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R E S I L I E N C E

ANNUAL REPORT | 2020



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.

Peace of Mind is more than a slogan, it's your Guarantee.



PEACE OF

- Table of Contents -

Chairman's Statement	5
Financial Highlights	7
Managing Director's Discussion & Analysis	9
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Financials	
Independent Auditor's Report	11
Consolidated Statement of Financial Position	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Changes In Equity	15
Consolidated Statement of Cash Flows	16
Notes to Consolidated Financial Statements	17
<hr/>	
Community Minded	42
Board of Directors	43
Senior Managers	44
Shareholder Information & Locations	45
Services	47

MIND



MARVIN V. BETHELL
Chairman

- Chairman's Statement -

Out of all the visitors who arrive on our shores each year, the pandemic has proven to be a very unwelcome guest. I will venture to say that after more than 12 months of executive orders, lock downs, and other curtailments, most Bahamians are sufficiently exhausted by all things Covid by now.

The pandemic seems to have redefined the entire past year in "Pre-Covid" versus "Post-Covid" terms, and the disruption to our normal lives has been substantial on every level. In fact, just trying to construct an appropriate narrative for this message was challenging, given the breadth of economic and social uncertainty caused. (Straight revenue-expense analysis simply doesn't accurately reflect the unprecedented business realities we face today or what the future may hold.)

As a nation, and from a macro-economic perspective, The Bahamas has taken the full force of the pandemic on the chin. The country's number one industry, Tourism, literally ground to a halt in 2020, seriously affecting countless Bahamian families in one way or another. Sea arrivals dropped 99.7%, air arrivals dried up by 88% and hotel room revenue declined by more than 90%, according to Central Bank reports. Local banks, anticipating further economic fallout, have also responded to the inevitable job and income loss by increasing their provisions for loan losses by 10.9%, while total private sector arrears have risen.

I wish there were more promising things to say about the short-to-medium term outlook for our economy. However, the 2020 financials do tell a revealing story of the company's actual response to these challenges throughout the year. Negatively impacted by the global pandemic and confronted by shifting government-imposed protocols, JSJ was bolstered by a rock-solid reputation earned over more than a century. We relied on a professional, dedicated staff willing and able to adjust as needed. Faced with customer loss and business shutdown, JSJ deepened its commitment to the ideals of community outreach and assistance.

Along with a decrease in expenses related to Hurricane Dorian claims, these actions helped the company post a 6% increase in consolidated net income for the year, a better-than-expected result given the economic environment. Although the Agency division experienced a 33% decline in net income, Underwriting witnessed an increase to \$2,227,611, again highlighting the complimentary financial balance of the two units that we've seen so many times over the years.

The company also paid out more than \$4.6M in dividends in 2020, or \$0.58 per share, which provides another level of stability and comfort to our valued shareholders.

Our stated goal of better leveraging technology to service our customers, which was substantially accelerated by the onset of the pandemic, has also been successful over the past year. Quite a number of customers have signed up for our Online Service Center (OSC) since the beginning of March, and we expect the convenient service will continue to attract new users.

The years following a major landed hurricane often result in a tightening of the global insurance market, and this year is no exception as some reinsurers have expressed a reluctance to expand capacity in our region following Hurricane Dorian. We again find ourselves on the cusp of another hurricane season, with the scars from Dorian still very visible across Abaco and Grand Bahama. It will not be long before we once again begin that anxiety-filled process of tracking these swirling storms across the Atlantic to our very doorstep. With any luck, we'll make it through another season without landfall.

I want to thank all JSJ staff for their dedication and hard work during these trying times, as well as the Board of Directors and shareholders for their continued support. We have come a long way in a short time, proving to ourselves and to our customers that dedication, teamwork and superior customer service make all the difference.



Marvin V. Bethell, MBE, FCII

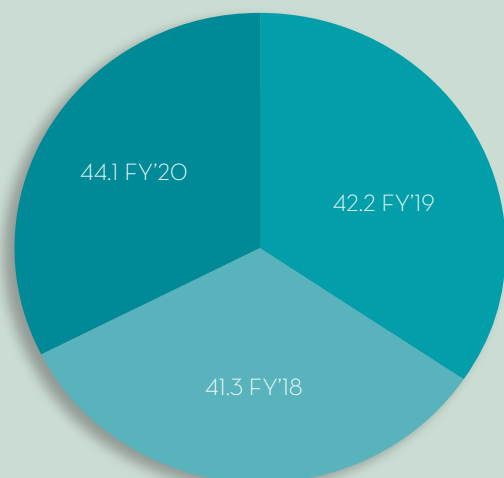
Chairman



*“ A bend in the road is not
the end of the road...
unless you fail to make
the turn.”*

- Helen Keller

- Financial Highlights -



NET ASSETS 2020 (In Millions)

44.1

NET INCOME 2020 (In Millions)

6.6

NET INCOME 2019

6.2

NET INCOME 2018

7.1

(Expressed in Bahamian dollars)

Consolidated Statement of Financial Position:

	2020	2019	2018
Total assets	\$ 125,088,387	301,262,991	92,272,441
Total liabilities	80,972,578	259,064,324	50,989,208
Equity	\$ 44,115,809	42,198,667	41,283,233

Consolidated Statement of Comprehensive Income:

	2020	2019	2018
Total income	\$ 24,828,574	27,812,833	24,376,184
Total expenses	18,248,392	21,603,664	17,308,719
Net income	\$ 6,580,182	6,209,169	7,067,465

Ratios:

	2020	2019	2018
Return on equity: net income/total equity	15%	15%	17%
Equity: equity/total assets	35%	14%	45%
Loss: net claims incurred/net premium earned	45%	108%	38%

Other Data:

	2020	2019	2018
Dividends per share	\$ 0.58	0.62	0.60
Annual dividends	\$ 4,633,040	4,952,560	4,792,800
Total shareholders' equity	\$ 27,360,131	26,770,045	25,350,407
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.66	0.80	0.77



ALISTER I. McKELLAR, FCII
Managing Director

- Managing Director's - Discussion & Analysis

It's hard to believe that a year has passed since the onset of the Coronavirus pandemic. Who could have imagined the impact it has had on The Bahamas and the world? We've all had to adjust, and whilst some progress has been made to stop the spread of the virus, it looks like it will still be some time before we finally get to the other side.

Our hearts and prayers go out to the families and loved ones of all who have lost their lives to Covid-19.

The upheaval caused by the pandemic has certainly impacted our business as well. Total income dropped by almost 11% and net premiums declined by 6.5% for the year, as individuals and companies grappled with the inevitable consequences of lockdowns and a huge spike in unemployment.

Thanks to a series of proactive measures designed to reduce our key operational costs, we managed to mitigate much of the decline and, to date, have not needed to take further drastic measures. We are closely monitoring the situation however, and will take whatever action necessary to sustain the business going forward.

We reported a slight increase of nearly 6% in consolidated net income over 2019, which was an unexpected, but welcome, development. While that figure largely reflects a 68% decrease in Hurricane Dorian expenses—from \$4.8M to \$1.8M—it was also boosted by a \$2,556,647 increase in net income within our Underwriting division. A quiet 2020 hurricane season, despite the number of storms in the region, certainly contributed to those results, but also helped to bring our loss ratios down to a more normal level, from 108% in 2019 to 45% this year.

From an accounting perspective, we managed to get through 2020 without having to restate or provide additional financial statements explanation due to new international accounting standards. Although IFRS 3 and amendments to IFRS 16 were issued this year, they had no material effect on the company.

Key ratios, however, provide a useful insight into the financial vitality of the company from year to year, and clearly highlight the impact that hurricanes such as Dorian have on the bottom line. In 2019, Return on Equity dropped to 15% from 17% the previous year, but remained steady at 15% in 2020, which was a welcome development considering the impact of Covid. Our Equity Ratio fluctuated similarly: from 45% in 2018 to 14% following Dorian, back to a more customary 35% this year.

On our Agency side, net profits were down 33% and net revenue from contracts with customers decreased by 14%, as the pandemic took its toll on sales.

The company paid out a 58-cents-per-share dividend in 2020, resulting in a yield of 3.82% (\$0.58 dividend/\$15.20 share price), an attractive return at a time when many companies have been forced to cut back on dividends altogether.

Although the short-term economic outlook appears bleak for the country, we remain optimistic. Atlantis and Bahamar have begun to resume scaled-back operations, while The Pointe has been preparing for a further opening to visitors. Several construction projects throughout the country have been ongoing as well, providing some much-needed employment for Bahamians.

The reconstruction of the cruise port at Prince George Wharf also continues apace and its eventual operator, Global Ports Holding, is actively seeking "Home Port" designation agreements with several cruise lines to help jumpstart the decimated cruise industry from Nassau. If successful, this proposition could help the country begin to rebuild the healthy passenger arrival numbers of only a few years ago.

As always, I'd like to end by thanking everyone whose efforts make this a great company, from the Board of Directors to management to staff. But most of all, I'd like to thank our customers, without whose unwavering support we could not have lasted for more than a century. I think I speak for all when I say that your confidence in us is appreciated more now than ever. Stay safe.



Alister I. McKellar, FCII

Managing Director

Consolidated Financial Statements for the Year Ended December 31, 2020

Consolidated Statement of Financial Position	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Changes In Equity	15
Consolidated Statement of Cash Flows	16
Notes to Consolidated Financial Statements	17-41



- Independent Auditor's Report -



Ernst & Young Ltd.
Caves Corporate Centre
West Bay Street & Blake Road
P.O. Box N-3231
Nassau, Bahamas

Tel: +242 502 6000
Fax: +242 502 6095
ey.com

The Shareholders and Directors
J.S. Johnson & Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of J.S. Johnson & Company Limited (the "Company") which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provides the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Outstanding Claims Liability

The Company has outstanding claims liabilities of \$21.1 million, including \$2.5 million of claims incurred but not reported (IBNR). The estimation of outstanding claims involves a significant degree of judgement. Outstanding claims are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Given the materiality of the outstanding claims liability and the complexity of management's judgements, we identified the valuation of outstanding claims liability as a key audit matter.

We assessed management's calculation of the outstanding claims liability by performing the following procedures:

- We gained an understanding of the outstanding claims liability process.
- We compared the data provided to the Company's external actuaries and our actuarial specialist to the Company's financial systems.
- Using our actuarial specialist team members, we compared the Company's methodology, models and assumptions to recognised actuarial practices.
- Our actuarial specialist team members performed independent re-projections on all classes of business, particularly focusing on the largest and longer tail lines of business which require more actuarial judgment. In order to re-project the claims liabilities we considered actual historical information and how losses emerged in the current period compared to previous expectations of loss emergence.
- We compared these re-projections of claim liabilities to management's recorded claim liabilities.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Tiffany Norris-Pilcher.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

March 29, 2021

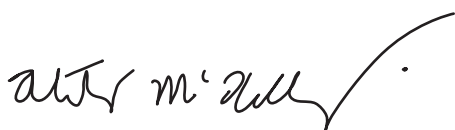
	December	
	2020	2019
Assets		
Cash and bank balances (Notes 6 and 25)	\$ 32,605,631	\$ 74,940,376
Term deposits (Notes 7 and 25)	7,188,678	7,079,247
Accounts receivable (Notes 4 and 25)	12,798,548	15,055,628
Due from insurance carriers (Notes 9 and 25)	334,715	928,153
Investment in securities (Notes 8 and 25)	19,261,565	20,608,562
Prepayments and other assets (Notes 10 and 25)	1,102,055	2,110,103
Prepaid reinsurance premiums (Note 14)	21,682,877	21,355,421
Reinsurance recoverables (Notes 5 and 25)	20,909,905	149,577,324
Right of use asset (Note 11)	412,798	605,337
Investment properties (Note 12)	787,772	787,772
Property, plant, and equipment (Note 13)	8,003,843	8,215,068
Total assets	\$ 125,088,387	\$ 301,262,991
Liabilities		
General insurance funds		
Unearned premium reserve (Note 14)	\$ 25,314,896	\$ 25,298,812
Outstanding claims (Notes 14 and 25)	21,050,996	146,289,255
	46,365,892	171,588,067
Other liabilities		
Due to related parties (Notes 21, 23 and 25)	-	2,545,350
Accounts payable (Notes 15, 21 and 25)	15,050,985	37,123,417
Due to reinsurers (Notes 5 and 25)	9,015,906	40,124,199
Accrued expenses and other liabilities (Notes 18, 23, and 25)	4,688,460	1,344,576
Lease liability (Note 11)	419,696	613,227
Unearned commission reserve	5,431,639	5,725,488
Total liabilities	\$ 80,972,578	\$ 259,064,324
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)	27,364,731	26,774,645
Interest in own shares (Note 22)	(84,600)	(84,600)
	27,360,131	26,770,045
Non-controlling interest	16,755,678	15,428,622
Total equity	44,115,809	42,198,667
Total liabilities and equity	\$ 125,088,387	\$ 301,262,991

See accompanying notes to consolidated financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 29, 2021 by:

Approved by the Board:

Director



Director



J.S. Johnson & Company LimitedConsolidated Statement of Comprehensive Income
(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2020	2019
Income		
Net revenue from contracts with customers (Notes 17 and 23)	\$ 18,499,709	\$ 20,983,609
Net premiums earned (Note 16)	4,128,483	4,417,563
Investment income (Note 17)	1,821,580	1,892,876
Gain on disposal of investment property (Note 12)	-	213,619
Reversal of provision for tax assessment (Note 21)	378,802	-
Profit on sale of property plant & equipment (Note 13)	-	22,000
Change in net unrealized gain on investment in securities (Note 8)	-	283,166
Total income	24,828,574	27,812,833
Expenses		
Salaries and employee benefits (Notes 19 and 23)	10,445,903	10,751,826
Net claims incurred (Notes 14 and 21)	1,839,199	4,785,760
Depreciation and amortization (Notes 11, 12 and 13)	745,656	741,669
Provision for expected credit loss (Note 8)	146,608	2,710
Revaluation of investment property (Note 12)	-	125,000
Change in net unrealized loss on investments in securities (Note 8)	532,729	-
Other operating expenses (Note 17)	4,538,297	5,196,699
Total expenses	18,248,392	21,603,664
Net income	\$ 6,580,182	\$ 6,209,169
Attributable to		
Equity holders of the company (Note 22)	\$ 5,223,126	\$ 6,372,198
Non-controlling interest	1,357,056	(163,029)
	\$ 6,580,182	\$ 6,209,169
Basic & diluted earnings per share for the profit attributable to the equity holders of the Company (Note 22)		
	\$ 0.66	\$ 0.80

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	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2018	\$ 80,000	\$ 25,355,007	\$ (84,600)	\$ 25,350,407	\$ 15,932,826	\$ 41,283,233
Net income	-	6,372,198	-	6,372,198	(163,029)	6,209,169
Distributions to owners:						
Dividends (Note 18)	-	(4,952,560)	-	(4,952,560)	(341,175)	(5,293,735)
Balance at December 31, 2019	80,000	26,774,645	(84,600)	26,770,045	15,428,622	42,198,667
Net income	-	5,223,126	-	5,223,126	1,357,056	6,580,182
Distributions to owners:						
Dividends (Note 18)	-	(4,633,040)	-	(4,633,040)	(30,000)	(4,663,040)
Balance at December 31, 2020	\$ 80,000	\$ 27,364,731	\$ (84,600)	\$ 27,360,131	\$ 16,755,678	\$ 44,115,809

See accompanying notes to consolidated financial statements.

J.S. Johnson & Company Limited

Consolidated Statement of Cash Flows

(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2020	2019
Operating activities		
Net income	\$ 6,580,182	\$ 6,209,169
Adjustments for:		
Unearned premium reserve (Note 14)	311,373	(449,183)
Depreciation and amortization	745,656	741,669
Provision for expected credit loss	146,608	2,710
Gain on disposal of fixed asset	-	(22,000)
Revaluation loss on investment property	-	125,000
Gain on disposal of investment property	-	(213,619)
Interest expense	14,582	20,741
Change in net unrealized loss/ (gain) on investments in securities	532,729	(283,166)
Interest income (Note 17)	(871,849)	(876,296)
Dividend income (Note 17)	(288,649)	(264,970)
Bad debts	48,000	48,000
Cash from operations before changes in assets and liabilities	7,218,632	5,038,055
Decrease (increase) in assets:		
Accounts receivable	2,209,080	(769,276)
Due from insurance carriers	593,438	(882,920)
Prepayments and other assets	1,008,048	(337,158)
Prepaid reinsurance premiums	(327,456)	(1,952,449)
Reinsurance recoverable	128,667,419	(140,204,051)
(Decrease) increase in liabilities:		
Unearned premium reserve	(295,289)	2,850,815
Outstanding claims	(125,238,259)	136,187,844
Due to related parties	(2,545,350)	2,357,321
Accounts payable, accrued expenses and other liabilities	(18,728,549)	31,126,273
Due to reinsurers	(31,108,293)	35,541,763
Unearned commission reserve	(293,849)	481,880
Net cash (used in)/ provided by operating activities	(38,840,428)	69,438,097
Investing activities		
Net placement of term deposits	\$ (69,567)	\$ (974,761)
Proceeds from sale of property, plant and equipment	-	22,000
Purchase of property, plant, and equipment (Note 13)	(341,891)	(282,418)
Proceeds from insurance coverage of investment property	-	273,096
Sale/(purchase) of investments in securities	545,788	1,046,058
Proceeds from principal payments of investments	119,596	107,097
Interest received	834,261	833,089
Dividends received	288,649	264,970
Net cash provided by investing activities	1,376,836	1,289,131
Financing activities		
Interest payment of lease liability	(14,582)	(20,741)
Principal payment of lease liability	(193,531)	(173,005)
Dividends paid to shareholders	(4,633,040)	(4,952,560)
Dividends paid to non-controlling interest	(30,000)	(341,175)
Net cash used in financing activities	(4,871,153)	(5,487,481)
Net (decrease)/increase in cash and cash equivalents	(42,334,745)	65,239,747
Cash and cash equivalents, beginning of year	74,940,376	9,700,629
Cash and cash equivalents, end of year	\$ 32,605,631	\$ 74,940,376
Supplemental cash flow information		
Premium tax paid	\$ 2,624,636	\$ 2,202,507

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, amended December 2015, 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 and amortized cost.

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 judgments, 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 judgments 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), 3(k), 11, 12, 13, 14, 15, 26 and 27.

(e) COVID-19 Considerations

The Company’s results and operations have been and may continue to be impacted by the COVID -19 pandemic and the recent economic environment. The effects include but are not limited to significant volatility in equity markets, decline in interest rates, increase in credit risk, fluctuations in the frequency of insurance claims, persistency and redemptions, and disruption of business operations. The breadth and depth of these events and their duration contribute additional uncertainty around estimates used in determining the carrying value of certain assets and liabilities included in these Financial Statements. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions.

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 Notes 3(j) and 3(v).

(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 acquire, plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire, 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 with the exception of Inter-company transactions covered by reinsurance contracts which were not eliminated for 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 entered into by the Group. 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 inward 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 agent 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, the deficiency would immediately be 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 (k).

(iv) *Portfolio Transfer*

At the anniversary date of the reinsurance agreements and at the Group'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.

(vi) *Fronting Arrangements*

Gross Written Premium includes the risk premium from fronting arrangements whereby the Group reinsures one hundred percent of an individual risk to an insurer not licensed to transact business in The Bahamas. The reinsured amounts are included within the amount shown as "Ceded to reinsurers", amounting to \$21,059,900 (2019: \$14,015,462).

(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. The Group recognizes an allowance for expected credit losses (ECL's) for all receivables. The Group applied a simplified approach in calculating ECL's. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The Group has established provisions based on historical credit loss experience, adjusting for forward-looking factors specific to the debtors and the economic environment.

(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 50 years (2019 – 50 years). No depreciation is taken on land. The carrying value of the land and buildings are also assessed annually for any impairment losses.

The Group performs annual impairment assessments based on fair value less cost to sell. The fair value of investment property is determined by third-party professional appraisals, which are performed every three years. The fair value of the investment property is based on market values, 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	

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down 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

A financial instrument is recognized when the Group becomes a party to the contractual provisions that give rise to a financial asset for one entity and the financial liability for another entity. Regular way purchases and sales of financial instruments are accounted for at trade date, that is, the date the Group commits itself to purchase or sell the asset.

Financial instruments comprise investments in equity and debt securities, term deposits, loans and receivables, cash and bank balances and accounts payable and accruals.

Financial assets are initially measured at fair value. For assets not measured at fair value through profit or loss, any directly attributable transaction costs are added to the carrying value. Financial assets are subsequently measured into the below categories:

- Amortized cost
- Fair value through profit or loss

Each measurement category is determined by the business model for managing the asset and the asset's contractual terms. The assessment of the business model for financial instruments are performed at aggregate level groupings. The business model test aligns each instrument to the Group's business and operational objectives surrounding liquidity, risks and overall performance objectives. The assessment of the contractual cashflows are considered on an instrument by instrument basis and considers the timing and value of solely payments of principal and interest on the outstanding principal amount.

(i) Investments at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Financial assets classified as fair value through profit or loss include investments in common shares, preference shares and mutual funds.

(ii) Investments at Amortized Cost

The Group measures financial assets at amortized cost if it is both held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired. Financial assets classified as investments at amortized cost include all notes and bonds, loans and other receivables and term deposits.

(iii) *Cash and bank balances*

Cash and bank balances comprise cash and deposits held with financial institutions with original maturities of less than three months. Bank overdrafts and margin loans, if any, that are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and bank balances for the purpose of the statement of cash flows.

(iv) *Loans and Receivables*

Under IAS 39 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. This definition remains largely unchanged under IFRS 9; however, loans and receivable balances are no longer an individual measurement category. The categorization of loans and receivables under IFRS 9 also depends on the business model objective. Loans and receivables are held for collection of contractual payments of solely principal and interest payments under the current business model. 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 and other receivables are measured at amortized cost.

(v) *Financial Liabilities*

Financial liabilities are initially classified at amortized cost using the effective interest method with specific exceptions. Financial liabilities may be subsequently measured at fair value through profit or loss by irrevocable option when permitted under the standard or when doing so results in more relevant information because it eliminates or reduces measurement or recognition inconsistency or if the financial liabilities performance is evaluated on a fair value basis. The Group's financial liabilities are comprised of the accounts payable and accruals which are measured at amortized cost. Financial liabilities arising from insurance contracts are measured at amortized cost.

(vi) *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the 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.

(vii) *Fair Value Measurement*

'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 Group. 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 on-going 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 Group 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.

(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) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. As of December 31, 2020 no impairment on the asset was noted (2019 - \$nil).

(ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Lease Liabilities.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

(k) Impairment

(i) Financial assets

The Group recognizes a loss allowance for all debt securities measured at amortized cost or fair value through other comprehensive income using an expected credit loss model. The expected credit loss model uses forward looking information that is reasonable and supportable and does not depend solely on historical information. Expected credit losses (ECL) are the difference between the cash flows due in accordance with a contract and the cash flows that are expected to be received discounted using the effective interest rate. The expected credit loss model may assess financial assets on an individual basis or aggregated into groups with similar credit risk characteristics.

There are several approaches recommended for the calculations within the expected credit loss model including the below:

• General Approach

Under the general approach expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss allowance for possible default events that may take place over the remaining life of the instrument (lifetime ECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a

significant increase in credit risk since the initial recognition to the reporting date, with the exception that of an asset that is categorized as low credit risk. The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition. The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

The Group considers an instrument to be in default when contractual payments are 90 days past due or when information obtained indicates that the debtor is unlikely to pay outstanding contractual amounts in full.

• Simplified Approach

The simplified approach is applied to trade receivables and contract assets under the scope of IFRS 15 and lease receivables under the scope of IFRS 16. The approach enforces a lifetime expected credit loss calculation if elected and allows the use of a provision matrix. The provision matrix makes use of historical default patterns adjusted for forward looking factors and the current economic environment. The simplified approach does not require an entity to track the changes in credit risk, but, instead, requires the entity to recognize a loss allowance based on lifetime ECLs at each reporting date. This approach is not used as the Group does not have qualifying assets.

• Purchased or Originated Credit-Impaired Assets Approach

This approach is reserved for financial assets with high credit risk at initial recognition and at initial recognition a lifetime credit loss must be recognized. At the reporting date, cumulative changes in the lifetime expected credit loss since initial recognition are to be recognized. This approach is not used as the Group does not have qualifying assets.

• Calculation of Expected Credit Losses

The approach elected by the Group is the general approach and all eligible assets have been assessed on an instrument by instrument basis. The calculation method selected by the Group is the probability of default method. The expected credit loss calculation considers several possible outcomes upon default and within certain outcomes a recovery rate is incorporated. Under this method factors including the probability of default (PD), the exposure at default (EAD), the loss given default (LGD) and the effective interest rate (EIR) are determined.

- The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

For each eligible asset, supportable and relevant information that includes both historical and forward looking was evaluated to determine the credit risk at initial recognition and at the reporting date. Qualitative and quantitative information assessed included, debtor background, external and internal credit ratings, payment history, financial report releases and general macroeconomic conditions. The asset is then allocated into one of three stages where either the 12-month ECL or the lifetime-ECL calculation is selected. All expected credit losses calculated are then discounted using the effective interest rate.

(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 income or loss. 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.

(I) Income and Expense Recognition

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

Net revenue from contracts with customers on agency business is recognized at the point in time when premiums are billed to customers as the Group has no further service obligations associated with these commissions. Net revenue from contracts with customers consists of three types:

- i. Contracts with related parties – see note 3(I) for the definition of related parties. Payment is typically due two to three months after month end depending on the related party.
- ii. Agency contracts – these contracts are usually long term contracts with fixed rates set per product line (e.g.: property, motor, marine) per contract. Payment is due two months after month end.
- iii. Broker contracts – these contracts are short-term and are negotiated on a one by one basis and can vary per product line depending on the broker. Payment is typically due the month after the premium is billed to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group has considered the effects of variable consideration, noncash consideration and consideration payable to the customer (if any).

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

- Dividend income – recognized when the Group’s right to receive payment has been established.
- Treaty profit commission income – recognized in the year in which the treaty profits are crystallized.
- Loyalty commission income and profit commission expense – recognized when the Group’s right to receive or obligation to make payment has been established.
- Fronting fees – recognized when premiums are billed to customers as the Group has no further service obligations associated with these fees.
- Cost to obtain a contract – recognized when the obligation to pay the commissions has been established. These costs are usually associated with outside subagents or broker arrangements used to obtain the contracts.

(m) Taxation

Premium tax is incurred at a rate of 3.00% of gross written premiums written in The Commonwealth of The Bahamas and 2.50% of gross written premiums in the Turks & Caicos Islands, BWI. Premium tax is recognized when the Group’s obligation to make payment has been established.

On January 1, 2015, the Value Added Tax Act, 2014 (VAT), came into force thereby imposing a tax on all Property and General (and other casualty insurance, except exempt supplies) insurance services provided by the Company and a tax on all taxable inputs purchased by the Group at a rate of 7.5%. The Group has paid VAT on taxable inputs comprised of claims and operating expenses from January 1, 2015 onward. On July 1, 2020, this rate was amended to 12%.

(n) 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.

(o) 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.

(p) 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 24 for further details).

(q) 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.

(r) 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.

(s) 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 Group by the weighted average number of ordinary shares outstanding during the year.

(t) Dividends

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

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards if applicable, when they become effective.

• **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued *IFRS 17 Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace *IFRS 4 Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

• **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. This amendment is not expected to have a material impact to the Group.

• **Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16**

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

• **IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

(v) New Standards Adopted During the Year

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. Although these new standards and amendments have been applied for the first time in 2020, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

• **Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

- **Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

- **Conceptual Framework for Financial Reporting issued on March 29, 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

4. ACCOUNTS RECEIVABLE

Accounts receivable are stated at amortized cost less provision for expected credit losses. Collateral is not held against any of the outstanding balances; however the Group has the right to cancel the policy for non-payment.

As at December 31 accounts receivable consist of:

	2020	2019
Trade	\$ 13,445,267	\$ 15,689,984
Provision for expected credit losses	(646,719)	(634,356)
	<u>\$ 12,798,548</u>	<u>\$ 15,055,628</u>

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

2020

	0- 6 Months	6 - 9 Months	9 - 12 Months	More than 12 Months	Gross Receivables	Expected credit losses	Net Receivables
Trade	\$ 10,077,932	\$ 2,584,900	\$ 172,583	\$ 609,852	\$ 13,445,267	\$ (646,719)	\$ 12,798,548
Total	<u>\$ 10,077,932</u>	<u>\$ 2,584,900</u>	<u>\$ 172,583</u>	<u>\$ 609,852</u>	<u>\$ 13,445,267</u>	<u>\$ (646,719)</u>	<u>\$ 12,798,548</u>

2019

	0- 6 Months	6 - 9 Months	9 - 12 Months	More than 12 Months	Gross Receivables	Expected credit losses	Net Receivables
Trade	\$ 13,016,295	\$ 1,827,134	\$ 293,483	\$ 553,072	\$ 15,689,984	\$ (634,356)	\$ 15,055,628
Total	<u>\$ 13,016,295</u>	<u>\$ 1,827,134</u>	<u>\$ 293,483</u>	<u>\$ 553,072</u>	<u>\$ 15,689,984</u>	<u>\$ (634,356)</u>	<u>\$ 15,055,628</u>

An impairment analysis is performed at each reporting date using the aging above to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time balance of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and historical loss experience. Generally, trade receivables are written-off if past due for more than one year and all collection attempts are exhausted. 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 procedure.

The movement in the provision for expected credit losses as at December 31 is as follows:

	2020	2019
Balance as of January 1	\$ 634,356	\$ 588,467
Recoveries of expected credit losses	(35,637)	(2,111)
Provision for expected credit losses	48,000	48,000
Balance as at December 31	<u>\$ 646,719</u>	<u>\$ 634,356</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 26.

Aon Limited, whose registered office is in London, England, a related party of the Group, 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:

	2020	2019
Recoverables under excess of loss reinsurance for claims paid and outstanding	\$ 2,523,680	\$ 15,812,425
Recoverables under proportional contracts for outstanding claims (Note 14)	18,386,225	133,764,899
	<u>\$ 20,909,905</u>	<u>\$ 149,577,324</u>

Amounts due to reinsurers of \$9,015,906 (2019 - \$40,124,199) represents advanced funding payments from reinsurers received by the Company in relation Hurricane Dorian settlements; in addition to any funding premiums to be ceded to the reinsurers, less reinsurance recoverables on proportional contracts.

6. CASH AND BANK BALANCES

The Group earned interest at varying rates up to 0.5% (2019 - varying rates up to 0.5%) per annum on accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to \$136,214 (2019 - \$61,616).

7. TERM DEPOSITS

Term deposits with banks include accrued interest totaling \$98,284 (2019 - \$58,420). The term deposits are held more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates 2020	2020	Interest Rates 2019	2019
Three months - one year	0.22%-2.00%	\$ 4,122,206	1.07%-2.00%	\$ 3,524,610
Over one year	2.00%-2.25%	3,066,472	2.00%-2.25%	3,554,637
		<u>\$ 7,188,678</u>		<u>\$ 7,079,247</u>

To meet the requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 28, ICB renewed its term deposit of \$1,273,225 (2019 - \$1,251,267) with a maturity date of December 21, 2021. The term deposit is held with a recognized financial institution in The Bahamas.

ICB is also required under the Insurance Regulations in Turks and Caicos to meet certain capital requirements as outlined in Note 28 and maintained a restricted deposit of \$533,552 (2019 - \$527,888), with a maturity date of December 7, 2021. The deposit is held with a recognized financial institution in Turks and Caicos.

8. INVESTMENTS IN SECURITIES

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:

	2020	2019
As at beginning of year	\$ 8,797,749	\$ 10,215,346
Disposals	(18,965)	(1,700,763)
Change in net unrealized (losses)/gains during the year	(532,729)	283,166
As of end of year	<u>\$ 8,246,055</u>	<u>\$ 8,797,749</u>

As of December 31, 2020, the cost of securities at fair value through profit or loss was \$6,188,679 (2019 - \$6,207,644).

Investments at Amortized Cost

Investments at Amortized Cost consist of the following:

	Interest Rates	Maturity	Amortized Cost 2020
The Bridge Authority Bond	6.25%	2024	\$ 130,078
Bahamas Government Registered Stocks	4.39% to 5.60%	2021 - 2049	5,931,234
Clifton Heritage Authority	5.50%	2035	282,980
Bahamas Electricity Corporation Bond	6.40%	2021	500,790
Nassau Airport Development:			
Company - senior secured note	7.50% to 8.50%	2031 - 2035	1,901,777
College of The Bahamas	7.00%	2026	214,327
Public Hospital Authority Ser A	6.00%	2033	694,557
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Bahamas Govt Stock Tranche 2	4.50%	2022	1,021,674
Loss Allowance			(163,277)
			<u>\$ 11,015,510</u>

	Interest Rates	Maturity	Amortized Cost 2019
The Bridge Authority Bond	6.25%	2024	\$ 130,078
Bahamas Government Registered Stocks	4.39% to 4.88%	2020 - 2049	6,513,854
Clifton Heritage Authority	5.50%	2035	282,980
Bahamas Electricity Corporation Bond	6.40%	2021	500,792
Nassau Airport Development:			
Company - senior secured note	7.50% to 8.50%	2031 - 2035	1,878,750
College of The Bahamas	7.00%	2026	250,000
Public Hospital Authority Ser A	6.00%	2033	747,984
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Bahamas Govt Stock Tranche 2	4.50%	2022	1,021,674
Loss Allowance			(16,669)
			<u>\$ 11,810,813</u>

Included in investments at amortized is accrued interest totaling \$143,223 (2019-\$145,499). The interest income for investments at amortized cost was include \$562,305 (2020 - \$640,279).

In accordance with the Note Purchase Agreement dated March 20, 2009 for Nassau Airport Development Company - 8.5% 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 2020, the Group received \$30,000 (2019 - \$31,250) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated December 31, 2018 for Nassau Airport Development Company - 7.5% Participating Debt Note, the issuer exercised its rights under the Agreement to capitalize any unpaid interest due on the Quarterly Date and increase the principal amount of

the Participating Debt Note by the amount equal to such capitalized interest. In accordance with IFRS 9, when modifying debt, the Company must determine whether the change in carrying value is substantial or replaced by new debt with substantially different terms. In accordance with the reporting standard, these contractual cash flows have been modified and did not result in derecognition, as such the Company has recognized a modification gain of \$53,027 within in the statement of comprehensive income.

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 2020, the Group received \$35,714 (2019 - \$35,714) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated November 13, 2013, for Public Hospital Authority, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2033. During 2020, the Group received \$52,632 (2019- \$52,632) towards the principal of the Secured Note.

Included in prepayments and other assets is \$5,180 (2019 - \$5,180) relating to dividends receivable (Note 10) at December 31, 2020.

Fair Value Hierarchy

Securities at fair value through profit or loss and at amortized cost are categorized as Level 2 as at December 31, 2020 and 2019. There has been no transfer of financial instruments between Level 1 and Level 2 during the year ended December 31, 2020 and 2019.

Expected Credit Losses

The Company continuously monitors all assets subject to expected credit losses. In order to determine the stage of the expected credit losses calculation under the general approach, the Company must assess whether there has been a significant increase in credit risk since initial recognition. Qualitative and quantitative information are used to analyze credit risk. These include a variety of resources such as multiple external credit rating sources like by Moody's and Standards and Poor's ratings agencies, changes in general macroeconomic conditions included but not limited to the gross domestic product, unemployment rates, interest and debt ratios, historical and current payment defaults and other financial information releases.

During 2020, the nation underwent a dramatic shift in economic status due to the outbreak of the COVID-19 global pandemic. The credit rating of the nation's sovereign debt weakened, unemployment levels increased and the gross domestic product linked to the country's main industry of tourism faced historic pressures as a result of government mandated restrictions. As a result of this analysis, the Company has determined that there has been a significant increase in credit risk for all Bahamas Government Registered Stock and government affiliated bonds and notes. Due to the increased risk, the expected credit loss for these investments has been transitioned to the Stage 2: lifetime credit loss calculation and resulted in an ECL adjustment of \$146,608. All other investments remain in stage 1.

9. DUE FROM INSURANCE CARRIERS

As of December 31, 2020, balances totaling \$334,715 (2019 - \$928,153) comprise funds due from insurance carriers relating to cancellations and for policies that were processed subsequent to the year end.

10. PREPAYMENTS AND OTHER ASSETS

	2020	2019
Staff loans and advances (i)	\$ 342,180	\$ 535,408
Prepayments and security deposits	64,211	64,211
Commissions receivable	265,165	181,425
Other assets	430,499	1,329,059
	\$ 1,102,055	\$ 2,110,103

(i) Staff loans are secured by the employee's pension fund and are granted based on an employee's tenure with the Group. The maturity dates normally extend up to 24 months of issuance.

11. LEASES

The Group has lease contracts for its office premises at Thompson Boulevard and the Turks & Caicos Island. The current lease of the premise for the premise in Thompson Boulevard is for 3 years (2019 - 4 years) by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. The Group also has certain others leases mainly in Abaco and Exuma with lease terms of 12 months or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and all other leases. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	2020	2019
At January 1	\$ 605,337	\$ 634,823
Additions	-	151,409
Depreciation expense	(192,539)	(180,895)
Net carrying value at December 31	<u>\$ 412,798</u>	<u>\$ 605,337</u>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period.

	2020	2019
At January 1	\$ 613,227	\$ 634,823
Additions	-	151,409
Accretion of interest	14,582	20,741
Payments	(208,113)	(193,746)
Net carrying value at December 31	<u>\$ 419,696</u>	<u>\$ 613,227</u>

Depreciation charged in 2020 of \$192,539 (2019 - \$180,895) is included in depreciation and amortization in the statement of comprehensive income. Payments on lease liabilities included interest expenses of \$14,582 in 2020 and \$20,741 in 2019. There have been no changes in the estimates and assumptions that were initially used to assess the fair value of the lease. Also no impairment was noted on the lease asset.

12. INVESTMENT PROPERTIES

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

	Land	Buildings	Total
Cost:			
Balance as at January 1, 2020	\$ 912,772	\$ -	\$ 912,772
Disposals	-	-	-
Balance as at December 31, 2020	<u>\$ 912,772</u>	<u>\$ -</u>	<u>\$ 912,772</u>
Accumulated depreciation:			
Balance as at January 1, 2020	\$ -	\$ -	\$ -
Disposals	-	-	-
Charge for the year	-	-	-
Balance as at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Impairment/Revaluation:			
Balance as at January 1, 2020	\$ (125,000)	\$ -	\$ (125,000)
Charge for the year	-	-	-
Balance as at December 31, 2020	<u>\$ (125,000)</u>	<u>\$ -</u>	<u>\$ (125,000)</u>
Net Carrying Value as at December 31, 2020	<u>\$ 787,772</u>	<u>\$ -</u>	<u>\$ 787,772</u>
Net Carrying Value as at December 31, 2019	<u>\$ 787,772</u>	<u>\$ -</u>	<u>\$ 787,772</u>

As at December 31, 2020, the Company's investment properties are comprised of two parcels of land, one of which is a vacant lot with a carrying value of \$536,916 (2019 - \$536,916).

The second investment property is another land and building, which have carrying values and fair value of \$250,858 (2019 – \$250,858) for land and \$nil (2019 – \$nil) for building. The second property located in Abaco sustained severe damage in Hurricane Dorian and resulted in a complete write off of the carrying value of the building. The resulting gain of disposing of this property was \$213,619 from claims proceeds received in 2019.

Investment properties are being assessed annually for any indication of impairment, one of the factors being considered is the estimated fair value. The Company has a policy in place to perform appraisals every three years for the purpose of facilitating impairment assessment only as the Company uses the cost method. An impairment loss/revaluation of \$125,000 was recorded in 2019 on the land as a result of Hurricane Dorian. No other impairment losses were recognized in 2020 and 2019. Included in depreciation in the statement of comprehensive income is the depreciation charge on the building of \$nil (2019 - \$1,684).

13. PROPERTY, PLANT, AND EQUIPMENT

	Land	Building	Furniture, Equipment & Motor Vehicles	Leasehold Improvements	Computer Hardware & Software	Total
Cost:						
Balance as of January 1, 2020	\$ 2,340,044	\$ 7,257,538	\$ 2,444,866	\$ 1,437,616	\$ 2,642,475	\$ 16,122,539
Additions	-	29,167	91,426	-	221,298	341,891
Balance as of December 31, 2020	\$ 2,340,044	\$ 7,286,705	\$ 2,536,292	\$ 1,437,616	\$ 2,863,773	\$ 16,464,430
Accumulated depreciation:						
Balance as of January 1, 2020	\$ -	\$ 2,710,616	\$ 1,893,685	\$ 905,304	\$ 2,397,866	\$ 7,907,471
Depreciation charge for the year	-	161,271	171,535	122,139	98,171	553,116
Balance as of December 31, 2020	\$ -	\$ 2,871,887	\$ 2,065,220	\$ 1,027,443	\$ 2,496,037	\$ 8,460,587
Net carrying value:						
December 31, 2020	\$ 2,340,044	\$ 4,414,818	\$ 471,072	\$ 410,173	\$ 367,736	\$ 8,003,843
December 31, 2019	\$ 2,340,044	\$ 4,546,922	\$ 551,181	\$ 532,312	\$ 244,609	\$ 8,215,068

14. OUTSTANDING CLAIMS AND NET CLAIMS INCURRED

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

	2020	2019
Claims incurred	\$ 4,031,134	\$ 234,163,385
Less: recoverable from reinsurers	(2,191,935)	(229,377,625)
	\$ 1,839,199	\$ 4,785,760

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 2015 to 2020:

Insurance Claims Other Than Catastrophe - Gross:

Accident Year	2015	2016	2017	2018	2019	2020	Total
Original estimate of ultimate claims cost at end of accident year	\$ 12,532,624	\$ 70,176,155	\$ 22,949,341	\$ 11,847,932	\$ 238,746,786	\$ 10,649,200	\$ 366,902,038
One year later	12,282,714	75,628,189	21,572,268	11,154,592	228,868,843		
Two years later	12,364,135	76,329,583	21,375,182	11,101,755			
Three years later	11,973,754	76,495,458	21,365,088				
Four years later	12,014,453	76,522,442					
Five years later	12,087,126						
Current estimate of cumulative claims	\$ 12,087,126	\$ 76,522,442	\$ 21,365,088	\$ 11,101,755	\$ 228,868,843	\$ 10,649,200	\$ 360,594,455
Cumulative payments to date	(11,881,448)	(75,844,821)	(20,902,079)	(10,272,927)	(217,805,840)	(4,822,339)	(341,529,455)
Liability recognized in the consolidated statement of financial position	\$ 205,678	\$ 677,621	\$ 463,009	\$ 828,828	\$ 11,063,003	\$ 5,826,861	\$ 19,065,000
Liability in respects of years prior to 2015							1,985,996
Gross claims outstanding included in the consolidated statement of financial position							\$ 21,050,996

Insurance Claims Other Than Catastrophe - Net Retention:

Accident Year	2015	2016	2017	2018	2019	2020	Total
Original estimate of ultimate cost at end of accident year	\$ 2,065,023	\$ 13,409,386	\$ 3,811,300	\$ 1,936,539	\$ 25,674,981	\$ 1,738,095	\$ 48,635,323
One year later	2,023,374	16,698,793	12,910,534	1,903,184	38,757,126		
Two years later	2,340,500	16,912,663	19,963,843	1,904,532			
Three years later	1,974,827	16,938,282	20,758,848				
Four years later	1,981,140	16,939,684					
Five years later	1,991,941						
Current estimate of cumulative claims	\$ 1,991,941	\$ 16,939,684	\$ 20,758,848	\$ 1,904,532	\$ 38,757,126	\$ 1,738,095	\$ 82,090,226
Cumulative payments to date	(1,960,987)	(16,837,677)	(20,680,047)	(1,777,482)	(37,670,125)	(803,861)	(79,730,179)
Liability recognized in the consolidated statement of financial position	\$ 30,954	\$ 102,007	\$ 78,801	\$ 127,050	\$ 1,087,001	\$ 934,234	\$ 2,360,047
Liability in respects of years prior to 2015							304,725
Net claims outstanding included in the consolidated statement of financial position							\$ 2,664,771

(iii) Movements in Outstanding Claims

Outstanding Claims

As at December 31, 2020, outstanding claims of \$21,050,996 (2019 - \$146,289,255) are shown gross of reinsurance recoverables of \$2,496,082 (2019 - \$149,577,324) as disclosed in Note 5.

Included in gross outstanding claims is a provision of \$2,496,082 (2019 - \$5,569,000) for claims incurred but not reported as of the year end.

Year Ended December 31	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claim at January 1, consists of:						
Notified claims	\$ 140,720,255	\$ (128,558,899)	\$ 12,161,356	\$ 9,001,411	\$ (7,618,857)	\$ 1,382,554
Incurred but not reported	5,569,000	(5,206,000)	363,000	1,100,000	(925,000)	174,700
Total claims outstanding at beginning of the year	\$ 146,289,255	\$ (133,764,899)	\$ 12,524,356	\$ 10,101,411	\$ (8,544,157)	\$ 1,557,254
Cash paid for claims settled in the year	(126,204,654)	124,864,432	(1,340,222)	(102,256,242)	97,940,973	(4,315,269)
Increase in liabilities arising in current year claims	3,330,779	(2,751,366)	579,413	234,750,620	(218,104,498)	16,646,122
arising from prior years claims	708,534	(9,799,131)	(9,090,597)	(775,534)	(776,517)	(1,552,051)
movement in incurred but not reported	(3,072,918)	3,064,739	(8,179)	4,469,000	(4,280,700)	188,300
Total claims outstanding at end of the year	\$ 21,050,996	\$ (18,386,225)	\$ 2,664,771	\$ 146,289,255	\$ (133,764,899)	\$ 12,524,356
Outstanding claim at December 31, consist of:						
Notified claims	18,554,914	(16,244,964)	2,309,950	140,720,255	(128,558,899)	12,161,356
Incurred but not reported	2,496,082	(2,141,261)	354,821	5,569,000	(5,206,000)	363,000
Total claims outstanding at end of the year	\$ 21,050,996	\$ (18,386,225)	\$ 2,664,771	\$ 146,289,255	\$ (133,764,899)	\$ 12,524,356

(iv) Unearned Premium Reserve

Year Ended December 31	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At beginning of the year	\$ 25,298,812	\$ (21,355,421)	\$ 3,943,391	\$ 22,897,180	\$ (19,402,972)	\$ 3,494,208
Net increase in the year	16,084	(327,456)	(311,373)	2,401,632	(1,952,449)	449,183
Total claims outstanding at end of the year	\$ 25,314,896	\$ (21,682,877)	\$ 3,632,019	\$ 25,298,812	\$ (21,355,421)	\$ 3,943,391

Included in net premiums earned in the consolidated statement of comprehensive income is the net decrease in unearned premium reserve of \$311,373 (2019 - net increase of \$449,183). 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

At December 31, 2020, the accounts payable balance was \$15,050,985 (2019 - \$37,123,417), which represents balances owed to carriers for premiums received and advancement of claim funds received from carriers in relation to Hurricane Dorian to be settled with the insurers. In addition, within accounts payable is \$6,491,625 (2019 - \$2,537,848) 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

	2020	2019
Gross written premiums	\$ 71,517,966	\$ 65,309,020
Premium tax	(1,497,233)	(1,523,808)
	70,020,733	63,785,212
Ceded to reinsurers	(63,027,401)	(56,036,088)
Excess of loss reinsurance	(3,176,222)	(2,882,378)
Net retained premiums	3,817,110	4,866,746
Change in unearned premium reserve (Note 14)	311,373	(449,183)
Net premium earned	\$ 4,128,483	\$ 4,417,563

17. INCOME AND EXPENSES

	2020	2019
Net revenue from contracts with customers consists of		
Reinsurance contracts	\$ 10,945,140	\$ 10,916,233
Agency contracts	4,477,332	4,770,023
Contracts with Related parties (Note 23)	1,382,444	1,268,414
Broker contracts	3,777,758	5,410,303
	20,582,674	22,364,973
Cost to obtain a contract	(2,082,965)	(1,381,364)
	\$ 18,499,709	\$ 20,983,609

	2020	2019
Investment income consists of:		
Interest income (Notes 6 and 7)	\$ 871,849	\$ 876,296
Dividend income (Note 8)	288,649	264,970
Other income	661,082	751,610
	\$ 1,821,580	\$ 1,892,876

	2020	2019
Other operating expenses consist of:		
Office expenses	\$ 1,485,684	\$ 1,853,200
General expenses	1,320,770	1,633,368
Premise costs	734,427	910,504
Computer related expenses	818,550	495,017
Travel and entertainment	178,866	304,610
	\$ 4,538,297	\$ 5,196,699

18. DIVIDENDS

During the year, the Company declared and paid dividends of \$0.58 per share (2019 - \$0.62 per share) totaling \$4,633,040 (2019 - \$4,952,560) in respect of the final quarter of 2019 and the first three quarters of 2020. Included in accrued expenses and other liabilities in the consolidated statement of financial position are dividends payable of \$nil (2019 - \$nil).

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 \$366,480 (2019 - \$403,041).

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 (2019 - \$800,000) representing the Company's 40% share of this reserve.

21. CONTINGENCIES

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 Company 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.

Insurance Company of The Bahamas Limited is no longer exposed to a contingent liability as a result of a settlement on previous dispute with a third party during the period. As such the provision for tax assessment of \$378,802 has been reversed as well as the offsetting reinsurance recoverable of \$318,564 which was set as a reduction to net claims incurred.

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.

	2020	2019
Net income attributable to equity holders of the Company	\$ 5,223,126	\$ 6,372,198
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>
Basic & diluted earnings per share	<u>\$ 0.66</u>	<u>\$ 0.80</u>

ICB holds 30,000 (2019 - 30,000) shares at a cost of \$84,600 (2019 - \$84,600) 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% (2019 - 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:

	2020	2019
Assets/(Liabilities)		
Prepayments and other assets	\$ 225,011	\$ 712,503
Due to related parties	nil	(2,545,350)
Transactions		
Net revenue from contracts with customers and net premiums earned	5,513,198	5,685,698
Gain on disposal of investment property	nil	213,619
Key management compensation:		
Salaries and other short-term employee benefits, including directors fees	2,212,572	2,567,448
Post employee benefits	57,483	57,483
Dividends paid	1,856,000	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, 2020, are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	\$ 18,560,456	\$ (60,747)	\$ 18,499,709
Net premiums earned (Note 16)	-	4,128,483	4,128,483
Interest income (Note 17)	178,587	693,262	871,849
Dividend income (Note 17)	-	288,649	288,649
Other income (Note 17)	121,172	539,910	661,082
Revaluation for tax assessment	-	378,802	378,802
	<u>\$ 18,860,215</u>	<u>\$ 5,968,359</u>	<u>\$ 24,828,574</u>
	Agents & Brokers	Underwriting	Total
Insurance expenses	\$ -	\$ 1,839,199	\$ 1,839,199
Depreciation and amortization	696,211	49,445	745,656
Change in net unrealized gain on investments in securities	-	532,729	532,729
Provision for expected credit loss	-	146,608	146,608
Other expenses	13,811,433	1,172,767	14,984,200
	<u>\$ 14,507,644</u>	<u>\$ 3,740,748</u>	<u>\$ 18,248,392</u>
Net income	<u>\$ 4,352,571</u>	<u>\$ 2,227,611</u>	<u>\$ 6,580,182</u>

The segment results for the year ended December 31, 2019 are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	\$ 21,634,771	\$ (651,162)	\$ 20,983,609
Net premiums earned (Note 16)	-	4,417,563	4,417,563
Interest income (Note 17)	103,038	773,258	876,296
Dividend income (Note 17)	-	264,970	264,970
Other income (Note 17)	159,515	592,095	751,610
Gain on disposal of investment property	213,619	-	213,619
Profit on sale of property, plant & equipment	-	22,000	22,000
Change in net unrealized gain on investments in securities	-	283,166	283,166
	<u>\$ 22,110,943</u>	<u>\$ 5,701,890</u>	<u>\$ 27,812,833</u>
	Agents & Brokers	Underwriting	Total
Insurance expenses	\$ -	\$ 4,785,760	\$ 4,785,760
Depreciation and amortization	696,494	45,175	741,669
Revaluation of Investment property	125,000	-	125,000
Provision for expected credit loss	-	2,710	2,710
Other expenses	14,751,244	1,197,281	15,948,525
	<u>\$ 15,572,738</u>	<u>\$ 6,030,926</u>	<u>\$ 21,603,664</u>
Net income	<u>\$ 6,538,205</u>	<u>\$ (329,036)</u>	<u>\$ 6,209,169</u>

The segment assets and liabilities at December 31, 2020, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	\$ 48,459,221	\$ 76,629,166	\$ 125,088,387
Total liabilities	\$ 31,934,687	\$ 49,037,891	\$ 80,972,578

The segment assets and liabilities at December 31, 2019, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	\$ 86,890,119	\$ 214,372,872	\$ 301,262,991
Total liabilities	\$ 70,098,156	\$ 188,966,168	\$ 259,064,324

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 resulting in lesser amounts of IBNR 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, 2020, the total of trade receivables in excess of this amount was \$6,646,560 the trade receivables.

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; and
- 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	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets						
Cash and bank balances	\$ 32,605,631	-	\$ 32,605,631	\$ 74,940,376	\$ -	\$ 74,940,376
Term deposits	4,122,206	3,066,472	7,188,678	3,524,606	3,554,641	7,079,247
Accounts receivable	12,188,696	609,852	12,798,548	15,055,628	-	15,055,628
Due from insurance carriers	334,715	-	334,715	928,153	-	928,153
Investments in securities: - fair value through profit or loss	8,246,055	-	8,246,055	8,797,749	-	8,797,749
Amortized cost	-	11,015,510	11,015,510	-	11,810,813	11,810,813
Other assets	1,037,844	-	1,037,844	2,045,891	-	2,045,891
Reinsurance recoverables	20,909,905	-	20,909,905	2,379,269	147,198,055	149,557,324
Total	\$ 79,445,052	\$ 14,691,834	\$ 94,136,886	\$ 107,671,672	\$ 162,563,509	\$ 270,235,181
Financial liabilities						
Outstanding claims	21,050,996	-	21,050,996	136,405,033	9,884,222	146,289,255
Due to related-parties	-	-	-	2,545,350	-	2,545,350
Accounts payable	15,050,985	-	15,050,985	37,123,417	-	37,123,417
Due to reinsurers	9,015,906	-	9,015,906	40,124,199	-	40,124,199
Accrued expenses and other liabilities	4,688,460	-	4,688,460	1,312,427	32,149	1,344,576
Total	\$ 49,806,347	-	\$ 49,806,347	\$ 217,510,426	\$ 9,916,371	\$ 227,426,797
Liquidity gap	\$ 29,638,705	\$ 14,691,834	\$ 44,330,539	\$(109,838,754)	\$ 152,647,138	\$ 42,808,384

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, 2020, 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 \$45,510 (2019 - \$47,225). 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; or
- b) carrying amount approximates or equals fair 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, 2020, ICB exceeded the minimum margin of solvency required under the Act.

As at December 31, 2020, 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, 2020, 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, 2020, the Company declared a quarterly dividend of \$0.14 per share as of record date February 26, 2021.

There are no other subsequent events other than as set out in note 2 (e) from December 31, 2020 through to the date of these financial statements.

- Community Minded -



FRIENDS OF THE BLOOD BANK

JSJ regularly supports the work of Friends of the Blood Bank. We participated in a successful blood drive in our Collins Avenue offices in February.

Pictured: Blood Bank Supervisor Everette Miller assists JSJ Executive Secretary Marsha Cooper with her donation.



HANDS FOR HUNGER

The work of Hands for Hunger was needed more than ever following the onset of the Covid-19 pandemic. JSJ funded the purchase of a new panel truck to assist their efforts, shown here in September.

(Back L to R) JSJ Managing Director, Alister McKellar, H4H Board Member and Treasurer, Herbert Cash, and JSJ Senior Manager of Customer Service Robert Bartlett.

(Front L to R) JSJ Vice-President of Public Relations and Administration Stephanie Hanna, and H4H Executive Director, Keisha Ellis.



THE CASTLE - CHRISTIAN HALFWAY HOUSE

JSJ supports "The Castle," a Christian halfway house that provides a safe transition place for teenagers who leave the Ranfurly Home. One success story, Joshua Balfour, is shown with his wife, Juditha, and child, Phoebe, along with the proprietors of the home, William and Leah Slater.



LET'S SWIM BAHAMAS

All children living in an island nation should know how to swim. That's why we support "Let's Swim Bahamas," an organization that continues to introduce thousands of Bahamian youngsters to the water each year.



HUGH CAMPBELL BASKETBALL TOURNAMENT

Youth sports are an important part of JSJ's community commitment. We sponsored the televising of the annual Hugh Campbell basketball tournament in February.

- Board of Directors -



MARVIN V. BETHELL,
Chairman

Director since 1985. Retired Managing Director in 2012. Appointed Chairman in 2019.



ALISTER I. MCKELLAR,
Managing Director

Executive Director since 1989. Appointed Managing Director in 2012.



WILLIAM P. MILLS,
Deputy Managing Director

Executive Director since February 2018. Appointed Deputy Managing Director in 2015.



BETTY A. ROBERTS,
Director

Director since 2004. Retired Banker, CEO First Trust Bank Limited.



C. R. BRUCE FERNIE,
Director

Director since 2006. Former Insurance Executive, J.S. Johnson & Co. Ltd.



SHARON E. BROWN,
Director

Director since 2010. Retired Banker, MD CIBC First Caribbean International Bank.



KEVIN MOREE,
Director

Director since 2020. Partner McKinney Bancroft & Hughes.



THOMAS F. HACKETT,
Director

Director since 2007. Retired CEO Fidelity Bank.



TERRY L. WILCOX (USA),
Director

Director since 1998. Retired AON Executive.

- Senior Managers -



ROBERTHA BROWN
Senior Manager
(33 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)
(9 Years)

Mr. Underwood manages Financial risks, planning and reporting for the organization, focusing on automation and process improvement.



ROBERT BARTLETT
Senior Manager
(43 Years)

Mr. Bartlett is specifically responsible for Customer Service at the Collins Avenue Office and deals with customer complaints for our entire organization.



CHARLES JOHNSON
Senior Manager
(32 Years)

Mr. Johnson is responsible for the management and production of motor, sub agents and new business in general.

- Shareholder Information - & Locations

Registered Office:

McKinney, Bancroft & Hughes
Mareva House
4 George Street
P.O. Box N-3937
Nassau, Bahamas

Registrar and Transfer Agent: Bahamas Central Securities Depository Limited

2nd Floor
Fort Nassau Centre
British Colonial Hilton
Suite #202
P. O. Box N-9307
Nassau, Bahamas

Auditors:

Ernst & Young
Caves Corporate Centre
West Bay Street & Blake Road
P.O. Box N-3231
Nassau, Bahamas

Corporate Head Office:

J.S. Johnson & Company Limited
34 Collins Avenue
P.O. Box N-8337
Nassau, Bahamas

Subsidiary Company:

**J.S. Johnson & Company Limited
(Turks & Caicos)**
Grace Way Plaza
P.O. Box 229
Providenciales
Turks & Caicos Islands, BWI

Secretary:

April N. Turner

New Providence:

**Collins Avenue
(Head Office)**
P.O. Box N-8337
Nassau, Bahamas
T: 242.397.2100

Soldier Road North
P.O. Box N-8337
Nassau, Bahamas
T: 242.676.6301

**Thompson Boulevard
Hillside Plaza**
P.O. Box N-8337
Nassau, Bahamas
T: 242.676.6300

Family Islands:

**Grand Bahama
East Mall Drive**
P.O. Box F-40269
Freeport
Grand Bahama, Bahamas
T: 242.352.7119

**Abaco
Abaco Shopping Centre**
Marsh Harbour
Abaco, Bahamas
T: 242.367.2688

**Exuma
Queen's Highway**
P.O. Box EX-29186
George Town
Exuma, Bahamas
T: 242.336.2420

Turks & Caicos:

Grace Way Plaza
P.O. Box 229
Providenciales
Turks & Caicos Islands, BWI
T: 649.946.4761





- Services -

Homeowners

Automobile

Annuities

Pensions

Marine

Aviation

Computers

Life & Health

Special Risks

Crime

Bankers' Bonds

Office

Travel

Sports

Personal Accident

Directors & Officers

Commercial Liability

Professional Indemnity



www.jsjohnson.com



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