2019 ANNUAL REPORT

100 Years

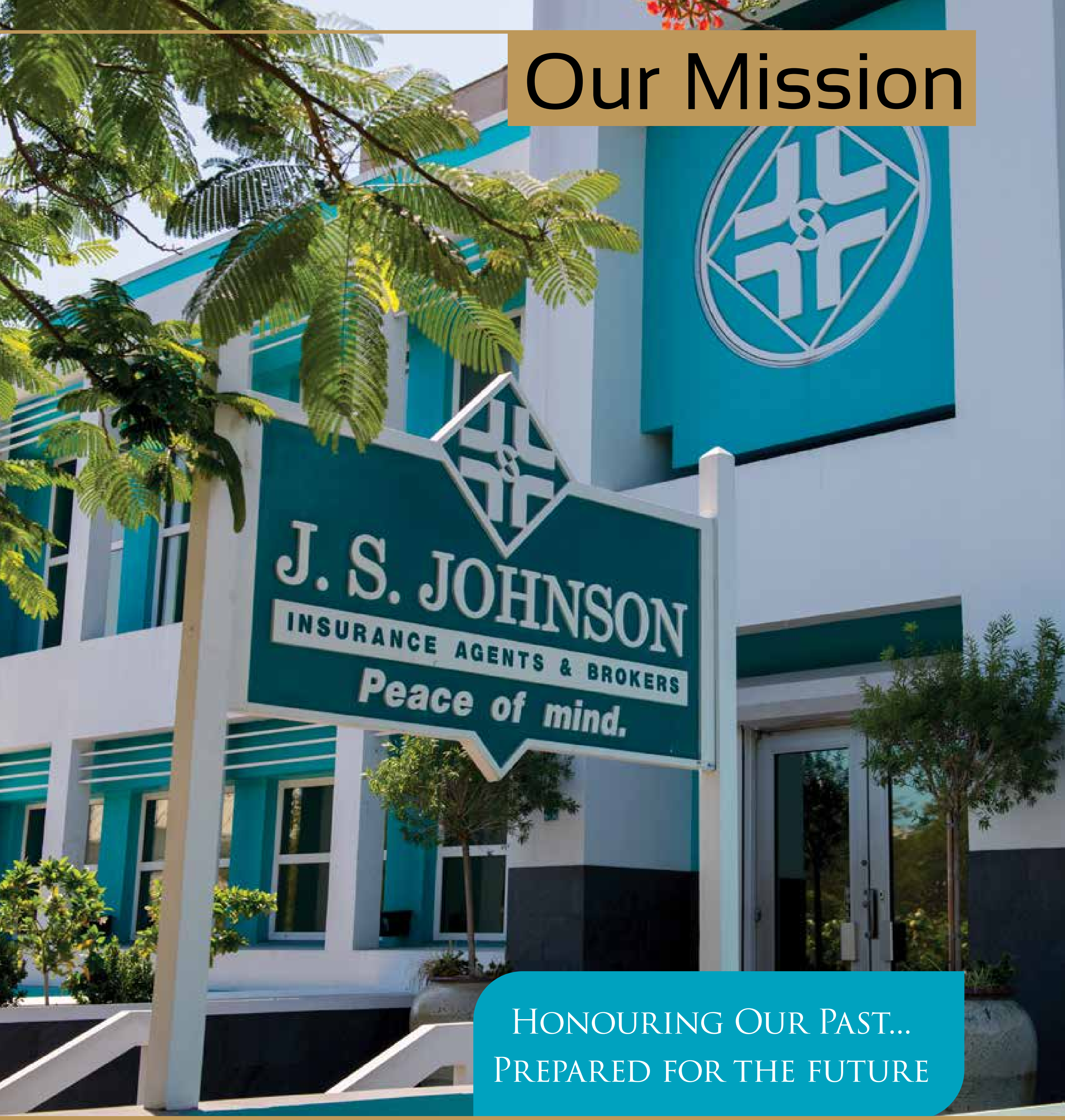
1919-2019

HONOURING OUR PAST...

Prepared for the future!

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

Our Mission



Honouring Our Past...
Prepared for the future

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

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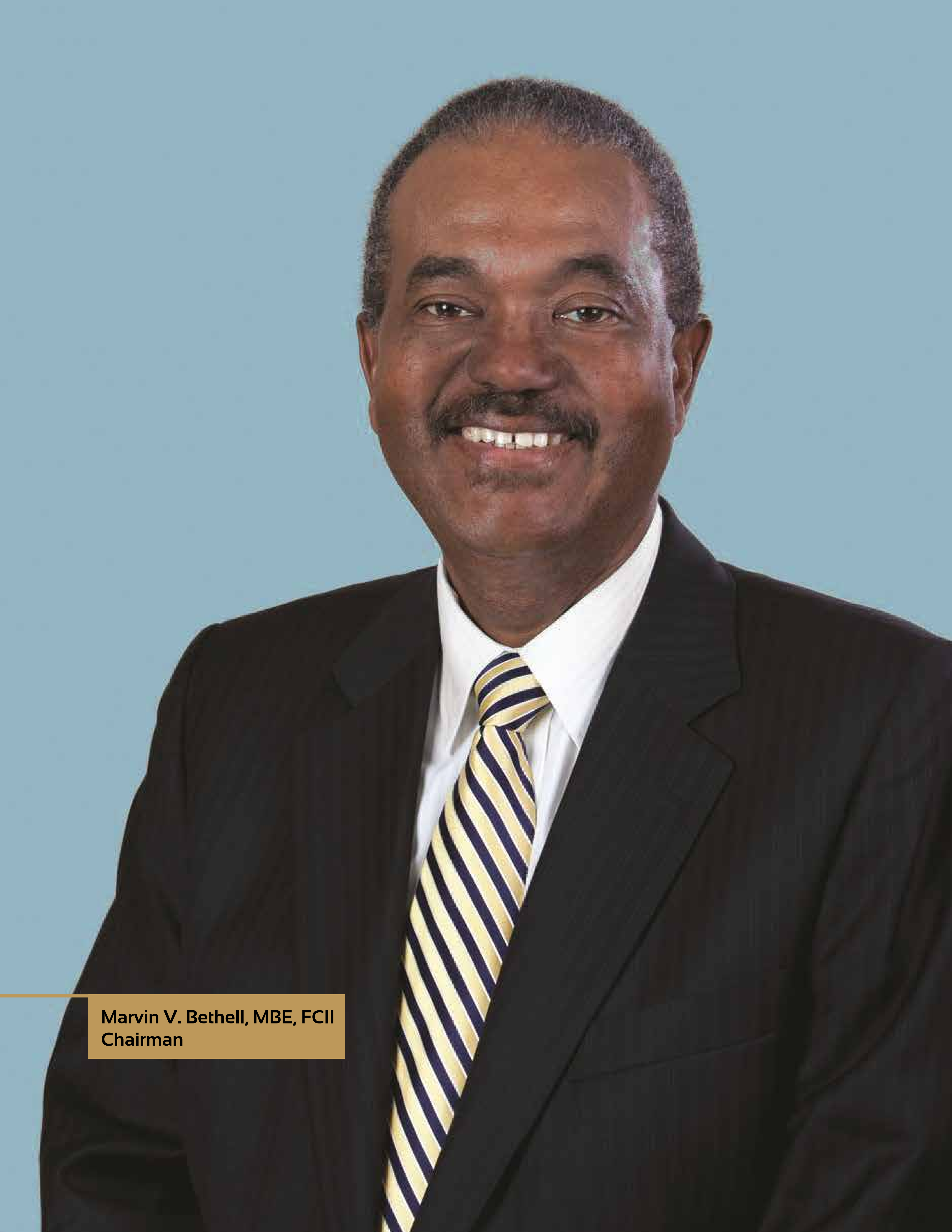


Marvin V. Bethell, MBE, FCII
Chairman

Chairman's Statement

As I assume the duties of Chairman from my esteemed predecessor, Mr Brian Moree, I'm cognizant that events of the past year have resulted in significant challenges for the company and our clients. From the devastation of Hurricane Dorian to the unprecedented disruption caused by the Covid-19 pandemic, we certainly seem to have entered what is now being called the "new normal."

What this means in practical terms for both the company and society-at-large remains to be seen. No doubt some difficult times lie ahead. But it's my sincere hope that our communities and our government will work together to effectively mitigate the most serious challenges we face until we can get on the other side of this.

In the meantime, our 2019 financials tell the story through numbers, with Hurricane Dorian as the main actor in the play. Company net income fell 12% to $6.2 million, a direct result of the storm's impact. Net claims more than doubled to $4,785,760 and pushed our Loss Ratio up to 108% from only 38% the year before.

Dorian also affected events surrounding one of the most significant milestones in the company's history; our 100 year anniversary, on 3 April, 2019. The celebrations had begun in earnest in April, with the first of several branch events. We also placed the smiling faces of our staff on the cover of Bahamasair's inflight magazine, and had special commemorative video footage taken. But we decided to cancel anything further after the storm struck, out of respect for those affected. It was an opportunity to honour an historical achievement that was, unfortunately, cut short.

Our Agency Division was one bright spot in an otherwise difficult financial year after posting a 13% growth rate in Total Income and a 17% increase in overall profitability. Another was our stock price, which rose from $13.01 a share at the start of 2019 to $14.00 by the end, an increase of 7.6%. By 15 January, 2020 the price had reached $15.20.

Dividend payouts also provided a measure of comfort for investors during the year, rising from 60 to 62 cents per share. There's some precedent for this level of payout as well: For the nine years prior to 2017 the company consistently followed a dividend policy of 64 cents per year, or 16 cents per quarter. 2019's dividend equates to a yield of 4.43%, still one of the highest on the Bahamas International Securities Exchange (BISX)-listed securities for the year.

There are, of course, no guarantees in relation to dividend payouts. The board must always consider all aspects of the company's financial health before declaring a payment at all, and it's likely that the current crisis brought upon us by the Covid-19 pandemic will impact future payouts.

A new accounting standard called "IFRS 16" was also introduced in 2019, which now requires us to list "Leased Right of Use Asset and Liability" in our Statement of Financial Position. Although it doesn't actually result in any significant financial impact, it has prompted us to restate the previous year's financials for purposes of comparison and reporting.

One of the more frustrating aspects of the recent pandemic-caused shutdown of the Bahamian economy is that the outlook just prior was so bright: GDP growth was finally happening on the heels of record-setting tourist arrivals and new Foreign Direct Investment in various projects throughout the country.

However, the crisis has also shined the spotlight on something else that will be very important to the company going forward: technology has, indeed, become an "essential worker" in the modern company. As the government-mandated shutdown disrupted normal face-to-face customer service, we witnessed a dramatic increase in the use of our Online Service Center (OSC). We *have* been encouraging clients to sign up for this service for some time now, but have not gotten the level of response that the crisis has produced. The ability to direct clients to such a useful online site assisted us tremendously in our overall response.

In that regard, the company is currently working with technology consultants to help us upgrade our current systems, add new features, and serve our clients even better.

As I write this, we're on the cusp of the 2020 Hurricane Season, which is slated to be a busy one. The National Oceanic and Atmospheric Administration has predicted 13-19 named storms in 2020. The first two names on the list—Arthur and Bertha--have already been given to a pair of tropical storms that formed just prior to the official start of the season. We know the season can bring terrible surprises—like Dorian—so we continue to urge everyone to properly protect themselves and their property beforehand.

In closing, I'd like to thank all JSJ employees for their hard work during a very difficult time, as well as my fellow Directors on the Board, and our shareholders for their continued support and confidence. As we have done many times in our more than 100-year history, I'm confident we'll overcome these challenges and be a stronger company as a result.

Marvin V. Bethell, MBE, FCII
Chairman

Financial Highlights

6.2 Million
NET INCOME 2019

7.1
NET INCOME 2018

5.6
NET INCOME 2017

42.2 Million
NET ASSETS 2019

41.3
NET ASSETS 2018

39.2
NET ASSETS 2017

(Expressed in Bahamian dollars) **Consolidated Statement of Financial Position:**		2019	2018	2017
Total assets	$	**301,262,991**	92,272,441	103,947,169
Total liabilities		**259,064,324**	50,989,208	64,774,411
Equity	$	**42,198,667**	41,283,233	39,172,758
Consolidated Statement of Comprehensive Income:				
Total income	$	**27,812,833**	24,376,184	23,706,080
Total expenses		**21,603,664**	17,308,719	18,068,286
Net income	$	**6,209,169**	7,067,465	5,637,794
Ratios:				
Return on equity: net income/total equity		**15%**	17%	14%
Equity: equity/total assets		**14%**	45%	38%
Loss: net claims incurred/net premium earned		**108%**	38%	81%
Other Data:				
Dividends per share	$	**0.62**	0.60	0.58
Annual dividends	$	**4,952,560**	4,792,800	4,633,040
Total shareholders' equity	$	**26,770,045**	25,350,407	24,018,871
Earnings per share for the profit attributable to the equity holders of the Company	$	**0.80**	0.77	0.67

Alister I. McKellar, FCII
Managing Director

Managing Director's Discussion & Analysis

2019 was a year that will never be forgotten in the Bahamas: Category 5 Hurricane Dorian slammed into Northern Abaco on Sunday, 1st September, with sustained winds of 185mph and gusts that tied the highest-ever recorded at landfall. While New Providence was spared the wrath of this monster storm, Northern Abaco and Grand Bahama were devastated, resulting in billions of dollars of property damage and significant loss of life. It's impossible to quantify the overall psychological impact the storm has had in terms of personal anguish over the loss of family, homes and business, but the Bahamian insurance industry has collectively reassured these communities of our commitment to restoring our Bahama land.

Given the scale of Dorian, we're fortunate to have only suffered a net loss of $329,036 in our Underwriting division, an accomplishment that speaks volumes about the quality and financial strength of our reinsurance partners, who stood behind more than $220M of gross claims recorded by ICB. Nevertheless, the loss remains a meaningful change to the $1,456,954 in profit earned the prior year.

In contrast, our Agency division enjoyed another successful year with a healthy 13% growth in Total Income, from $19,645,664 to $22,110,943. This is the highest growth rate in several years and was fueled largely by the continued economic recovery throughout most of our islands. Despite expenses increasing 11%, overall profitability in this division rose 17% from $5,610,511 to $6,538,205.

A look at the company's stock price from 2000-2019 also reveals another positive trend: a slow but steady increase, with an average annual dividend payment of 58.05 cents per share (see charts below). You can have confidence that we understand the continued importance of these numbers to our valued investors.

From an accounting perspective, our key ratios have fluctuated this year, due in large part to Hurricane Dorian. Overall company profitability dropped in the wake of the storm, resulting in a two-point decline in Return on Equity. Our Equity Ratio also fell sharply to 14%, as cash and reinsurance recoverable balances inflated year-end asset balances and forced the ratio lower. Finally, an increase in Net Claims, from $1,506,917 to $4,785,760, pushed our Loss Ratio up sharply from 38% to 108%. Not the most favourable of results, for sure, but we expect the Equity and Loss ratios to improve next year as hurricane-related losses continue to decline.

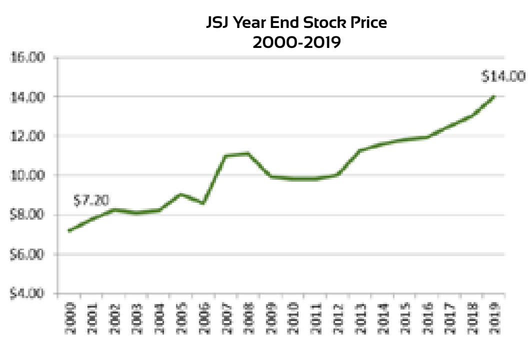
Another new financial reporting standard--IFRS 16—was also introduced this year, which requires that "Right of Use Asset and Lease Liability" be shown in our Statement of Financial Position. These balances almost offset each other and will continue to decline over the life of our rental leases. As this standard was introduced in 2019, our previous year's balances have been restated for comparative and reporting purposes, explained in note 3(v). Apart from this standard there were no other changes to accounting estimates from the prior year.

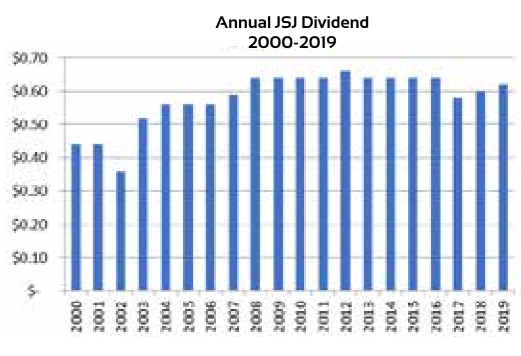
Our 100th anniversary (1919-2019) was a special occasion for us, and we held our first branch event in Abaco in April, with Freeport and others in the months that followed. We actually had planned many more events to commemorate this historic milestone—including a client appreciation gathering and a special newspaper supplement—but opted to forego any further celebrations after Dorian struck, out of respect for those affected.

As of this writing, the global Corona virus pandemic has resulted in a near complete shutdown of the Bahamas, effectively stalling the positive economic progress the country had been making. Although the full economic impact to our business is yet unknown, we've pledged to continue to find creative and effective ways to support our community and clients, many of whom must now grapple with the realities of job and income loss.

To close, I wish to thank all our stakeholders, past and present, for playing such an integral part in helping us reach the 100-year mark. Knowing that we've successfully overcome many significant tribulations over the past century should give all our clients confidence that we'll continue to provide "Peace of Mind" during these difficult times.

Alister I. McKellar, FCII
Managing Director





Consolidated Financial Statements For The Year Ended December 31, 2019

One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas

Tel: +242 502 6000
Fax: +242 502 6090
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, 2019, 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, 2019, 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 Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 Auditors' 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 $146.3 million, including $5.6 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Tiffany Norris-Pilcher.

Ernst + Young

March 30, 2020

J.S. Johnson & Company Limited
Consolidated Statement of Financial Position

(Expressed in Bahamian Dollars)

	December 2019	2018 (Restated)*
Assets		
Cash and bank balances (Notes 6 and 26)	$ 74,940,376	$ 9,700,629
Term deposits (Notes 7 and 26)	7,079,247	6,084,607
Accounts receivable (Notes 4 and 26)	15,055,628	14,334,352
Due from insurance carriers (Notes 9 and 26)	928,153	45,233
Investment in securities (Notes 8 and 26)	20,608,562	21,457,934
Prepayments and other assets (Notes 10 and 26)	2,110,103	1,772,945
Prepaid reinsurance premiums (Note 15)	21,355,421	19,402,972
Reinsurance recoverables (Notes 5 and 26)	149,577,324	9,373,273
Intangible assets (Note 11)	-	10,693
Right of use asset (Note 12)	605,337	634,823
Investment properties (Note 13)	787,772	973,935
Property, plant, and equipment (Note 14)	8,215,068	8,481,045
Total assets	$ 301,262,991	$ 92,272,441
Liabilities		
General insurance funds:		
Unearned premium reserve (Note 15)	$ 25,298,812	$ 22,897,180
Outstanding claims (Notes 15 and 26)	146,289,255	10,101,411
	171,588,067	32,998,591
Other liabilities		
Due to related parties (Notes 22,24 and 26)	$ 2,545,350	$ 188,029
Accounts payable (Notes 16, 22 and 26)	37,123,417	5,202,717
Due to reinsurers (Notes 5 and 26)	40,124,199	4,582,436
Accrued expenses and other liabilities (Notes 19, 24, and 26)	1,344,576	2,139,004
Lease liability (Note 12)	613,227	634,823
Unearned commission reserve	5,725,488	5,243,608
Total liabilities	259,064,324	50,989,208
Equity		
Share capital		
Authorized, issued, and fully paid:– 8,000,000 ordinary shares of $0.01 each	$ 80,000	$ 80,000
Retained earnings (Note 21)	26,774,645	25,355,007
Interest in own shares (Note 23)	(84,600)	(84,600)
	26,770,045	25,350,407
Non-controlling interest	15,428,622	15,932,826
Total Equity	42,198,667	41,283,233
Total Liabilities and Equity	$ 301,262,991	$ 92,272,441

* See accompanying note 3 (v) to the consolidated financial statements.
See accompanying notes to consolidated financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 30, 2020 by:
Approved by the Board:

Director

Director

Consolidated Statement of Comprehensive Income

(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2019	2018 (Restated)*
Income		
Net revenue from contracts with customers (Notes 18 and 24)	$ 20,983,609	$ 18,721,693
Net premiums earned (Note 17)	4,417,563	3,960,020
Investment income (Note 18)	1,892,876	1,694,471
Gain on disposal of investment property (Note 13)	213,619	-
Profit on sale of property plant & equipment(Note 14)	22,000	-
Change in net unrealized gain on investment in securities (Note 8)	283,166	-
Total income	27,812,833	24,376,184
Expenses:		
Salaries and employee benefits (Notes 20 and 24)	$ 10,751,826	$ 10,069,600
Net claims incurred (Notes 15 and 22)	4,785,760	1,506,917
Depreciation and amortization (Notes 11, 12, 13 and 14)	741,669	629,856
Provision for tax assessment (Note 22)	-	378,802
Provision for expected credit loss (Note 8)	2,710	3,769
Revaluation of investment property(Note 13)	125,000	-
Change in net unrealized loss on investments in securities (Note 8)	-	213,364
Other operating expenses (Note 18)	5,196,699	4,506,411
Total expenses	21,603,664	17,308,719
Net income	$ 6,209,169	7,067,465
Attributable to:		
Equity holders of the company (Note 23)	$ 6,372,198	$ 6,129,358
Non-controlling interest	(163,029)	938,107
	$ 6,209,169	$ 7,067,465
Basic & diluted earnings per share for the profit attributable to the equity holders of the Company (Note 23)	$ 0.80	$ 0.77

* See accompanying note 3 (v) to the consolidated financial statements

See accompanying notes to consolidated financial statements.

Consolidated Statement of 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, 2017	$ 80,000	$ 24,018,449	$ (84,600)	$ 24,013,849	$ 15,146,353	$ 39,160,202
Net income	-	6,129,358	-	6,129,358	938,107	7,067,465
Distributions to owners:	-	(4,792,800)	-	(4,792,800)	(151,634)	(4,944,434)
Dividends (Note 19)						
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 19)	-	(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

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 2019	2018 (Restated)*
Operating activities		
Net income	$ 6,209,169	$ 7,067,465
Adjustments for:		
Unearned premium reserve (Note 15)	(449,183)	(136,601)
Depreciation and amortization	741,669	629,856
Provision for tax assessment	-	378,802
Provision for expected credit loss	2,710	3,769
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	20,741	-
Change in net unrealized loss/ (gain) on investments in securities	(283,166)	213,364
Interest income (Note 18)	(876,296)	(684,971)
Dividend income (Note 18)	(264,970)	(365,209)
Bad debts	48,000	76,000
Cash from operations before changes in assets and liabilities	5,038,055	7,182,475
(Increase) decrease in assets:		
Accounts receivable	$ (769,276)	$ 1,352,391
Due from insurance carriers	(882,920)	405,993
Prepayments and other assets	(337,158)	3,303,856
Prepaid reinsurance premiums	(1,952,449)	(981,876)
Reinsurance recoverable	(140,204,051)	6,125,908
Increase (decrease) in liabilities:		
Unearned premium reserve	$ 2,850,815	$ 1,255,076
Outstanding claims	136,187,844	(10,649,612)
Due to related parties	2,357,321	41,115
Accounts payable, accrued expenses and other liabilities	31,126,273	(2,946,027)
Due to reinsurers	35,541,763	(2,621,900)
Unearned commission reserve	481,880	259,119
Net cash provided by operating activities	69,438,097	2,726,518
Investing activities		
Net placement of term deposits	$ (974,761)	$ (1,145,595)
Proceeds from sale of property, plant and equipment	22,000	-
Purchase of property, plant, and equipment (Note 14)	(282,418)	(538,288)
Proceeds from insurance coverage of investment property	273,096	-
Sale/(purchase) of investments in securities	1,046,058	(1,408,748)
Proceeds from principal payments of investments	107,097	129,957
Interest received	833,089	804,561
Dividends received	264,970	365,209
Net cash provided by/(used in) investing activities	1,289,131	(1,792,904)

* See accompanying note 3 (v) to the consolidated financial statements
See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows (continued)

(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2019	2018 (Restated)*
Financing activities		
Interest payment of lease liability	(20,741)	-
Principal payment of lease liability	(173,005)	(85,717)
Dividends paid to shareholders	(4,952,560)	(4,792,800)
Dividends paid to non-controlling interest	(341,175)	(151,634)
Net cash used in financing activities	(5,487,481)	(5,030,151)
Net increase/(decrease) in cash and cash equivalents	65,239,747	(4,096,537)
Cash and cash equivalents, beginning of year	9,700,629	13,797,166
Cash and cash equivalents, end of year	$ 74,940,376	$ 9,700,629
Supplemental cash flow information		
Premium tax paid	$ 2,202,507	$ 1,774,977

* See accompanying note 3 (v) to the consolidated financial statements

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.

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.

3. Summary of Significant Accounting Policies (continued)

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.

3. Summary of Significant Accounting Policies (continued)

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).

3. Summary of Significant Accounting Policies (continued)

(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 company 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 $14,015,462 (2018: $7,208,325).

(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.

(Expressed in Bahamian Dollars) December 31, 2019

3. Summary of Significant Accounting Policies (continued)

(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 (2018 – 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:

Name	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.

3. Summary of Significant Accounting Policies (continued)

(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.

3. Summary of Significant Accounting Policies (continued)

(iv) Loans and Receivables (continued)

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 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

3. Summary of Significant Accounting Policies (continued)

(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 2019 no impairment on the asset was noted (2018, 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 cashflows due in accordance with a contract and the cashflows 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.

3. Summary of Significant Accounting Policies (continued)

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 outstanding 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.

3. Summary of Significant Accounting Policies (continued)

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.

(l) 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(l) 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.

3. Summary of Significant Accounting Policies (continued)

(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, 2019, 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.

3. Summary of Significant Accounting Policies (continued)

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

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

Standards issued but 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 1 January 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 IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

(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 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature of these changes is disclosed below. Although these new standards and amendments applied for the first time in 2019, 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:

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3. Summary of Significant Accounting Policies (continued)

(v) New Standards Adopted During the Year (continued)

- **IFRS 16: Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the full retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The effect of adopting IFRS 16 is, as follows:

Classification and Measurement category under IAS 17	31 December 2018	31 December 2018 Adjustment	31 December 2018 Measurement category under IFRS 16
Balance sheet			
Right of use Asset	-	634,823	634,823
Lease liability	-	634,823	634,823
Income statement			
Depreciation and amortization	544,139	85,717	629,856
Other operating expenses	4,592,128	(85,717)	4,506,411

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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:

	2019	2018
Trade	$ 15,689,984	$ 14,922,819
Provision for expected credit losses	(634,356)	(588,467)
	$ 15,055,628	$ 14,334,352

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

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	$13,016,295	$ 1,827,134	$ 293,483	$553,072	$15,689,984	$(634,356)	$15,055,628

2018

	0– 6 Months	6 – 9 Months	9 – 12 Months	More than 12 Months	Gross Receivables	Expected credit losses	Net Receivables
Trade	$12,830,459	$1,225,006	$184,147	$683,207	$14,922,819	$(588,467)	$14,334,352
Total	$12,830,459	$1,225,006	$184,147	$683,207	$14,922,819	$(588,467)	$14,334,352

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:

	2019	2018
Balance as of January 1	$ 588,467	$ 520,234
Recoveries of expected credit losses	$ (2,111)	$ (7,767)
Provision for expected credit losses	48,000	78,000
Balance as at December 31	$ 634,356	$ 588,467

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.

5. Underwriting Policies and Reinsurance Agreements (continued)

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

Reinsurance recoverables consist of:

	2019	2018
Recoverables under excess of loss reinsurance for claims paid and outstanding	$ 15,812,425	$ 829,116
Recoverables under proportional contracts for outstanding claims (Note 14)	133,764,899	8,544,157
	$ 149,577,324	$ 9,373,273

Amounts due to reinsurers of $40,124,199 (2018 – $4,582,436) 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% (2018 – varying rates up to 0.5%) per annum on accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to $61,616 (2018 – $35,960).

7. Term Deposits

Term deposits with banks include accrued interest totaling $58,420 (2018 – $38,540). The term deposits are held more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates 2019	2019	Interest Rates 2018	2018
Three months – one year	1.07%-2.00%	$ 3,524,610	1.75%-2.00%	$ 4,559,127
Over one year	2.00%-2.25%	3,554,637	1.75%-2.25%	1,525,480
		$ 7,079,247		$ 6,084,607

To meet the requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 28, ICB renewed its term deposit of $1,251,267 (2018 – $1,229,747) with a maturity date of December 21, 2020. 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 $527,888 (2018 – $518,809), with a maturity date of December 7, 2020. The deposit is held with a recognized financial institution in Turks and Caicos.

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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:

	2019	2018
As at beginning of year	$ 10,215,346	$ 4,673,511
Disposals	(1,700,763)	-
Impact of adopting new accounting standards	-	5,755,199
Change in net unrealized gains/ (losses) during the year	283,166	(213,364)
As of end of year	$ 8,797,749	$ 10,215,346

As of December 31, 2019, the cost of securities at fair value through profit or loss was $6,207,644 (2018 – $7,809,407).

Investments at Amortized Cost

Investments at Amortized Cost consist of the following:

	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)
			$11,810,813

	Interest Rates	Maturity	Amortized Cost 2018
The Bridge Authority Bond	6.25%	2024	$ 130,078
Bahamas Government Registered Stocks	4.39% to 4.88%	2020 – 2049	5,822,384
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	1,910,000
College of The Bahamas	7.00%	2026	285,769
Public Hospital Authority Ser A	6.00%	2033	801,412
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Bahamas Govt Stock Tranche 2	4.50%	2022	1,021,674
Loss Allowance			(13,871)
			$11,242,588

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8. Investments in Securities (continued)

Included in investments at amortized is accrued interest totaling $145,499 (2018-$122,084). The interest income for investments at amortized cost was include $640,279 (2019 - $521,837).

In accordance with the Note Purchase Agreement dated March 20, 2009 for Nassau Airport Development Company – Senior Secured Note, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2031. During 2019, the Group received $31,250 (2018 – $18,750) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated June 24, 2011 for The College of The Bahamas, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2026. During 2019, the Group received $31,250 (2018 – $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 2019, the Group received $53,428 (2018- $52,632) towards the principal of the Secured Note.

Included in prepayments and other assets is $5,180 (2018 – $11,737) relating to dividends receivable (Note 10) at December 31, 2019.

Fair Value Hierarchy

Securities at fair value through profit or loss and at amortized cost are categorized as Level 2 as at December 31, 2019 and 2018. There has been no transfer of financial instruments between Level 1 and Level 2 during the year ended December 31, 2019 and 2018.

9. Due from Insurance Carriers

As of December 31, 2019, balances totaling $928,153 (2018 – $45,233) 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

	2019	2018
Staff loans and advances (i)	$ 535,408	$ 678,433
Prepayments and security deposits	64,211	64,211
Capital projects – deposits (ii)	-	32,257
Proceeds due from sale of building	-	133,417
Commissions receivable	181,425	368,039
Other assets (Note 8)	1,329,059	496,588
	$ 2,110,103	$ 1,772,945

(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.

(ii) This balance represents payments made for architect fees related to the planned building extension project, for which the expected date of commencement has not yet been determined. During 2015, the Company began amortizing this balance over a five year period.

(Expressed in Bahamian Dollars) December 31, 2019

11. Intangible Assets

		2019		2018
Cost:				
At January 1	$	720,506		$720,506
Acquisitions		-		-
At December 31	$	**720,506**	$	**720,506**
Accumulative amortization:				
At January 1	$	676,321	$	644,504
Charge for the year		10,693		31,817
At December 31	$	**687,014**	$	**676,321**
Impairment:				
At January 1	$	33,492	$	33,492
At December 31	$	**33,492**	$	**33,492**
Net carrying value	$	-	$	**10,693**

Intangible assets relate to the purchase of three portfolios of businesses ("business") consisting of customer relationships with insurance policies in the Turks and Caicos Islands and a recently acquired portfolio in Exuma, Bahamas. The first portfolio purchased in 2011 for $383,600 was fully amortized as at December 31, 2018.

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

The third portfolio was purchased on August 1, 2014. As of December 31, 2019, $nil is the carrying value of the portfolio.

Amortization charged in 2019 of $10,693 (2018 – $31,817) is included in depreciation and amortization in the consolidated statement of comprehensive income. There have been no changes in the estimates and assumptions that were initially used to assess the fair value of the intangible assets.

12. Leases

The Group has lease contracts for its office premises at Thompson Blvd and the Turks & Caicos Island. The current lease of the premise for the premise in Thompson Blvd is for 4 years (2018: 5 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:

		2019		2018 (Restated)
At January 1	$	634,823	$	-
Additions		151,409		720,540
Depreciation expense		(180,895)		(85,717)
Net carrying value 2019	$	**605,337**	$	**634,823**

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12. Leases (continued

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

	2019	2018 (Restated)
At January 1	$ 634,823	$ -
Additions	151,409	720,540
Accretion of interest	20,741	-
Payments	(193,746)	(85,717)
Net carrying value 2019	$ **613,227**	$ **634,823**

Depreciation charged in 2019 of $180,895 (2018 – $85,717) is included in depreciation and amortization in the statement of comprehensive income. Interest expenses where also incurred at 20,741 in 2019 and nil in 2018. 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.

13. Investment Properties

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

	Land	Buildings	Total
Cost:			
Balance as at January 1, 2019	$ 912,772	$ 112,269	$ 1,025,041
Disposals	-	(112,269)	(112,269)
Balance as at December 31, 2019	$ 912,772	-	$ 912,772
Accumulated depreciation:			
Balance as at January 1, 2019	$ -	$ 26,944	$ 26,944
Disposals		(28,628)	(28,628)
Charge for the year	$ -	1,684	1,684
Balance as at December 31, 2019	$ -	$ -	-
Impairment/Revaluation:			
Balance as at January 1, 2019 and December 31, 2019	-	$ (24,164)	$ (24,164)
Charge for the year	(125,000)	24,164	(100,836)
Balance as at December 31, 2019	$ (125,000)	-	$ (125,000)
Net Carrying Value as at December 31, 2019	$ 787,772	$ -	$ 787,772
Net Carrying Value as at December 31, 2018	$ 912,772	$ 61,163	$ 973,935

(Expressed in Bahamian Dollars) December 31, 2019

13. Investment Properties (continued)

As at December 31, 2019, 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 (2018 - $536,916). During 2016, a sale was recorded for one land and building. Considering the cost of this land and building with related accumulated depreciation a realized loss of $97,333 was reflected. A receivable from this sale of 133,417 (2018 - $133,417) will be repaid over 7 years at a rate of 7% in eighty four equal installments. The second investment property is another land and building, which have carrying values and fair value of $250,858 (2018 – $375,856) for land and $nil (2018 – $61,163) 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.

Investment properties are being assessed annually for any indication of impairment, one of the factors being considered is the estimated fair value. During 2011, an impairment loss was recorded for the second investment property land and building. While impairment loss of $24,164 was recorded for the second investment property building. 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. During 2019, an impairment loss/ revaluation loss of $125,000 (2018 - nil) was recorded on the land as a result of Hurricane Dorian. No other impairment losses were recognized in 2019 and 2018. Included in depreciation in the statement of comprehensive income is the depreciation charge on the building of $1,684 (2018 - $2,245).

14. Property, Plant, and Equipment

	Land	Building	Furniture, Equipment & Motor Vehicles	Leasehold Improvements	Computer Hardware & Software	Total
Cost:						
Balance as of January 1, 2019	$ 2,340,044	$ 7,228,766	$ 2,344,600	$ 1,436,329	$ 2,537,177	$ 15,886,916
Disposals	–	–	(46,795)	–	–	(46,795)
Additions	–	28,772	147,061	1,287	105,298	282,418
Balance as of December 31, 2019	$ 2,340,044	$ 7,257,538	$ 2,444,866	$ 1,437,616	$ 2,642,475	$ 16,122,539
Accumulated depreciation:						
Balance as of January 1, 2019	–	$ 2,550,293	$ 1,779,531	$ 777,201	$ 2,298,846	$ 7,405,871
Depreciation charge for the year	–	160,323	160,949	128,103	99,020	548,395
Disposals	–	–	(46,795)	–	–	(46,795)
Balance as of December 31, 2019	–	$ 2,710,616	$ 1,893,685	$ 905,304	$ 2,397,866	$ 7,907,471
Net carrying value:						
December 31, 2019	$ 2,340,044	$ 4,546,922	$ 551,181	$ 532,312	$ 244,609	$ 8,215,068
December 31, 2018	$ 2,340,044	$ 4,678,473	$ 565,069	$ 659,128	$ 238,331	$ 8,481,045

15. Outstanding Claims and Net Claims Incurred

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

	2019	2018
Claims incurred	$234,163,385	$ 11,476,279
Less: recoverable from reinsurers	(229,377,625)	(9,969,362)
	$ 4,785,760	$ 1,506,917

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15. Outstanding Claims and Net Claims Incurred (continued)

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 2014 to 2019:

Insurance Claims Other Than Catastrophe – Gross:

Accident Year	2014	2015	2016	2017	2018	2019	Total
Original estimate of ultimate claims cost at end of accident year	$ 10,929,613	$ 12,532,624	$ 70,176,155	$ 22,949,341	$ 11,847,932	$ 238,746,786	$ 367,182,451
	11,572,739	12,282,714	75,628,189	21,572,268	11,154,592		
	11,228,718	12,364,135	76,329,583	21,375,182			
	11,414,581	11,973,754	76,495,458				
	11,699,217	12,014,453					
	12,627,648						
Current estimate of cumulative claims	$ 12,627,648	$ 12,014,453	$ 76,495,458	$ 21,375,182	$ 11,154,592	$ 238,746,786	$ 372,414,119
Cumulative payments to date	(11,637,071)	(11,861,569)	(75,692,962)	(20,644,504)	(10,003,379)	(97,872,754)	(227,712,239)
Liability recognized in the consolidated statement of financial position	$ 990,577	$ 152,884	$ 802,496	$ 730,678	$ 1,151,213	$ 140,874,032	$ 144,701,880
Liability in respects of years prior to 2014							$ 1,587,375
Gross claims outstanding included in the consolidated statement of financial position							$ 146,289,255

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15. Outstanding Claims and Net Claims Incurred (continued)

Insurance Claims Other Than Catastrophe – Net Retention:

Accident Year	2014	2015	2016	2017	2018	2019	Total
Original estimate of ultimate cost at end of accident year	$ 1,738,553	$ 2,065,023	$ 13,409,386	$ 3,811,300	$1,936,539	$ 25,674,981	$ 48,635,781
	1,853,769	2,023,374	16,698,793	12,910,534	1,903,184		
	1,801,686	2,340,500	16,912,663	19,963,843			
	1,829,324	1,974,827	16,938,282				
	1,877,082	1,981,140					
	2,405,644						
Current estimate of cumulative claims	2,405,644	$ 1,981,140	$ 16,938,282	$ 19,963,843	$ 1,903,184	$ 25,674,981	$68,867,074
Cumulative payments to date	(2,256,883)	(1,957,999)	(16,817,441)	(19,840,491)	(1,723,573)	(13,991,262)	(56,587,649)
Liability recognized in the consolidated statement of financial position	$ 148,761	$23,141	$ 120,841	$ 123,352	$ 179,611	$ 11,683,719	$ 12,279,425
Liability in respects of years prior to 2014							244,931
Gross claims outstanding included in the consolidated statement of financial position							$ 12,524,356

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15. Outstanding Claims and Net Claims Incurred (continued)

(iii) Movements in Outstanding Claims

Outstanding Claims

As at December 31, 2019, outstanding claims of $146,289,255 (2018 – $10,101,411) are shown gross of reinsurance recoverables of $149,577,324 (2018 – $9,373,273) as disclosed in Note 5.

Included in gross outstanding claims is a provision of $5,569,000 (2018 – $1,100,000) for claims incurred but not reported as of the year end.

Year Ended December 31	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claim at January 1, consists of:						
Notified claims	$ 9,001,411	$ (7,618,857)	$1,382,554	19,701,023	$(16,241,317)	$ 3,459,706
Incurred but not reported	5,569,000	(5,206,000)	363,000	1,050,000	(879,050)	170,950
Total claims outstanding at beginning of the year	14,570,411	(12,824,857)	1,745,554	20,751,023	$(17,120,367)	3,630,656
Cash paid for claims settled in the year	(102,256,242)	97,940,973	(4,315,269)	(22,172,141)	18,388,068	(3,784,073)
Increase in liabilities						
arising in current year claims	234,750,620	(218,104,498)	16,646,122	14,133,999	(11,901,477)	2,232,522
arising from prior years claims	(775,534)	(776,517)	(1,552,051)	(2,661,470)	2,135,869	(525,601)
movement in incurred but not reported	-	-	-	50,000	(46,250)	3,750
Total claims outstanding at end of the year	$146,289,255	$(133,764,899)	12,524,356	10,101,411	(8,544,157)	1,557,254
Outstanding claim at December 31, consist 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	(925,300)	174,700
Total claims outstanding at end of the year	$146,289,255	$(133,764,899)	$12,524,356	$10,101,411	$(8,544,157)	$1,557,254

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15. Outstanding Claims and Net Claims Incurred (continued)

(iv) Unearned Premium Reserve

Year Ended December 31	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At beginning of the year	22,897,180	(19,402,972)	3,494,208	21,778,705	(18,421,096)	3,357,609
Net increase in the year	2,401,632	(1,952,449)	449,183	1,118,475	(981,876)	136,599
Total claims outstanding at end of the year	$ 25,298,812	$ (21,355,421)	$ 3,943,391	$ 22,897,180	$ (19,402,972)	$ 3,494,208

Included in net premiums earned in the consolidated statement of comprehensive income is the net decrease in unearned premium reserve of $449,183 (2018 – net increase of $136,601). These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at year-end.

16. Accounts Payable

At December 31, 2019, the accounts payable balance was $37,123,417 (2018: $5,202,717), 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 $2,537,848 (2018 – $1,931,097) 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.

17. Net Premiums Earned

	2019	2018
Gross written premiums	$ 65,309,020	$ 53,406,752
Premium tax	(1,523,808)	(1,371,771)
	63,785,212	52,034,981
Ceded to reinsurers	(56,036,088)	(44,912,369)
Excess of loss reinsurance	(2,882,378)	(3,025,991)
Net retained premiums	4,866,746	4,096,621
Change in unearned premium reserve (Note 15)	(449,183)	(136,601)
Net premium earned	$ 4,417,563	$ 3,960,020

(Expressed in Bahamian Dollars) December 31, 2019

18. Income and expenses

Net revenue from contracts with customers consists of:	2019	2018
Reinsurance contracts	$ 10,916,233	$ 10,138,685
Agency contracts	4,770,023	4,415,902
Contracts with Related parties (Note 24)	1,268,414	1,514,702
Broker contracts	5,410,303	4,076,734
	22,364,973	20,146,023
Cost to obtain a contract	(1,381,364)	(1,424,330)
	$ 20,983,609	$ 18,721,693

Investment income consists of:	2019	2018
Interest income (Notes 6 and 7)	$ 876,296	$ 684,971
Dividend income (Note 8)	264,970	365,209
Other income	751,610	644,291
	$ 1,892,876	$ 1,694,471

Other operating expenses consist of:	2019	2018
Office expenses	$ 1,853,200	$ 1,551,405
General expenses	1,633,368	1,397,410
Premise costs	910,504	947,944
Computer related expenses	495,017	331,527
Travel and entertainment	304,610	278,125
	$ 5,196,699	$ 4,506,411

19. Dividends

During the year, the Company declared and paid dividends of $0.62 per share (2018 – $0.60 per share) totaling $4,952,560 (2018 – $4,792,800) in respect of the final quarter of 2018 and the first three quarters of 2019. Included in accrued expenses and other liabilities in the consolidated statement of financial position are dividends payable of $nil (2018 – $nil).

20. 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 $403,041 (2018 – $400,351).

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21. 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 (2018 – $800,000) representing the Company's 40% share of this reserve.

22. 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 currently engaged in a dispute with a third party and is exposed to a contingent liability. In the opinion of our legal counsel, it is more likely than not that the dispute will be resolved and if not that we have a strong arguable case. Moreover, management of the Group is confident that if legal efforts were unsuccessful the amounts in question would be recoverable under our reinsurance treaties and does not anticipate that the costs, including any legal expenses that might be incurred in resolving this matter, will materially affect the financial position of the Company further than those disclosed. The most likely outcome has been recorded in the 2018 income statement as a provision for tax assessment of $378,802 and an offsetting reinsurance recoverable of $318,564 as a reduction to net claims incurred. There has been no change to the provision for tax assessment and the offsetting reinsurance recoverable between the current and prior period.

23. 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.

	2019	2018
Net income attributable to equity holders of the Company	$ 6,372,198	$ 6,129,358
Weighted average number of ordinary shares in issue	8,000,000	8,000,000
Less: Interest in own shares	(30,000)	(30,000)
	7,970,000	7,970,000
Basic & diluted earnings per share	$ 0.80	$ 0.77

ICB holds 30,000 (2018 – 30,000) shares at a cost of $84,600 (2018 – $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.

24. 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% (2018 – 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.

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24. Related-Party Transactions (continued)

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

	2019	2018
Assets/(Liabilities)		
Prepayments and other assets	$ 712,503	nil
Due to related parties	(2,545,350)	(188,029)
Transactions		
Net revenue from contracts with customers and net premiums earned	5,685,698	5,474,722
Gain on disposal of investment property	213,619	nil
Key management compensation:		
Salaries and other short-term employee benefits, including directors fees	2,567,448	2,278,656
Post employee benefits	57,483	52,639
Dividends paid	1,984,000	1,920,000

25. 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.

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25. Segment Information (continued)

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 17)	–	4,417,563	4,417,563
Interest income (Note 18)	103,038	773,258	876,296
Dividend income (Note 18)	–	264,970	264,970
Other income (Note 18)	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
	$ 22,110,943	$ 5,701,890	$ 27,812,833

	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
	$ 15,572,738	$ 6,030,926	$ 21,603,664
Net income	$ 6,538,205	$ (329,036)	$ 6,209,169

The segment results for the year ended December 31, 2018 are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	$ 19,256,976	$ (535,283)	$ 18,721,693
Net premiums earned (Note 17)	–	3,960,020	3,960,020
Interest income (Note 18)	77,540	607,431	684,971
Dividend income (Note 18)	–	365,209	365,209
Other income (Note 18)	311,148	333,143	644,291
	$ 19,645,664	$ 4,730,520	$ 24,376,184

	Agents & Brokers	Underwriting	Total
Insurance expenses	$ –	$ 1,506,917	$ 1,506,917
Depreciation and amortization	585,112	44,744	629,856
Change in net unrealized loss on investments in securities	–	213,364	213,364
Provision for tax assessment	–	378,802	378,802
Provision for expected credit loss	–	3,769	3,769
Other expenses	13,450,041	1,125,970	14,576,011
	$ 14,035,153	$ 3,273,566	$ 17,308,719
Net income	$ 5,610,511	$ 1,456,954	$ 7,067,465

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25. Segment Information (continued)

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

The segment assets and liabilities at December 31, 2018, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	$ 28,370,913	$ 63,901,528	$ 92,272,441
Total liabilities	$ 13,394,606	$ 37,594,602	$ 50,989,208

26. 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.

26. Risk Management (continued)

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.

26. Risk Management (continued)

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, 2019, the total of trade receivables in excess of this amount was $8,048,447 the trade receivables. On the premium financed receivables the Company may, at its discretion, cancel the policies being financed after a 14-day grace period from the date of the missed contractual payment.

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

- places cash with credit-worthy banks;
- monitors the payment history of its customers before continuing to do business with them; 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:

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26. Risk Management (continued)

Year Ended December 31	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Financial assets						
Cash and bank balances	$ 74,940,376	$ –	$ 74,940,376	$ 9,700,629	$ –	$ 9,700,629
Term deposits	3,524,606	3,554,641	7,079,247	4,559,127	1,525,480	6,084,607
Accounts receivable	15,055,628	–	15,055,628	14,239,612	94,740	14,334,352
Due from insurance carriers	928,153	–	928,153	45,233	–	45,233
Investments in securities:						
fair value through profit or loss	8,797,749	–	8,797,749	10,215,346	–	10,215,346
Amortized cost	–	11,810,813	11,810,813	–	11,242,588	11,242,588
Other assets	2,045,891	-	2,045,891	1,575,315	133,418	1,708,733
Reinsurance recoverables	2,379,269	147,198,055	149,557,324	2,379,269	6,994,004	9,373,273
Total	**$ 107,671,672**	**$162,563,509**	**$ 270,235,181**	**$ 42,714,531**	**$19,990,230**	**$ 62,704,761**
Financial liabilities						
Outstanding claims	136,405,033	9,884,222	146,289,255	3,910,155	6,191,256	10,101,411
Due to related-parties	2,545,350	–	2,545,350	188,029	–	188,029
Accounts payable	37,123,417	–	37,123,417	5,202,717	–	5,202,717
Due to reinsurers	40,124,199	–	40,124,199	4,582,436	–	4,582,436
Accrued expenses and other liabilities	1,312,427	32,149	1,344,576	2,112,279	26,725	2,139,004
Total	$ 217,510,426	$ 9,916,371	$ 227,426,797	$ 15,995,616	$ 6,217,981	$ 22,213,597
Liquidity gap	**$(109,838,754)**	**$ 152,647,138**	**$ 42,808,384**	**$ 26,718,915**	**$ 13,772,249**	**$ 40,491,164**

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, 2019, 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 $47,225 (2018 – $43,318). A decrease of 25 basis points would have an opposite effect with all other variables remaining constant.

26. Risk Management (continued)

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.

27. 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.

28. 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, 2019, ICB exceeded the minimum margin of solvency required under the Act.

As at December 31, 2019, 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.

28. Capital Management (continued)

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, 2019, 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.

29. Subsequent Events

Subsequent to December 31, 2019, the Company declared a quarterly dividend of $0.16 per share as of record date February 27, 2020.

Also, subsequent to December 31, 2019, there has been a global outbreak of a coronavirus disease 2019 (COVID-19), which the World Health Organization has declared a "Public Health Emergency of International Concern". The effects of a public health emergency may materially and adversely impact the value and performance of the Group. The extent of the impact to the financial performance of the Group will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects of the financial markets, and (iv) effects on the economy overall, all of which are highly uncertain and cannot be predicted. If the financial performance of the Group is impacted because of these things for an extend period, the Group's financial performance may be materiality adversely affected. In addition, the operations of the Group may be impacted as a result of the required office closures, government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other facts related to a public health emergency, including COVID-19's potential adverse impact on the health of any such entity's personnel.

There are no other subsequent events from December 31, 2019 through to the date of these financial statements.

Community Minded

2019 marked JS Johnson's 100-year anniversary, and we celebrated by sponsoring and supporting numerous events throughout the year. We have always supported the Bahamian community, but went the extra mile this year by planning an event for each month to commemorate our historic milestone.

Many people are responsible for JS Johnson's successful evolution from humble beginnings in 1919 to insurance industry leader in the Bahamas. We are grateful to all of them.

The year was also significant in another way: It registered the landfall of the most devastating hurricane in the country's history. JS Johnson was quick to respond with a $100,000 donation to the National Emergency Management Agency (NEMA) on behalf of our staff and customers, for the community we serve.

In all ways as a company, JS Johnson continues to honour the past, manage the present and prepare for the future.

A FEW OF OUR SPONSORED & SUPPORTED EVENTS THIS YEAR

Rushing with the Paper Boys on Bay street in the New Year's Day Junkanoo Parade

JS Johnson teamed up with the Ministry of Education and sponsored the 2019 Volleyball Championships

A courtesy call to the Governor General of the Bahamas Dame Marguerite Pindling

The 4th Annual Bahamas Road Masters Midnight Madness 5k/10k Fun Run and Walk

Dine On The Line Challenge, an awareness campaign that highlights the reality of hunger in the Bahamas

Senior Manager Robert Bartlett got the celebration started at our 100-year anniversary event

Our Managing Director Mr. McKellar lending a hand at the H4H Fox Hill community food drive

The JS Johnson choir preformed at Evangelistic Temple during our church service and reception

The management and staff volunteered to help H4H distribute more than 7,000 lbs of fresh produce to more than 200 families

JS Johnson donated $100,000 to NEMA to help people affected by Hurricane Dorian

Our team working hard at our staff appreciation day event

Proud to have helped the Heart Foundation better serve those in need of treatment

Honouring Our Past

We at JS Johnson proudly honour the life and memory of Charles T. Fernie for his invaluable and enduring contribution to the growth and expansion of the Company and for his pivotal role in the ongoing development of the insurance industry in the Bahamas. Charles, or "CTF" as he was affectionately known to our corporate family, was an inspirational leader who provided employment opportunities for many Bahamians in the insurance sector. His legacy as a remarkably successful insurance executive will serve as an example to aspiring entrepreneurs throughout our country.

Charles Fernie joined JS Johnson in 1959 and through his industry, vision, competence, skill and old fashioned hard work ultimately became the Managing Director in 1967. He held that position until his retirement from the day-to-day activities of the Company in 1985. During his tenure of leadership, J. S. Johnson experienced substantial growth and consolidated its position as one of the premier insurance agents and brokers within the Bahamas. The success of the Company during that period was largely attributable to Mr. Fernie's adroit leadership, his business acumen and his perceptive understanding of the insurance industry. He had a special bond with his staff and was thoughtful and generous in his dealings with other people. His sense of humour was always welcomed around the office and contributed to the overall congeniality of the working environment at J. S. Johnson.

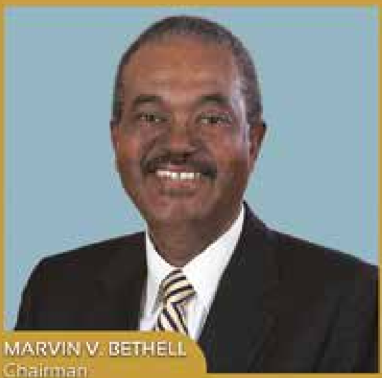
The Company went public company in 1986 and Mr. Fernie was elected the first Chairman of the Board of Directors. In that role he led the Board through a dramatic transition that ultimately resulted in approximately 800 new shareholders in the company. The success of this transition remains a fitting tribute to his strong leadership and we thank him for his immense contributions to the Company.

Mr. Fernie passed away on August 7th, 2018. We celebrate his life and his accomplishments with all who had the privilege of knowing Charles. May his soul rest in peace

Charles T. Fernie

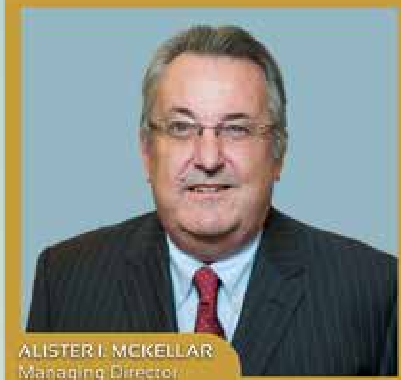
1930 - 2018

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.

THOMAS F. HACKETT
Director

Director since 2007.
CEO, Fidelity Bank.

TERRY L. WILCOX (USA)
Director

Director since 1998.
Retired AON Executive

Senior Managers

32 Years of Service

ROBERTHA BROWN
Senior Manager

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.

8 Years of Service

RACARDO UNDERWOOD
Chief Financial Officer (CFO)

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

42 Years of Service

ROBERT BARTLETT
Senior Manager

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

31 Years of Service

CHARLES JOHNSON
Senior Manager

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

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

Shareholder Information

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
One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas
Shareholder Information

Corporate Head Office:

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

Subsidiary Company:

J.S. Johnson & Company (Turks & Caicos) Ltd.
Graceway 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
Dove Plaza
P.O. Box AB-20113
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