

### MANAGING DIRECTOR'S REVIEW

Net Income for the first quarter is down 8.9% from \$2,874,880 to \$2,619,052 due primarily to the decline in Net Income for the Insurance Company of The Bahamas (ICB). However, on the positive side, Net Income attributable to Equity Holders of the Company increased by 12.1% from \$1,807,672 to \$2,026,751 and Earnings per Share increased by .02¢ to .25¢ per share.

The first quarter was a bit sluggish as Total Income dropped from \$7,931,284 to \$7,025,221 due to declines in both Net Commission & Fees and Net Premiums Earned.

On the Expense side, even though Net Claims incurred increased by over \$500,000, Total Expenses declined from \$5,056,404 to \$4,406,169. The main reason for this was the timing of Profit Commission Expenses which were eliminated in the Consolidation process.

With regard to the Segment results, both entities saw declines in Net Income during the quarter. ICB's 11% decline was caused primarily by the 38% increase in Insurance Expenses. The reduction was less significant on the Agency & Brokerage side and was due to the increase in Operating Expenses.

Our Turks & Caicos subsidiary is progressing with the integration of the portfolio acquired from Fidelity Insurance Brokers and have now begun a similar exercise with the transfer of Accordia Insurance Brokers' portfolio. Under the leadership of Martin Regan, who joined us from Accordia, all operations are being combined under one roof in new premises which are scheduled for completion by the end of the second quarter.



Marvin V. Bethell, FCII  
Managing Director

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at March 31, 2011 (amounts expressed in Bahamian dollars)

	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and bank balances	\$ 3,775,734	5,573,352
Term deposits	8,468,177	8,536,162
Accounts receivable	8,659,614	9,808,323
Due from insurance carriers	604,747	829,212
Investments in securities		
- fair value through profit or loss	2,561,230	2,638,877
- held-to-maturity	9,104,914	9,236,911
- available for sale	2,312,500	2,312,500
Prepayments and other assets	2,844,798	1,106,889
Prepaid reinsurance premiums	16,222,659	16,780,244
Reinsurance recoveries	11,701,723	11,266,798
Investment property	1,966,434	1,969,463
Property, plant and equipment	8,782,002	8,861,725
<b>Total assets</b>	<b>\$ 77,004,532</b>	<b>78,920,456</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 19,577,092	20,283,926
Outstanding claims	13,834,816	13,172,341
	33,411,908	33,456,267
Other liabilities:		
Due to related parties	715,967	520,586
Accounts payable	2,315,780	4,262,434
Due to reinsurers	1,538,886	3,736,059
Accrued expenses and other liabilities	3,694,916	2,882,805
Unearned commission reserve	4,208,522	4,284,724
<b>Total liabilities</b>	<b>45,885,979</b>	<b>49,142,875</b>
<b>Net assets</b>	<b>\$ 31,118,553</b>	<b>29,777,581</b>
<b>EQUITY</b>		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	20,086,086	19,337,415
Interest in own shares	(84,600)	(84,600)
	20,081,486	19,332,815
Non-controlling interest	11,037,067	10,444,766
<b>Total equity</b>	<b>\$ 31,118,553</b>	<b>29,777,581</b>

(unaudited)

### LOCATIONS

#### Nassau

Collins Avenue	242.397.2100
Thompson Boulevard	242.676.6300
Soldier Road	242.393.6286

#### Family Islands

Freeport	242.352.7119
Abaco	242.367.2688
Exuma	242.336.2420

#### Turks and Caicos Islands

Providenciales	649.946.4761
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the three months to March 31, 2011  
(amounts expressed in Bahamian dollars)

	March 31,	
	2011	2010
<b>INCOME</b>		
Net commission and fees	4,803,501	5,400,324
Net premiums earned	1,820,501	2,131,034
Investment income	401,219	355,801
Change in net unrealized gain on investments in securities	-	26,125
Profit on sale of property, plant & equipment	-	18,000
<b>Total income</b>	<b>7,025,221</b>	<b>7,931,284</b>
<b>EXPENSES</b>		
Salaries and employees benefits	2,421,266	2,324,830
Net claims incurred	849,649	305,343
Excess of loss reinsurance	828,180	907,276
Depreciation	152,293	130,453
Change in net unrealized loss on investments in securities	77,647	-
Other operating expenses	77,134	1,388,502
<b>Total expenses</b>	<b>4,406,169</b>	<b>5,056,404</b>
<b>Net income and total comprehensive income</b>	<b>2,619,052</b>	<b>2,874,880</b>
<b>Attributable to:</b>		
Equity holders of the Company	2,026,751	1,807,672
Non-controlling interests	592,301	1,067,208
	<b>2,619,052</b>	<b>2,874,880</b>
Earnings per share for the profit attributable to the equity holders of the Company (three months)	\$ 0.25	\$ 0.23

(unaudited)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the three months to March 31, 2011  
(amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholder Equity	Non-Controlling Interest	Total Equity
<b>Balance at January 1, 2010</b>	80,000	17,470,986	(84,600)	17,466,386	8,101,652	25,568,038
Total comprehensive income for the year:						
Net income	-	1,807,672	-	1,807,672	1,067,208	2,874,880
Distributions to owners:						
Dividends	-	(1,278,080)	-	(1,278,080)	-	(1,278,080)
<b>Balance at March 31, 2010</b>	<b>80,000</b>	<b>18,000,578</b>	<b>(84,600)</b>	<b>17,995,978</b>	<b>9,168,860</b>	<b>27,164,838</b>
<b>Balance at January 1, 2011</b>	80,000	19,337,415	(84,600)	19,332,815	10,444,766	29,777,581
Total comprehensive income for the year:						
Net income	-	2,026,751	-	2,026,751	592,301	2,619,052
Distributions to owners:						
Dividends	-	(1,278,080)	-	(1,278,080)	-	(1,278,080)
<b>Balance at March 31, 2011</b>	<b>80,000</b>	<b>20,086,086</b>	<b>(84,600)</b>	<b>20,081,486</b>	<b>11,037,067</b>	<b>31,118,553</b>

(unaudited)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the three months to March 31, 2011  
(amounts expressed in Bahamian dollars)

	March 2010	
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 2,619,052	2,874,880
<b>Adjustments for:</b>		
Unearned premium reserve	149,249	334,082
Depreciation	152,293	133,482
Change in net unrealized loss/(gains) on investments in securities	77,647	(26,125)
Interest income	30,509	(62,117)
Dividend income	66,490	(63,745)
Bad debts	-	5,000
<b>Cash from operations before changes in assets and liabilities</b>	<b>3,095,240</b>	<b>3,195,457</b>
<b>(Increase)/decrease in assets:</b>		
Accounts receivable	1,148,709	365,987
Due from insurance carriers	224,466	2,909,615
Due from related parties	-	432,547
Prepayments and other assets	(1,737,910)	(676,864)
Prepaid reinsurance premiums	557,585	1,419,646
Reinsurance recoveries	(434,925)	1,368,375
<b>(Increase)/decrease in liabilities:</b>		
Unearned premium reserve	(856,083)	(2,087,810)
Outstanding claims	662,475	(1,568,027)
Due to related parties	195,382	143,350
Accounts payable, accrued expenses and other liabilities	(1,134,543)	(1,355,230)
Due to reinsurers	(2,197,173)	659,103
Unearned commission reserve	(76,202)	(211,896)
<b>Net cash provided by operating activities</b>	<b>(552,979)</b>	<b>4,594,253</b>
<b>Cash flows from investing activities:</b>		
Net maturity of term deposits	67,985	7,967
Purchase of investment property	(2,546)	(2,245)
Purchase of property, plant and equipment	(66,996)	(25,341)
Maturity of investments in securities	263,994	330,251
Interest received	(162,506)	(194,507)
Dividends received	(66,490)	63,745
<b>Net cash provided by investing activities</b>	<b>33,441</b>	<b>179,870</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to shareholders	(1,278,080)	(1,278,080)
<b>Net cash used in financing activities</b>	<b>(1,278,080)</b>	<b>(1,278,080)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>(1,797,618)</b>	<b>3,496,043</b>
Cash and cash equivalents at beginning of period	5,573,352	3,594,471
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,775,734</b>	<b>7,090,514</b>

(unaudited)

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year December 31, 2010.

**2. SEGMENT INFORMATION**

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

The segment results for the period ended March 31, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 4,017,626	785,875	4,803,501
Net premiums earned	-	1,820,501	1,820,501
Interest Income	47,019	259,189	306,208
Dividend Income	-	73,420	73,420
Other income	21,591	-	21,591
	<b>\$ 4,086,236</b>	<b>2,938,985</b>	<b>7,025,221</b>

Insurance expenses	-	1,677,829	1,677,829
Depreciation	135,316	16,977	152,293
Change in net unrealized loss on investments in securities	-	77,647	77,647
Other expenses	3,068,559	(570,159)	2,498,400
	<b>\$ 3,203,875</b>	<b>1,202,294</b>	<b>4,406,169</b>
<b>NET INCOME</b>	<b>\$ 882,361</b>	<b>1,736,691</b>	<b>2,619,052</b>

The segment results for the period ended March 31, 2010 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 3,943,181	1,457,143	5,400,324
Net premiums earned	-	2,131,034	2,131,034
Interest Income	62,118	227,773	289,891
Dividend Income	-	63,745	63,745
Change in net unrealized gain on investments in securities	-	26,125	26,125
Other income	23,400	(3,235)	20,165
	<b>\$ 4,028,699</b>	<b>3,902,585</b>	<b>7,931,284</b>

Insurance expenses	-	1,212,619	1,212,619
Depreciation	109,914	20,539	130,453
Other expenses	2,989,101	724,231	3,713,332
	<b>\$ 3,099,015</b>	<b>1,957,389</b>	<b>5,056,404</b>
<b>NET INCOME</b>	<b>\$ 929,684</b>	<b>1,945,196</b>	<b>2,874,880</b>

The segment assets and liabilities as at March 31, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 23,319,556	53,684,976	77,004,532
Total liabilities	10,307,591	35,578,388	45,885,979

The segment assets and liabilities as at March 31, 2010 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 24,144,880	53,448,789	77,593,669
Total liabilities	11,956,413	38,472,337	50,428,750

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