared dividends of \$0.64 per share (2013 – \$0.64 per share) totaling \$5,112,319 (2013 – \$5,112,321) in respect of the final quarter of 2013 and the first three quarters of 2014. Included in accrued expenses and other liabilities in the consolidated statement of financial position are dividends payable of \$512,000 (2013 – \$512,000).

19. PENSION PLAN

The Group's employees are members of a defined contribution plan covering all eligible employees. This plan provides for benefits to be paid upon retirement. Employees are required to contribute an amount equal to 5% of their eligible earnings, which is matched by the Group. The amount charged to salaries and employee benefits in the consolidated statement of comprehensive income during the year for pension costs was \$427,471 (2013 – \$348,729).

20. RETAINED EARNINGS

ICB has made an appropriation to a general reserve for unforeseeable risks and future losses. The general reserve can only be distributed following approval by the Board of Directors of ICB. Included in retained earnings is \$800,000 (2013 – \$800,000) representing the Company's 40% share of this reserve.

21. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Group leases certain premises under non-cancellable operating leases. Future minimum rental commitments are as follows:

	2014	2013
Not later than one year	\$ 172,353	\$ 100,170
More than one year but not later than five years	353,988	64,160
	\$ 526,341	\$ 164,330

The Group also leases certain premises on a month-to-month basis, which have not been included in the future minimum rental commitments.

Contingencies

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its operations. Management of the Group does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Group.

22. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Net income attributable to equity holders of the company	\$ 5,925,823	\$ 5,641,231
Weighted average number of ordinary shares in issue	8,000,000	8,000,000
Less: Interest in own shares	(30,000)	(30,000)
	<u>7,970,000</u>	<u>7,970,000</u>
	<u>\$ 0.74</u>	<u>\$ 0.71</u>

ICB holds 30,000 (2013 – 30,000) shares at a cost of \$84,600 (2013 – \$84,600) (Note 8) in the Company's own shares, which have been excluded from the weighted average number of ordinary shares in issue in the calculation of the earnings per share.

23. RELATED-PARTY TRANSACTIONS

Related parties comprise: i) major shareholders, directors and key management personnel of the Group; ii) entities in which the parties in (i) have control or significant influence; and iii) entities that have control or significant influence of the parties in (i).

Aon UK Holdings Intermediaries Ltd. (formerly Bain Hogg Management Ltd.), a company incorporated in the United Kingdom, and a subsidiary of Aon Corporation ("Aon"), is the Company's principal shareholder with a shareholding of 40% (2013 – 40%) of the Company's outstanding shares. Aon, through its subsidiaries, serves as the Group's reinsurance broker. In these consolidated financial statements, an affiliate is defined as a subsidiary, or associate of Aon.

The consolidated financial statements include the following balances and transactions with related parties:

	2014	2013
Assets/(Liabilities)		
Due to related parties	\$ (415,530)	\$ (917,364)
Dividends payable	(512,000)	(512,000)
Transactions		
Net commissions	6,702,300	6,788,083
Key management compensation:		
Salaries and other short-term employee benefits, including directors fees	2,200,841	2,090,468
Post employee benefits	53,850	53,352
Dividends paid	2,048,000	1,984,000

24. SEGMENT INFORMATION

The Group is organized into two business segments, which are described below. Each segment offers different services, and is managed separately. For each business segment, the Group's Managing Director reviews internal management reports on, at least, a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Insurance agents & brokers, where the Group sells and administers insurance policies on behalf of those insurance companies it represents. The Group bears no business risk associated with the insurance policies.

• General insurance underwriting where the Group assumes its portion of the business risk associated with the insurance policies.

All transactions between the business segments are conducted on normal commercial terms and conditions.

The segment results for the year ended December 31, 2014, are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	\$ 17,839,554	\$ (171,572)	\$ 17,667,982
Net premiums earned (Note 16)	—	7,029,895	7,029,895
Interest income (Note 17)	139,788	859,992	999,780
Reversal of impairment loss on intangible asset	43,675	—	43,675
Dividend income (Note 17)	—	314,500	314,500
Other income (Note 17)	328,858	174,084	502,942
Profit on sale of property, plant and equipment	6,750	—	6,750
Change in net unrealized gains on investments in securities	—	312,437	312,437
	<u>\$ 18,358,625</u>	<u>\$ 8,519,336</u>	<u>\$ 26,877,961</u>
	Agents & Brokers	Underwriting	Total
Insurance expenses	\$ —	\$ 3,958,275	\$ 3,958,275
Depreciation and amortization	595,261	32,460	627,721
Other expenses	13,219,269	1,063,246	14,282,515
	<u>\$ 13,814,530</u>	<u>\$ 5,053,981</u>	<u>\$ 18,868,511</u>
Net income	<u>\$ 4,544,095</u>	<u>\$ 3,465,355</u>	<u>\$ 8,009,450</u>

The segment results for the year ended December 31, 2013 are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	\$ 18,468,370	\$ 32,527	\$ 18,500,897
Net premiums earned (Note 16)	—	6,666,586	6,666,586
Interest income (Note 17)	178,637	817,391	996,028
Dividend income (Note 17)	95,940	297,487	393,427
Other income (Note 17)	258,762	237,143	495,905
Change in net unrealized gains on investments in securities	—	257,259	257,259
	<u>\$ 19,001,709</u>	<u>\$ 8,308,393</u>	<u>\$ 27,310,102</u>
	Agents & Brokers	Underwriting	Total
Insurance expenses	\$ —	\$ 4,706,901	\$ 4,706,901
Depreciation and amortization	725,709	36,243	761,952
Other expenses	13,613,978	1,056,685	14,670,663
	<u>\$ 14,339,687</u>	<u>\$ 5,799,829</u>	<u>\$ 20,139,516</u>
Net income	<u>\$ 4,662,022</u>	<u>\$ 2,508,564</u>	<u>\$ 7,170,586</u>

The segment assets and liabilities at December 31, 2014, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	\$ 24,232,610	\$ 60,060,722	\$ 84,293,332
Total liabilities	\$ 10,953,099	\$ 36,505,751	\$ 47,458,850

The segment assets and liabilities at December 31, 2013, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	\$ 23,608,869	\$ 58,607,294	\$ 82,216,163
Total liabilities	\$ 9,342,746	\$ 38,464,076	\$ 47,806,822

25. RISK MANAGEMENT

The Group is exposed to insurance risk and financial risk through its insurance assets and insurance liabilities, financial assets and financial liabilities. The insurance risk covers such things as the vagaries of the weather, the unpredictability of serious injury losses and fortuitous events such as outbreaks of fire. The main components of the financial risk are credit risk, liquidity risk and interest-rate risk. The Group's financial performance is affected by its capacity to understand and effectively manage these risks. The Group's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities. A critical goal of the Group is to ensure that its financial assets are always more than sufficient to fund the obligations arising from its insurance contracts. Close attention is also paid to cash management policies.

The following notes expand on the nature of the aforementioned risks and the manner in which the Group manages them.

(a) Insurance Risk

Insurance risk is the risk that the insured event might occur. At the individual policy level and also at the portfolio level, there is uncertainty in terms of both frequency of occurrence and severity of loss. For any given portfolio of insurance contracts, where the theory of probability is applied to pricing and loss reserving, the principal risk that the Group faces is that claims and other costs might exceed premiums earned. This could occur because the frequency or severity of claims is greater than estimated or that estimated original policy rates prove not to be sustainable or a combination of both. Experience shows that the greater the commonality of risk within a class of business, the smaller will be the relative variability in the expected outcome. In addition, a more diversified portfolio is less vulnerable to deterioration in the loss experience in any particular class of business. The Group has developed its underwriting strategy to produce a diversified portfolio of insurance risks. Within each of the individual classes of business it has sought to achieve, wherever possible, a sufficiently large population of risks to reduce the variability of the expected outcome.

At the macro level, the Group suffers from a lack of diversification in the sense that it only insures the non-life risks of individuals located in The Bahamas and Turks and Caicos; therefore, there is a concentration of insurance risk within the industry sector and territory in which the Group operates.

Casualty Insurance Risks

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Claims frequency can be influenced by changes in the size, composition and quality of a portfolio. Changes in social/economic conditions can also severely impact claims frequency. Claim severity is impacted by such things as general inflation. In the case of liability claims, the most significant factor is the increasing level of awards for personal injury. Claims involving serious long term injury can take five years or more to settle.

The Group manages these risks by means of its well developed underwriting and reinsurance strategies and also by adopting a proactive approach to claims handling. The underwriting strategy attempts to ensure that the portfolio remains biased towards high quality risks. Underwriting guidelines are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include both proportional and catastrophe excess of loss coverage.

The effect of such reinsurance arrangements is to limit the total net insurance loss that the Group can suffer in any one year.

(ii) *Sources of uncertainty in the estimation of future claim payments*

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to IBNR claims and unexpired risks. Given the uncertainty in establishing claims provisions, it is likely in many cases that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims (both reported or not), the Group uses various industry standard loss estimation techniques and the experience of its staff in settling claims of similar types.

Property Insurance Contracts

(i) *Frequency and severity of claims*

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (e.g. hurricanes, flooding, etc.) and their consequences. The Group has the right to re-price each individual risk on renewal. It also has the ability to impose or increase deductibles. Contracts are priced on the basis of the commercial replacement value of the properties and contents insured. The sum insured represents the maximum amount payable under a policy. The cost of repairing or rebuilding properties, the cost of providing indemnity for damaged or stolen contents and time taken to restart business operations (business interruption insurances) are the key factors that influence the value of claims under these policies. The most likely cause of major loss under the property portfolio arises from a hurricane event or other serious weather related event. The Group has reinsurance coverage in place to limit the impact of such losses in any one year.

The Group underwrites property insurance in The Bahamas and Turks and Caicos.

(ii) *Sources of uncertainty in the estimation of future claim payments*

The development of large losses/catastrophes is analyzed separately. Property claims can be estimated with greater reliability due to the shorter settlement period for these claims and relatively little IBNR is held at year end.

(b) Financial Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

In the normal course of business, the Group seeks to limit its exposure to losses that may arise from any single occurrence. Reinsurance is primarily placed using a combination of proportional and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Group of its primary obligations to the policyholders; therefore the Group is exposed to the risk that the reinsurers may be unable to fulfill their obligations under the contracts. The Group seeks to mitigate this risk by placing its reinsurance coverage with large multi-national companies and syndicates. The Group, with the assistance of its reinsurance broker, also evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers on an ongoing basis to minimize its exposure to significant losses from insurer insolvency. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group's credit risk exposure emanates from reinsurers in the form of prepaid premiums held or claims recoveries still to be made/paid under the various proportional and excess of loss treaties and is disclosed in total on the consolidated statement of financial position. It is the Group's policy that no single counterparty exposure with specific reinsurers should exceed 25% of the total reinsurance assets at any given time. In addition, the Group's proportional treaties contain a "Reinsurer Participation Review Clause", which provides the Group with the option of canceling any individual reinsurer's participation whose financial strength rating (as determined by Standard & Poor and/or A.M. Best) falls below A- or equivalent and to call for the return of prepaid premiums and loss reserves. The Group is required to serve notice of its intention within thirty days of the date of downgrade.

The Group monitors its credit risk exposure relating to accounts receivable on a daily basis. Management separately reviews all trade receivables (provided mainly to commercial businesses) that are in excess of \$100,000 on a monthly basis for any indication of impairment. As at December 31, 2014, the total of trade receivables in excess of this amount was \$5,063,118 (2013 – \$5,049,785). Historically, the Company has not experienced significant credit losses on the trade receivables. On the premium financed receivables the Company may, at its discretion, cancel the policies being financed after a 14-day grace period from the date of the missed contractual payment.

The following procedures are also in place to mitigate the Group's exposure to credit risk:

- places cash with credit-worthy banks;
- monitors the payment history of its customers before continuing to do business with them;
- invests in debt securities of The Bahamas Government, Government-backed companies and financially sound companies.

The carrying amounts of the financial assets, excluding reinsurance balances, on the consolidated statement of financial position represents the current risk exposure.

Liquidity Risk

The objective of liquidity management is to ensure the availability of sufficient funds to honor all of the Group's financial commitments including claims. The Group maintains a level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes.

The tables included in Note 7 for term deposits and Note 8 for investments in securities show the expected recovery or settlement of financial instruments held from the dates of acquisition. Cash and bank balances as disclosed in Note 6 have original maturities of less than three months.

The following table summarizes the expected recovery or settlement of financial assets held (within 12 months from the reporting date) and the maturity profile of the Group's liabilities relating to financial instruments and insurance contracts:

Year Ended December 31	2014			2013		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets						
Cash and bank balances	\$ 7,754,471	\$ —	\$ 7,754,471	\$ 5,592,087	\$ —	\$ 5,592,087
Term deposits	9,224,403	1,016,302	10,240,705	6,688,217	2,821,043	9,509,260
Accounts receivable	9,446,861	128,294	9,575,155	9,788,566	320,389	10,108,955
Due from insurance carriers	67,605	—	67,605	334,050	—	334,050
Investments in securities:						
fair value through profit						
or loss	3,489,308	—	3,489,308	3,123,521	—	3,123,521
held-to-maturity	—	9,891,490	9,891,490	—	9,428,539	9,428,539
available for sale	—	3,083,295	3,083,295	—	3,072,000	3,072,000
Other assets	1,123,174	—	1,123,174	1,013,016	—	1,013,016
Reinsurance recoverables	—	9,758,298	9,758,298	—	11,674,880	11,674,880
Total	\$ 31,105,822	\$ 23,877,679	\$ 54,983,501	\$ 26,539,457	\$ 27,316,851	\$ 53,856,308
Financial liabilities						
Outstanding claims	—	10,807,703	10,807,703	—	12,715,977	12,715,977
Due to related-parties	415,530	—	415,530	917,364	—	917,364
Accounts payable	3,432,514	—	3,432,514	2,659,416	—	2,659,416
Due to reinsurers	3,935,439	—	3,935,439	3,473,922	—	3,473,922
Accrued expenses and						
other liabilities	1,994,995	—	1,994,995	1,682,645	—	1,682,645
Total	\$ 9,778,478	\$ 10,807,703	\$ 20,586,181	\$ 8,733,347	\$ 12,715,977	\$ 21,449,324
Liquidity gap	\$ 21,327,344	\$ 13,069,976	\$ 34,397,320	\$ 17,806,110	\$ 14,600,874	\$ 32,406,984

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest-Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group mitigates this risk by investing in interest-bearing assets with floating interest rates, or investing for short time periods. The rates of interest on financial instruments are disclosed in Notes 4, 6, 7 and 8 in the consolidated financial statements. All other financial assets and financial liabilities are non-interest bearing.

At December 31, 2014, an increase of 25 basis points in interest rates with all other variables remaining constant, would have increased the net income of the Company by approximately \$58,010 (2013 – \$54,399). A decrease of 25 basis points would have an opposite effect with all other variables remaining constant.

Price Risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market.

As the Group's investments in securities at fair value through profit or loss are carried at fair value with fair value changes recognized in net income or loss in the consolidated statement of comprehensive income, all changes in market conditions will directly affect operating income.

The Group is exposed to price risks arising from equity investments. Price risk is mitigated by the Group by investing in a diversified portfolio of instruments.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Most of the Group's financial assets and liabilities are measured at cost or amortized cost, except for financial instruments at fair value through profit or loss and available for sale financial instruments which are measured at fair value as of the reporting date or are carried at values which approximate fair value. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

The Group measures fair values of financial assets using the fair value hierarchy as disclosed in Note 8.

Except as stated elsewhere in the notes, the carrying amounts of the Group's financial assets and liabilities approximate their fair values due to one or both of the following reasons:

- a) immediate or short-term maturity;
- b) carrying amount approximates or equals market value.

27. CAPITAL MANAGEMENT

The Group's capital management policies are based on the following requirements:

Externally imposed capital requirements are set by The Insurance Commission of the Bahamas ("the Commission") and by the Financial Services Commission in Turks and Caicos Islands. These requirements are put in place to ensure sufficient solvency margins.

The Company and ICB are registered under the Insurance Act 2005 ("the Act") and the Company and ICB have met the required minimum paid up and unencumbered capital of \$50,000 and \$2,000,000 respectively. ICB is also required to establish and maintain a statutory deposit in respect of its insurance business in The Bahamas, such deposit to be held in trust pursuant to Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2010 ("the Regulations"). ICB established a Statutory Deposit Trust ("the Trust") in the sum of \$1,000,000 included in the term deposit (Note 7) in the consolidated statement of financial position with a recognized financial institution appointed as trustees of the Trust and the Insurance Commission of The Bahamas ("the Commission") as the protectors of the Trust.

Solvency ratios are established on the basis of risk assessment for each particular entity. ICB is required to meet a minimum margin of solvency. The Act defines solvency as the inability of any Company to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the Commission may prescribe. Of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in Section 70 of the Regulations. As at December 31, 2014, ICB exceeded the minimum margin of solvency required under the Act.

As at December 31, 2014 the Group has complied with the regulatory imposed capital requirement, met the required restricted deposit and exceeded the minimum margin of solvency required under the Act.

ICB is registered as a Foreign Ordinary Company in accordance with the Insurance Ordinance (Ordinance) 1989 in TCI and as such ICB's annual return, pursuant to section 4 of the Ordinance, includes the filing of the solvency margins on the consolidated business and TCI domestic business. ICB is required to maintain a minimum solvency margin relating to an excess of permitted assets over its liabilities. In addition, ICB is required to maintain a restricted deposit, as approved by the Financial Services Commission in TCI, with an approved financial institution in TCI, and as such \$500,000 is included in term deposits (Note 7) in the consolidated statement of financial position.

As at December 31, 2014, ICB has met the required restricted deposit and its solvency requirement in accordance with the Ordinance.

The Group's policy is to maintain a strong capital base to sustain future development of the business and limit the need to borrow funds. Dividends are paid after the Group ensures that it has sufficient cash on demand to meet operational expenses. There has been no change in the Group's management of capital during the year.

28. SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the Company declared a quarterly dividend of \$0.16 per share as of record date February 20, 2015.

BOARD OF DIRECTORS :



BRIAN M. MOREE, QC
Chairman



ALISTER I. MCKELLAR, FCII
Managing Director



BARRETT H. MCDONALD, ACII
Executive Director



BETTY A. ROBERTS



C.R. BRUCE FERNIE



SHARON E. BROWN



MARVIN V. BETHELL, FCII



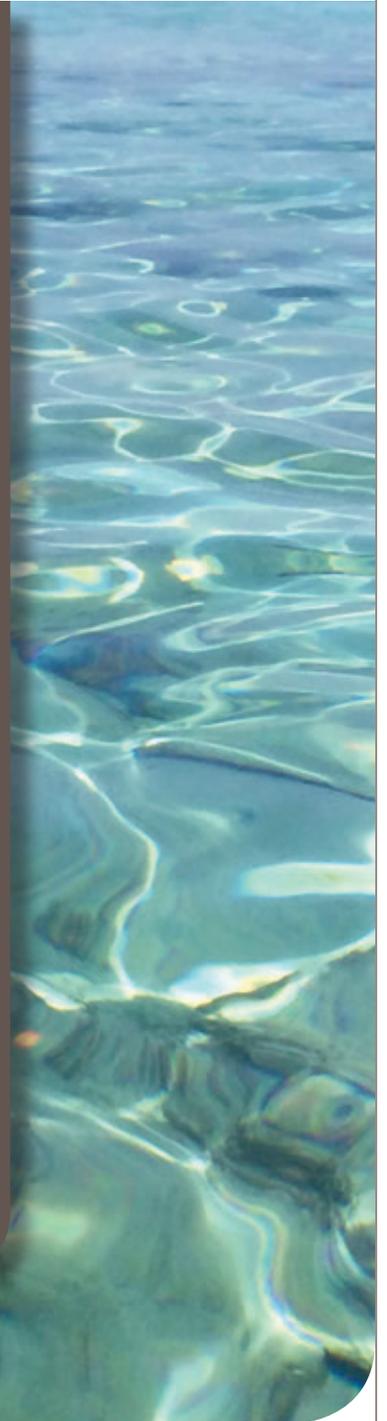
DIONISIO J. D'AGUILAR



TERRY L. WILCOX (USA)



THOMAS F. HACKETT



SENIOR MANAGERS :



WILLIAM MILLS
DEPUTY MANAGING DIRECTOR

(25 years)

MR. MILLS IS RESPONSIBLE FOR PROPERTY & CASUALTY BROKING/UNDERWRITING.



ROBERTHA BROWN
SENIOR MANAGER

(27 years)

MS. BROWN OVERSEES STAFF IN THE COMMERCIAL UNDERWRITING AND COMMERCIAL PROCESSING DEPARTMENTS, WITH PARTICULAR FOCUS ON THE ENHANCEMENT OF INTERNAL CONTROLS AND IMPROVING EFFICIENCY IN THESE AREAS.



RACARDO UNDERWOOD
CHIEF FINANCIAL OFFICER (CFO)

(3 years)

MR. UNDERWOOD MANAGES FINANCIAL RISKS, PLANNING AND REPORTING FOR THE ORGANIZATION, FOCUSING ON AUTOMATION AND PROCESS IMPROVEMENT.



CHARLES JOHNSON
SENIOR MANAGER

(26 years)

MR. JOHNSON IS RESPONSIBLE FOR THE MANAGEMENT AND PRODUCTION OF MOTOR, SUB AGENTS AND NEW BUSINESS IN GENERAL.



ROBERT BARTLETT
SENIOR MANAGER

(37 years)

MR. BARTLETT IS SPECIFICALLY RESPONSIBLE FOR CUSTOMER SERVICE AT THE COLLINS AVENUE OFFICE AND DEALS WITH CUSTOMER COMPLAINTS FOR OUR ENTIRE ORGANIZATION.

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AUDITORS:

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CORPORATE HEAD OFFICE:

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SUBSIDIARY COMPANY:

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Turks & Caicos Islands, BWI

SECRETARY:

Gloria Jean Forbes

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

HOMEOWNERS AUTOMOBILE **ANNUITIES** PENSIONS **MARINE** AVIATION **CRIME** OFFICE
TRAVEL COMPUTERS **LIFE & HEALTH** SPECIAL RISKS **BANKERS' BONDS** PERSONAL ACCIDENT
DIRECTORS & OFFICERS COMMERCIAL LIABILITY **PROFESSIONAL INDEMNITY** SPORTS