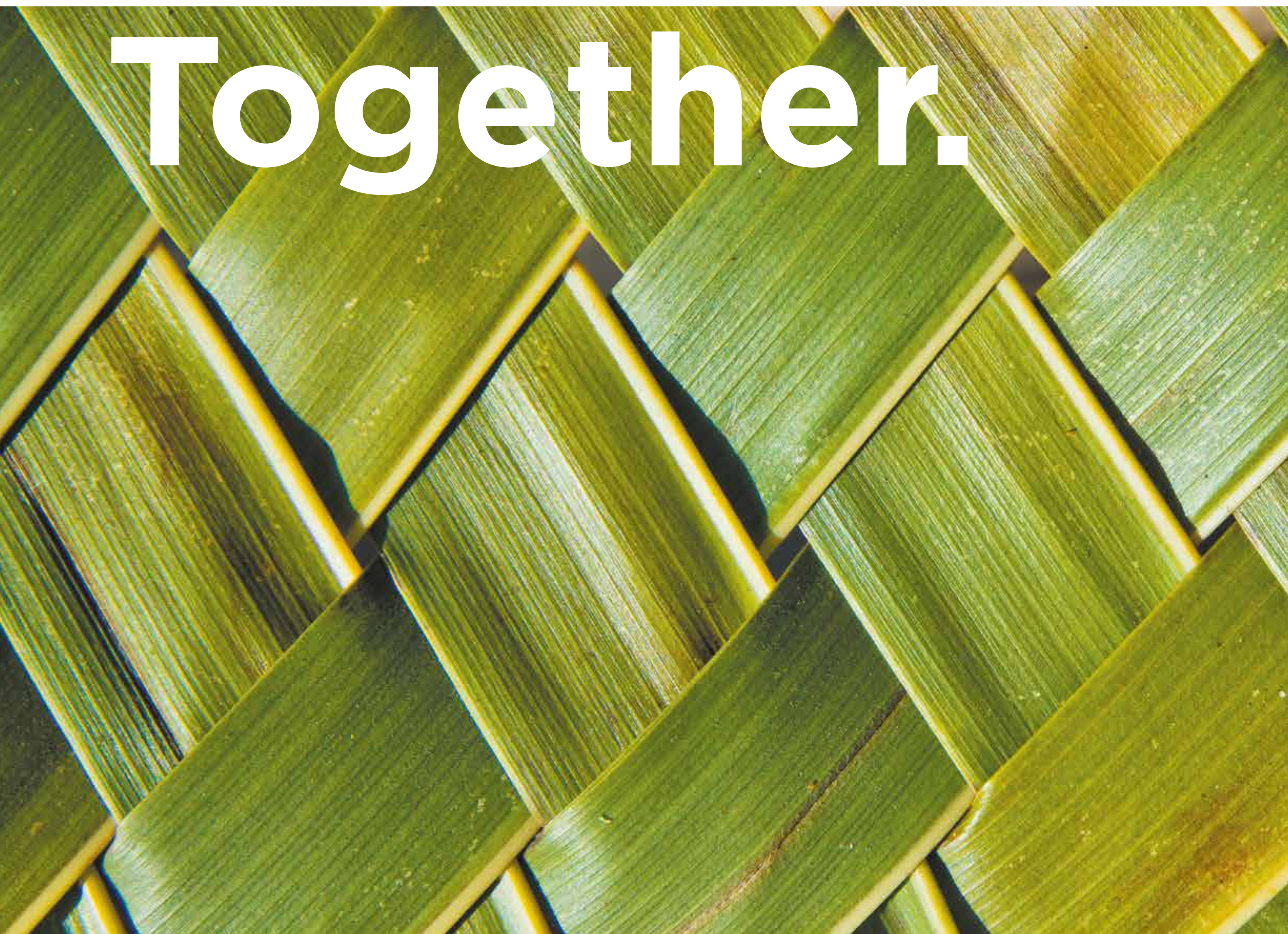
BAHAMAS FIRST

Bahamas First Annual Report 2019

Strong Together.



BAHAMAS FIRST HOLDINGS LIMITED
2019 ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

ALISON J. TRECO
Message from the Chair

The theme of this year's annual report "Strong Together" could not be more relevant to the moment in time in which we find ourselves on a global scale.

For many of us here in The Bahamas, life as we knew it changed dramatically in the aftermath of Hurricane Dorian, particularly for the residents of Abaco and Grand Bahama. The lingering effects of the most devastating natural disaster to impact the country are still vividly clear for all to observe.

More recently, the COVID-19 pandemic has again exposed our vulnerability to catastrophic events, and the extent to which we are all interconnected from a global economic standpoint. Our resilience as an organization has been robustly tested, and the fact that we remain a viable and integral part of the insurance sectors in both the Cayman Islands and The Bahamas is a testament to our financial strength and operational capacity.

We cannot control the frequency and severity of natural catastrophes or manmade disasters, but we can ensure that our ability to respond and execute is both timely and fit for purpose. The existing risk landscape, with its increasingly diverse universe of potential events, points to the fact that competence in this area will be a key differentiator in the future.

The logistical challenges posed by Dorian and the COVID-19 pandemic have highlighted the need for customer-friendly digital platforms for the delivery of products and services as an essential component of our business. We are operating in a mature and highly competitive business environment where multinational companies are attempting to make further inroads in selected markets in the region, with technology as a central point of focus.

Fortunately, we had already approved a major investment in our main technology platforms in both jurisdictions, with the specific intention of improving our online service capability. As these solutions become fully deployed in the coming months, we expect to be competitively positioned in this regard.

In a year when the financial results of your Company have been adversely impacted by Hurricane Dorian, a positive note is that we were able to grow the revenue for the Group in gross premium to $161 million from $155 million in 2018. Having this level of scale in the current environment will prove to be beneficial to us in the coming months.

In my previous communications to you following Dorian, I expressed the hope that our bottom-line result would reflect a small profit or at the very least a breakeven position for 2019. The final result of a total comprehensive loss of ($2.4) million was partially due to a higher than expected reduction in commissions from reinsurers on our main lines of business, amounting to $1.7 million.

Despite the magnitude of the losses generated by the storm, we were able to distribute dividends of $0.08 per ordinary share in 2019. Our expectation following Hurricane Dorian was that we would rebound to profitability within a relatively short period of time. However, we are not able to predict the potential impact of COVID-19, which will have a significant impact on The Bahamas and Cayman economic activities.

While our customers, shareholders and employees are our primary focus, we fully recognize that we have a wider audience that requires our attention as we serve the broader interest of the Company. In this vein, we have identified the need for our organization to focus more intently on climate change and environmental sustainability.

We operate in small island states that are uniquely exposed to the adverse effects of climate change and embedding environmental sustainability into our culture and operational focus is our way of contributing to the global effort in this regard. In the coming months and years ahead, you will see and hear more about our endeavors on this front.

We faced a challenging year in 2019, and more recently we have had to contend with unprecedented conditions at home and at work. Sadly, the loss of life recorded in both instances is a stark reminder of how fundamentally conditions can alter our very existence and way of life.

Throughout the last two months, our staff have continued to work despite limited personnel allowed to be physically present in the office. We continue to keep agency locations open as far as we are permitted by legislation, ensuring at all times that protocols are in place to keep staff and customers safe, while continuing to serve our customers to the best of our ability.

I would like to take this opportunity to thank our staff not only for their hard work throughout the aftermath of Hurricane Dorian, but for continuing to work diligently throughout this challenging time of COVID-19.

As we navigate through these adverse circumstances, we must be innovative and responsive, whilst at the same time taking steps to ensure that we all remain safe. We believe your Company is well positioned to make the necessary changes to remain at the forefront of the industry, as we transition to a new norm in the way we do business.

Patrick Ward
Message from the President

As we reflect on the last four months of 2019 and the first quarter of 2020, I believe most of us would conclude that even the most talented writers of fiction or fantasy would struggle to weave together the story of Hurricane Dorian and the emergence of COVID-19 into a credible storyline.

Sadly, for those of us that call The Bahamas home, we have had to suffer the very real consequences of Hurricane Dorian and the more broadly devastating coronavirus pandemic.

Our organizational response to each event has involved aspects of our disaster recovery management program, with appropriate adaptations for the unprecedented challenges posed by both. One prominent feature of our response has been the focus on engaging all of our internal resources, together with the globally diversified resources of our business partners into a cohesive and more effective team.

We have always known that we are "Strong Together" but recent events have compelled us to live out this mantra in a more meaningful way. Collaboration, across the Group, and with our external business partners will continue to be a key focus for us into the future.

Despite the significant impact of Hurricane Dorian, 2019 was a year of major achievements for our organization, in terms of our progress made with respect to our strategic endeavors and building on our operational capacity, analytical capabilities and efficiency.

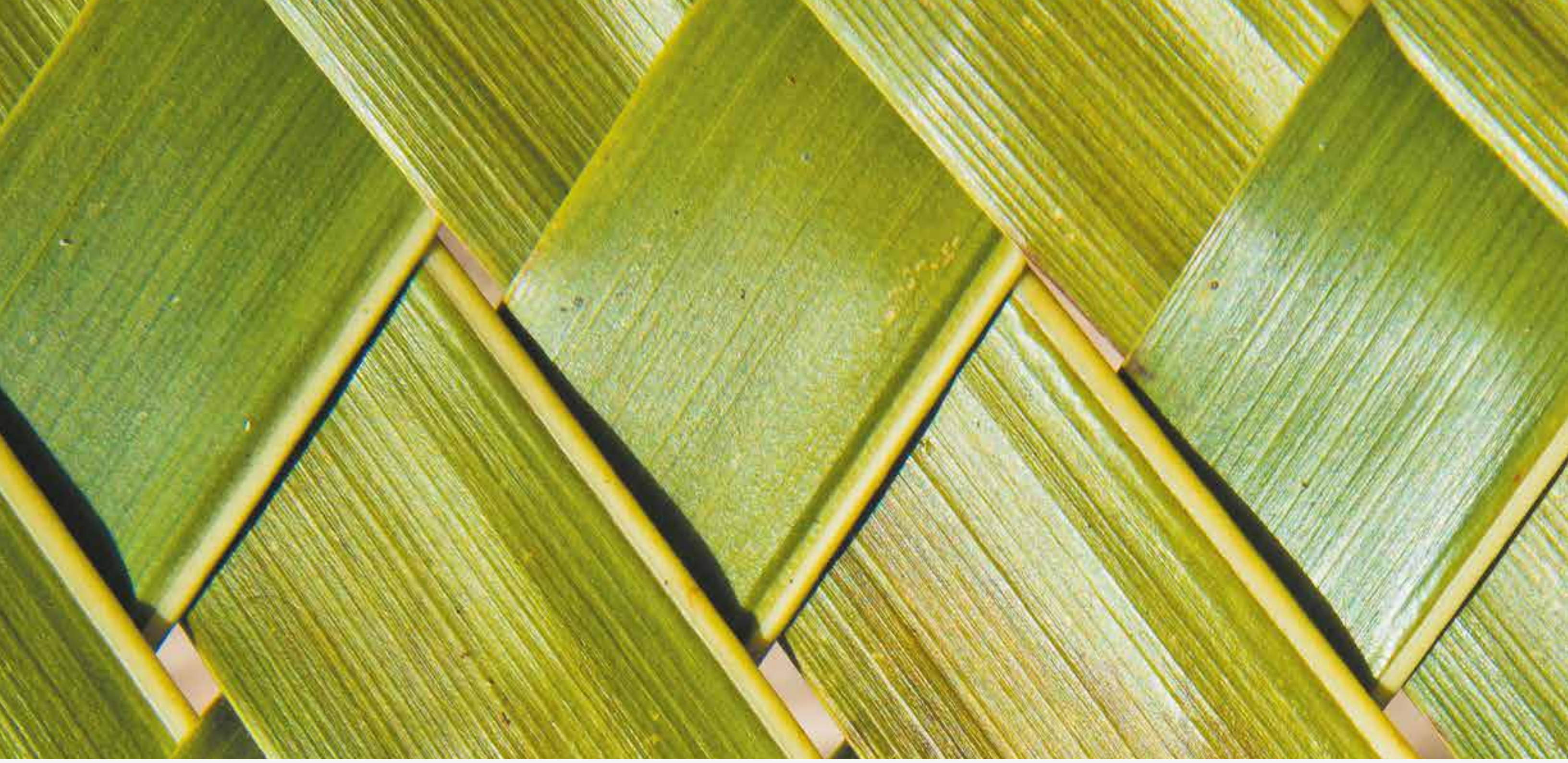
During 2019, we experienced both top line growth and increases in net written premiums by similar margins. The expansion of our business in both the Cayman Islands and The Bahamas has provided us with additional scale and a platform for future underwriting profits in non-catastrophe years.

The net claims for the Group increased dramatically to $39.9 million in 2019, an increase of 43.5% compared to the prior year total of $27.8 million. The majority of this increase is attributable to Hurricane Dorian, which is the largest ever natural catastrophe event to impact The Bahamas.

The losses directly related to Dorian have overshadowed the fact that the underlying portfolios of business in both the Health and Property and Casualty segments performed very well in 2019, and this is obviously very promising for the future results of the Group.

The Combined Ratio for 2019 was 108.1%, which is directly related to the Hurricane's impact and, not withstanding the fact that we incurred considerably more administrative costs in dealing with client service requirements, we were able to contain the expense ratio to 39%, compared to 38.1% in 2018.

Fortunately, the performance of the investment portfolio during 2019 was significantly better than the prior year, which has assisted in containing our net loss to ($5.1) million, compared to a net profit of $10.1 million in 2018.



" Despite the significant impact of Hurricane Dorian, **2019 was a year of major achievements** for our organization, in terms of the progress made with respect to our **strategic endeavors** and building on our operational capacity, analytical capabilities and **efficiency**. "

The Total Comprehensive Income for 2019 is ($2.4) million, compared to $9.3 million in 2018. This translates into a negative ROE of (4.6%) for 2019, well below the 13.9% achieved in 2018.

Our capital base remains strong, despite the book value falling to $1.45 per ordinary share for 2019, with Total Equity at $62.3 million.

During 2019, our Cayman First Insurance operation celebrated its 35th anniversary, marking a significant milestone in that market. The Managing Director, Mr. Gordon Philip also retired at the end of the year, following many years of service to the company, and he has agreed to stay on as a director of this subsidiary.

Mr. Warren Rolle, previously Managing Director of N.U.A., has seamlessly transitioned into the role of Managing Director of Cayman First Insurance, and Mr. Stanford Charlton has assumed the role of Acting Managing Director of N.U.A., following Warren’s transition.

I would be remiss if I did not mention and highlight the retirement of Mrs. Blythe Bailey, who has served the Group, within N.U.A. for 46 years. She has been a consistent example of dedicated and professional service to our organization and we wish her all the best in her well-deserved retirement.

We have asked our associates at every level in the Group to go above and beyond the call of duty and they have responded to the call.

I remain hopeful that our collective actions will position us for the best possible chance of success in the immediate and longer-term future.

MANAGEMENT'S DISCUSSION & ANALYSIS

"Strong Together" – Collaborating for success

HURRICANE DORIAN

Following 2018, a year when no hurricane made landfall in The Bahamas or the Cayman Islands, the imposition of Hurricane Dorian certainly presented a stark difference in outcomes, particularly in The Bahamas, and dominated the national focus for the last four months of 2019.

Dorian proved to be unpredictable from the very start, as early expectations were that it would encounter unfavorable conditions which would weaken it to a tropical storm as it impacted the northwest Bahamas. Unfortunately, on September 1, 2019 the storm made its first landfall in The Bahamas at 12:45pm in the Abacos with sustained winds of 185mph and gusts of over 220mph, making it a powerful Category 5 hurricane, moving at a snail's pace before becoming virtually stagnant over Grand Bahama.

Hurricane Dorian established or tied several records, the most noteworthy of which was the death toll in The Bahamas, which sadly, is still not firmly established.

According to international publications, the global economic losses from natural disasters was over $232 billion, and insured losses were a staggering $71 billion. Hurricane Dorian was the fifth most costly event in the global table, with economic losses of $10 billion, for all affected countries. Insured losses, for The Bahamas, other Caribbean countries and parts of the USA and Canada were estimated to be $3.5 billion. Local insurers have reaffirmed a total insured loss estimate of over $1.5 billion for The Bahamas, in isolation, the costliest event to impact the country.

Since 1999, The Bahamas has experienced directly no less than eleven named storms, all of which have caused some form of disruption, loss of life and/or significant property damage.

We recorded a total of 2,250 claims for all of the lines of business impacted by Hurricane Dorian, with an expected gross loss of well over $300 million. The vast majority of these claims were property related, both in the homeowners and the commercial or business segments, accounting for 75% of the total dollar value of claims. Grand Bahama and Abaco account, collectively, for 95%of the claims incurred. Thankfully, we have been able to successfully settle and close over 90% of the reported claims from all locations.

Our reinsurance program proved to be effective in both mitigating the impact on a net basis and providing the majority of the cash flow required to fund the significant expenses associated with this event.

BUSINESS DEVELOPMENT

Global economic growth lost momentum in 2019, compared to the prior year as global trade disputes and policy tensions continued to dampen the outlook for economic activity. In contrast to this more subdued outlook, The Bahamas was on its way to a banner year in tourism growth, with improved employment prospects in the broader economy, but this was somewhat derailed by Hurricane Dorian. In Cayman, the already positive economic outlook continued to improve in 2019 across many of the sectors of the economy.

This general backdrop, which prevailed for the majority of the year, resulted in more favorable conditions for growth, which is reflected in the actual experience for the year:

	2019	2018
GROSS WRITTEN PREMIUM	$160.6M	$154.8M
NET WRITTEN PREMIUM	$67.2M	$65.2M

PROPERTY

The occurrence of Hurricane Dorian renewed the focus and effort around rate adequacy for property business, not only in The Bahamas, but elsewhere in the region. In order to secure the long-term reinsurance capacity, which is vital to our continued participation in this segment of our business, we have taken steps to ensure that our targeted rates in both jurisdictions are aligned with reinsurers' expectations and our true net costs associated with this line of business.

Our risk selection process, and general underwriting approach have also been extensively reviewed to take into account the lessons learned from Dorian. There will be the inevitable loss of business in both Grand Bahama and Abaco, where properties have been completely destroyed or rendered uninsurable, which will take some time to come back to the market. The situation is more acute in Abaco, and the extent to which the COVID-19 pandemic will exacerbate the situation cannot be fully known at this stage.

On the brighter side, we are confident that we will be able to maintain our market share in The Bahamas and protect those parts of the property portfolio, within the Cayman market, where pricing adequately reflects the exposure. Despite the disruption in business activities in The Bahamas, the Group's property premiums, on a gross basis, were relatively flat at $69 million in 2019, compared to the prior year.

MOTOR/LIABILITY

Hurricane Dorian produced our largest motor loss arising from a natural disaster with some 538 claims across the affected areas. Our gross losses were over $6 million for this line of business, but this was reduced considerably by reinsurance recoveries. The vast majority of these claims resulted in total losses for the vehicles concerned and, hopefully, this will result in relatively robust replacement vehicle activity in the two islands that were mainly impacted.

We continued to see vehicle and premium growth in both Cayman and The Bahamas, with gross premiums reaching just shy of $40 million in 2019. Apart from hurricane related claims, there were no significant claims activity or concerns within the motor and liability portfolio.

HEALTH

Our health business once again grew, albeit at a less robust rate than the prior year, with gross premiums totaling $30.8 million in 2019. The overall claims incurred were contained within budgeted expectations for the year and we have begun the process of introducing a higher level of analytics into the risk evaluation and pricing of our products.

The change in leadership within the unit and the infusion of fresh talent has resulted in a renewed sense of focus and outlook, which we believe will bring short and long-term benefits. As a result of the COVID-19 fallout, employment in Cayman has fallen and this will have a direct impact on the number of insured lives that remain in the market. While it is difficult to predict the long-term impact, the immediate consequence is the reduced demand for health insurance. We are monitoring these developments closely.

MARINE

As was the case with our Motor account, the Marine portfolio recorded its largest ever hurricane loss, with 91 individual claims amounting to a gross loss of $5 million. This gross loss was reduced considerably by reinsurance recoveries, and we anticipate rate and performance improvements in the not too distant future.

ENGINEERING

This line of business is anticipated to generate a significant amount of growth in The Bahamas, primarily as a result of the construction risks that will emerge as Abaco and Grand Bahama continue with their rebuilding plans, in the aftermath of Dorian. We have both the capacity and the underwriting experience to deal with this eventuality.

INVESTMENTS AND ASSET MANAGEMENT

The Board has mandated a more active review and robust strategy around our investment activities, particularly with regard to our international holdings. We will not compromise our established risk tolerance guidelines, but the scope of our selection and partnerships will be expanded.

Fortunately, our Bahamas equity investment did not suffer the same reduction in value as it did in 2018, so we did not have to book an unrealized loss on the value of our holding. The bond portfolio performed much better in 2019, compared to the prior year, providing a much-needed counterbalance to the adverse technical results for our P&C insurance business.

CAPITAL AND RISK MANAGEMENT

The preservation of our capital base, in the wake of a major catastrophe is one of the major pillars of our reinsurance buying strategy. In this regard we feel that we have come through the worst-case scenario with our capital base intact and with solvency margins in compliance with the requirements in both jurisdictions.

On a more forward-looking basis, the allocation of capital is going to be key in the months and years ahead, as we venture into unchartered territory in some respects. Deploying capital towards refreshing and retooling our IT platforms on a Groupwide basis has proved to be a great allocation of capital, as the world moves closer to fully digital platforms for service deliveries. We believe we are ahead of the region in this regard.

Allocating appropriate capital to M&A activities has also proven to be very much in our favor and we will continue to pursue opportunities that can add value to the Group. The Group's current rating of A-(Excellent) by AM Best remains intact, with a stable outlook. We do not anticipate a change on this score.

OUTLOOK

Across the Group, we have already completed most of the heavy lifting involved in the development of the nuts and bolts of our platform for delivering our products and services digitally in both jurisdictions. This involved a considerable amount of collaboration with trusted business partners around the world, and a tremendous amount of effort on the ground.

The issues that have emerged in the aftermath of the COVID-19 spread, and the operational complexities for businesses, such as ours, have highlighted the need for this investment. Ironically, as we adjust our

business practices to accommodate more remote transactions and working capabilities, it has also highlighted the need to heighten our awareness and investment in cybersecurity.

We experienced firsthand the unauthorized intrusion into our network by an outside source during the height of the lockdown period in The Bahamas but, fortunately, we were able to prevent the complete shutdown of our business and, just as importantly, protect clients' personal information and sensitive data.

The world as we know it has fundamentally changed in recent times, but with every challenge comes an opportunity, and we shall do our best to explore the ones within our reach.

BAHAMAS FIRST HOLDINGS LIMITED
SUMMARY OF RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019	2018	% CHANGE	2017
TOTAL ASSETS	450,232	196,034	129.7%	186,053
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP	57,970	64,316	(9.9%)	60,873
BOOK VALUE PER COMMON SHARE	**1.45**	**1.62**		**1.53**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
GROSS PREMIUMS WRITTEN	160,629	154,752	3.8%	143,177
NET WRITTEN PREMIUMS	67,246	65,224	3.1%	63,018
NET PREMIUMS EARNED	66,677	65,374	2.0%	62,652
COMMISSION INCOME	20,283	23,742	(14.6%)	24,464
NET CLAIMS INCURRED	39,892	27,803	43.5%	27,836
NET UNDERWRITING INCOME	20,618	34,354	(40.0%)	33,909
OTHER INCOME	291	3,166	(90.8%)	2,759
TOTAL PROFIT	(5,080)	10,057	(150.5%)	17,069
TOTAL PROFIT ATTRIBUTABLE TO OWNERS OF THE GROUP	(5,550)	9,240	(160.1%)	16,512
TOTAL COMPREHENSIVE INCOME	(2,376)	9,277	(125.6%)	17,247
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE GROUP	(2,993)	8,720	(134.3%)	16,690
EARNINGS PER COMMON SHARE	**(0.16)**	**0.24**		**0.44**

RATIOS	2019	2018	2017
SOLVENCY RATIO	86.2%	98.6%	96.6%
COMBINED RATIO	108.1%	85.6%	83.8%
LOSS RATIO	59.8%	42.5%	44.4%
EXPENSE RATIO	39.0%	38.1%	37.9%

RATIOS	
SOLVENCY RATIO	*Total equity attributable to owners of the group as a % of Net written premiums*
COMBINED RATIO	*Net underwriting expense and administrative cost as a % of Net premiums earned*
LOSS RATIO	*Net claims incurred as a % of Net premiums earned*
EXPENSE RATIO	*Administrative expenses as a % of Net premiums earned*

CAYMAN FIRST HIGHLIGHTS

Our favourite Cayman First Insurance moments from 2019

CAYMAN FIRST CELEBRATES ITS 35TH ANNIVERSARY

- ACTS OF KINDNESS CAMPAIGN
- BLOOD DRIVE
- EMPLOYEE APPRECIATION /LAUNCH BREAKFAST
- BROKER APPRECIATION EVENT
- CUSTOMER APPRECIATION WEEK

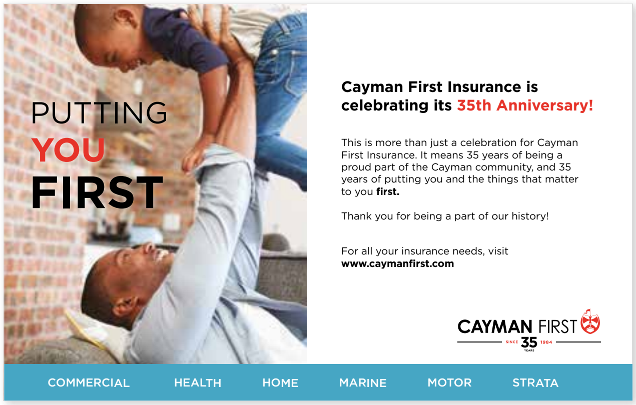
As a part of our 35th anniversary celebration, Cayman First Insurance gave back to the community with #35ActsOfKindness. Employees volunteered in dog walking, tree planting, volunteering with Special Needs Foundation Cayman, and a beach clean-up. We also hosted a Blood Drive in partnership with the Cayman Islands Blood Bank!

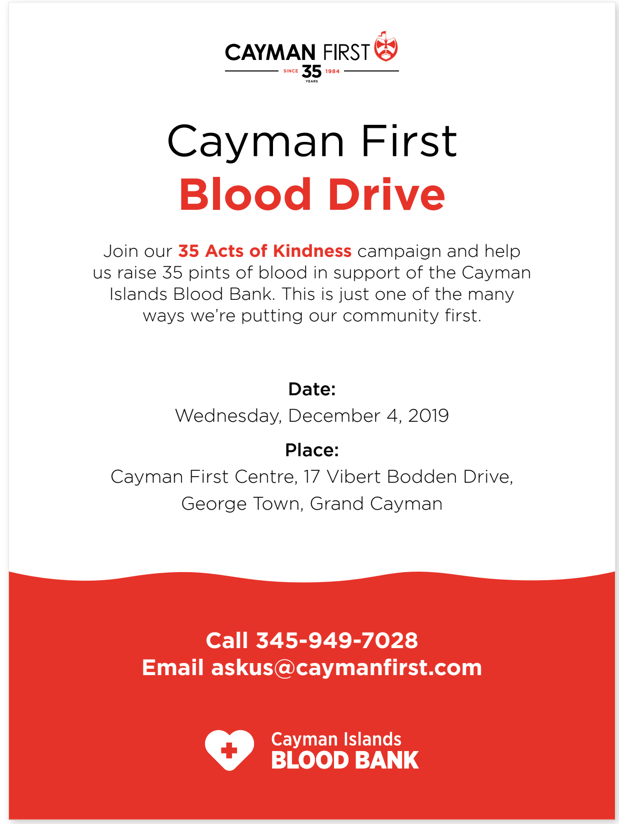
We also celebrated with an Employee Appreciation Breakfast, Broker Appreciation Reception, #ActsOfKindness, Customer Appreciation Week and many more activities!

CAYMAN FIRST

SINCE 35 1984

YEARS





LEADERSHIP UPDATES

Cayman First Insurance saw several major changes to its leadership structure in 2019, including the early retirements of Gordon Philip, Managing Director and Seeta Paltoo, Senior Vice President, Group Insurance Services.

Through the Group's robust succession plan, Warren Rolle was appointed Managing Director of Cayman First Insurance, effective January 1, 2020. Warren Rolle joined the Bahamas First Group in 1993 and has held progressively senior underwriting and claims roles across the Group until his appointment as N.U.A. Insurance Agents & Brokers Ltd.'s Managing Director in 2011.

In 2019, in order to accomplish some key operational and functional objectives, the following new managers were appointed:

From L-R , Andrea McLennon, BSc, ACII; Nadia Lewis-Hamilton; and Roger Balkisson, BSc, FCIP

As the Group realigned the Cayman First leadership team, the necessary resources were deployed to ensure continued support to our employees, operational continuity and service to our brokers and customers.

HR YEAR IN REVIEW HIGHLIGHTS

Investing in our leaders and talents

LEADERSHIP FOUNDATION

The BFH foundational leadership program is the John C. Maxwell Five Levels of Leadership. Again, this year, we introduced new leaders in the Group to the Five Levels:

1 **POSITION**

2 **PERMISSION**

3 **PRODUCTION**

4 **PEOPLE DEVELOPMENT**

5 **PINNACLE**

Our leaders embraced the training and now can share fundamental leadership principles with all of the other leaders in the Group, as they all now have a common language and perspective. In the program, participants learn how **Everything rises and falls on leadership!**

TALENT MANAGEMENT

Talent Management continues to be the vehicle by which the Bahamas First Group of Companies provides strategic assistance for the accomplishment of its long-term goals. New efforts were made in recruiting new talent by attracting more applications from qualified candidates, both locally and throughout the region. We used various professional organizations, networking opportunities and online platforms to interest prospective candidates Moreover, we effectively used the Human Resources Infinity Loop methodology to engage our existing workforce in candidate referrals, and building on those relationships to grow our candidate pipeline.

Using these sources and methods, we recruited four additions to Cayman First’s Management Team, the Future Leaders Development Program, the Innovation Center, the Information Technology Department and the Claims and First Response teams. It was our First Response Team that was the first to be deployed to hurricane stricken Freeport in the aftermath of Hurricane Dorian to expedite the claims process and bring relief to our customers.

SUCCESSION PLANNING

Succession Planning is a strategic focus for the Group. In its second year of implementation, the new Succession Development Plan and complementary Emergency Succession Plan have already shown that they are working as anticipated.

In our annual comprehensive review, we evaluated the plan based on:

1 BENCH STRENGTH

2 ONGOING REVIEW

3 'READY NOW' CANDIDATES

4 DEVELOPMENT IMPROVEMENT

5 ORGANIZATION PERFORMANCE

At the onset, we determined how employees would be positioned in the plan based on fit-for-purpose and potential to perform in succession roles. Fit is determined based on academic background, professional skills, business acumen and experience. Potential is determined based on ongoing development, both personally and professionally and the results being accomplished.

In addition to the efforts to attract more qualified candidates, the selection process has been revised to recruit candidates with a matching fit and potential component. We determine their aspirations and willingness to expand and grow based on the strategic direction of the Group.

Our succession plan also continues to have entrants from within the Group. We have a constant stream of candidates who, through continuous development, are able to take advantage of opportunities as another means of expanding the pipeline for leadership and succession. We have seen an overall improvement in the team's readiness for succession.

From L-R (front): Paulette Nixon-Roache, Cindy Tinker, Andrea McLennon, John C. Maxwell (Facilitator), Nadia Lewis-Hamilton, Abagale Butler and Shakaria Moxey. **From L-R (back):** Marvin Bain, Travis Donald, Alpin Taylor, Gabrielle McKenzie, Denise Vaval, Lucas McField, Roger Balkissoon and Andrae Thompson

COLLABORATION

WE HAVE MADE SIGNIFICANT PROGRESS TOWARDS A CULTURE OF PERFORMANCE AND COLLABORATION BY INTENTIONALLY WORKING TOGETHER ACROSS FUNCTIONS AND LOCALITIES TO SOLVE PROBLEMS, TRANSFER KNOWLEDGE AND CLOSE FUNCTION AND LEADERSHIP GAPS.

The annual off-site management meeting provided an ideal forum for those efforts to be embraced, as we focused on our new system, Prime (explained in-depth in the 'Digital Project' section), under the theme: 'Leveraging Technology & Teamwork: Keeping Customers First'.

Our leadership was tested and proven to be ready for succession in 2019. Our leaders have all been exposed to personal and executive development both in-house and internationally.

In 2019, we began work on our Personal Development Plans. We identified an array of development opportunities and made them available to employees. They included executive development, cross-training and secondments to new and different functions and cultures.

Lastly, we implemented a 360 Degree Review Program, which provided an assessment of the core leadership competencies throughout the Group. The results demonstrated the strength of the leadership team, based on feedback from direct reports, peers and executive management.

Managers' Annual Off-site Meeting

DIGITAL PROJECT

A look into our new streamlined integrated system

Digital technology has transformed and continues to transform the way the world operates, how humans interact and how we conduct business.

The Group has recognized this new reality and has pivoted toward Prime, a new core system that aims to reduce operational silos and offer real-time capabilities to its internal functional units and external stakeholders alike.

Although this system will resolve some of our challenges, it will not eliminate every operational issue at the onset. Over time the system will be developed on a 'phase by phase' basis to transition the Group to a fully optimized digital state. The data migration and business process mapping occurred simultaneously with Prime to design a streamlined integrated system for the Group.

The Business Process Mapping project outlined the steps of 'what is happening now'. In order to understand the changes that will occur, the Group needed to understand what is being 'transformed', and why these changes are necessary.

A large part of any digital transformation journey is transforming manual and/or redundant processes into digital, automated, traceable and measurable processes. This sub-project helped to identify gaps, and system performance challenges ahead of the new system launch. The Data Migration project was initiated with an exercise of data enrichment and cleaning from our legacy systems in preparation for Prime. This was an integral prerequisite for Prime to facilitate all data-driven activities such as MI/ BI, data analytics etc. Given the large volumes of data that need to be cleansed and enriched, Data Migration will continue until March 2021.

Via company-wide poll, the name Prime was selected by popular vote and was introduced officially to our agents at a soft launch event.

SOME KEY FEATURES OF PRIME WILL BE:

- END-TO-END DIGITAL POLICY ADMINISTRATION, INCLUDING PAYMENTS
- ON-DEMAND ACCESS TO KEY POLICY AND CLAIM INFO
- STREAMLINED ACCOUNT MANAGEMENT
- CLIENT, AGENT/BROKER, AND OTHER STAKEHOLDER PORTALS

From project inception, Subject Matter Experts (SMEs) worked very closely with each other and the Project Team to establish system requirements for Prime. Using this highly collaborative approach, our aim was to capture essential information across all departments and product lines, create seamless processes, and shrink functional-siloed thinking. This format contributed to the design of a streamlined system that supports the current and future needs of the Group and its stakeholders.

Following requirements gathering was the User Acceptance Testing (UAT) phase of the project which lasted five months. Users were able to test the system and offer feedback on processes from end to end.

Effective communication is critical to any institutionalized change effort, so in preparation for launch, the company promoted the concept of change at the start of 2019 and hosted a series of events and activities on how to manage change. In addition, the 'Prime News' newsletter was launched Groupwide that provided updates in a way to engage readers and to promote transparency.

WE WILL GO LIVE IN JULY 2020.

All users will receive comprehensive training ahead of the Go-Live date for their particular jurisdiction. Users will also have access to digital training material and web tutorials.

“Using this **highly collaborative** approach our aim was to capture essential information across all departments and product lines, **create seamless processes**, and shrink functional-siloed thinking.”

DIRECTORS & OFFICES

Meet our Directors

ALISON J. TRECO

Chair | Director since 2012

In May 2018, Ms. Treco was elected as Chair of the Board at the 2018 Annual General Meeting. Since 2012, Ms. Treco has been a Director of Bahamas First Holdings Limited and several of its subsidiary companies' Boards. She also serves as Chair of the Human Resources & Compensation Committee. She is a Director of FT Consultants Ltd., a firm specializing in accounting advisory services.

PATRICK WARD

President & CEO | Director since 1998

Mr. Ward has been a Director since 1998 and prior to that was the President and Managing Director of Bahamas First General Insurance Company Limited. He is President and CEO of Bahamas First Holdings Limited, Bahamas First General Insurance Company Limited and Bahamas First Corporate Services Ltd.

JUDITH WHITEHEAD

Director since 2005

Mrs. Whitehead is the Managing Partner of Graham, Thompson & Co., a leading law firm in Nassau, Bahamas. She has served on various other companies and civic Boards.

LINDA GOSS

Director since 2014

Ms. Goss, who was elected as a Director in March 2014, is Senior Vice President and Chief Actuary for Economical Mutual Insurance Company (Economical). She joined Economical in July 2000 as the Assistant Vice President, Actuarial Services and became Vice President, Actuarial Services in July 2001.

DR. SAMIR MIKHAEL

Director since 2015

Dr. Mikhael was elected to the Bahamas First Holdings Limited Board in July 2015. Prior to this, he served on the N.U.A. Board since 2004. Dr. Mikhael has been Chair of the Medical Staff at Doctors Hospital since 2003. A practicing Ophthalmic Surgeon, Dr. Mikhael holds several medical posts.

NEIL MCKINNEY
Director since 2015

Mr. McKinney was elected to the Bahamas First Holdings Limited Board in July 2015. He worked in importing and retail for 30 years at John S. George until the business was sold in 2004. During that time he also served as President of The Bahamas Chamber of Commerce for two years. He is a long-time supporter of The Bahamas National Trust, serving as President for three years, and remains a Council Member.

ABHILASH BHACHECH
Director since 2018

Mr. Bhachech was elected to the Bahamas First Holdings Limited Board in March 2018, and serves as Chairman of the Audit Committee. Mr. Bhachech's career spans public accounting, management consulting, banking, information technology in financial services, and senior financial regulatory roles within the public sector. Mr. Bhachech also served as the Inspector of Banks & Trust Companies with the Central Bank of The Bahamas and is currently serving as a Financial Services Consultant.

KENWOOD KERR
Director since 2019

Mr. Kerr was elected to the Bahamas First Holdings Limited Board in April 2019 and serves as Chairman of the Finance and Investment Committee. Mr. Kerr is the Founder, President and CEO of Providence Advisors Ltd., a Bahamian financial services company. Prior to launching Providence, he worked with SG Hambros, Colina Financial Advisors, Fidelity Bank & Trust and Coutts. He has been involved in providing investment management and corporate advisory services for more than 30 years and continues to serve on various other company Boards.

DAWN PATTON
Director since 2019

Mrs. Patton was elected to the Bahamas First Holdings Limited Board in June 2019. Mrs. Patton is a member of the Bahamas Institute of Chartered Accountants. She was a partner of PriceWaterhouseCoopers (PWC) until her retirement in 2016. Mrs. Patton worked with PWC for 30 years, primarily in The Bahamas but with a five-year stint in Cayman as a partner, and several years in London earlier in her career. Mrs. Patton's primary client focus was on international clients in the financial services industry. She currently serves as a member of the Board of the Securities Commission.

ABAGALE BUTLER
Corporate Secretary

Abagale Butler is the Corporate Secretary of Bahamas First Holdings Limited and its Subsidiary Companies. Prior to this, she served as Assistant to the Legal & Compliance Manager/Corporate Secretary.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Committee assists the Board in fulfilling its oversight responsibilities as they relate to the Group's accounting policies, financial reporting, internal control and the legal and regulatory environment.

MEMBERS:
ABHILASH BHACHECH - CHAIR
ALISON J. TRECO
LINDA GOSS
NEIL MCKINNEY
DAWN PATTON

TECHNICAL REVIEW & RISK COMPLIANCE COMMITTEE

The Committee is responsible for ensuring adherence to risk management guidelines as well as reviewing and assessing technical and reinsurance matters.

MEMBERS:
BRYAN D. MURPHY - CHAIR
LINDA GOSS
PAULINE P. WARD
V. KEITH ROLLE
PATRICK G. W. WARD
SAMIR MIKHAEL
RICHARD DARVILLE
ANDRAE THOMPSON
DENISE VAVAL

FINANCE & INVESTMENT COMMITTEE

The Committee focuses on two objectives: financial risk management and investment policy oversight.

MEMBERS:
KENWOOD KERR - CHAIR
PATRICK G. W. WARD
NEIL MCKINNEY
ABHILASH BHACHECH
ALISON J. TRECO

THE BFH GROUP RETIREMENT FUND COMMITTEE

Plan Administrator: Colonial Pension Services (Bahamas) Limited.
Trustee/Custodian: Butterfield Trust (Bahamas) Limited

INVESTMENT COMMITTEE:
COMPANY REPRESENTATIVE:
WARREN ROLLE - CHAIR

INDEPENDENT REPRESENTATIVE:
KENWOOD KERR - SECRETARY

HUMAN RESOURCES & COMPENSATION COMMITTEE

The Committee is responsible for reviewing and approving the Group's compensation plan and evaluating executive performance.

MEMBERS:
ALISON J. TRECO - CHAIR
SAMIR MIKHAEL
JUDITH WHITEHEAD

CORPORATE GOVERNANCE CONDUCT REVIEW & NOMINATIONS COMMITTEE

The Committee measures the Group's governance against best practices and makes recommendations for Board appointments and composition.

MEMBERS:
JUDITH WHITEHEAD - CHAIR
ALISON J. TRECO
ABHILASH BHACHECH
DAWN PATTON

KEY CONTACTS

Head Office
Bahamas First Centre
32 Collins Avenue
Nassau, Bahamas
T: (242) 302-3900
F: (242) 302-3901

Auditors
KPMG
Chartered Accountants
Montague Sterling Center
P.O. Box N-123
Nassau, Bahamas

Attorneys
The Bahamas:
Graham Thompson & Co.
Sassoon House
Shirley St. & Victoria Ave.
Nassau, Bahamas

Cayman Islands:
Maples and Calder
Ugland House
Grand Cayman
Cayman Islands

Internal Audit
Ernst & Young
One-Montague Place
East Bay Street
Nassau, Bahamas

Registrar & Transfer Agents
Bahamas Central Securities
Depository Limited (BCSD)
Suite 202
Fort Nassau Centre
British Colonial Hilton
Nassau, Bahamas

N.U.A. 2019 HIGHLIGHTS

HURRICANE DORIAN

The 2019 year was one that was dominated by the impact/aftermath of Hurricane Dorian, which made landfall in The Bahamas on September 1, 2019. This storm will forever be etched in the history books for The Bahamas. Dorian, which impacted Grand Bahama and Abaco as a Category 5 storm, changed the landscape of those islands and caused up to 30 reported deaths. There were 648 claims reported for N.U.A., representing $329 million in property aggregates and incurred losses of $119 million. More than 70% of the losses were settled by December 31, 2019.

ACQUISITION UPDATES

One-year post acquisition of the CMA Insurance Brokers & Agents and Response Insurance Agency Limited's portfolios, we are pleased to report that the combined retention rate of the portfolios exceeds 95%. Employees of both entities have made a seamless transition into the Agency with Candice Thompson, formerly of Response Insurance Agency, being promoted to Supervisor of the Business Support Unit in November 2019.

RETIREMENT

Widely considered the matriarch at N.U.A., Blythe Bailey retired on December 19, 2019 after 46 years of exemplary service. Mrs. Bailey is the longest serving member in the Group's history.

Several common themes resonated during her retirement reception – her leadership, unwavering dedication, calming disposition, words of wisdom, encouragement and, most notably, her prayers. She left an indelible impression on the BFG group and many individual staff members.

BUSINESS DEVELOPMENT

In 2019, N.U.A. deepened strategic relationships and raised brand awareness through partnerships and sponsorships:

N.U.A. ELEUTHERA: N.U.A. partnered with the Ministry of Tourism to host an event for winter residents of the island of Eleuthera, a key target audience for the agency. The event was attended by 125 winter residents and resulted in the successful acquisition of new Household Insurance policies while strengthening our brand in the community.

N.U.A. ABACO: N.U.A. partnered with Green Turtle Cay Resort to sponsor the Devour the Beach event, raising awareness with both winter and local residents in that community. The event also allowed for the development of key relationships on the island.

RIDE FOR HOPE BAHAMAS SPONSORSHIP: In partnership with Bahamas First, N.U.A. provided in-kind sponsorship toward Ride for Hope's 2019 event, sponsoring marine cargo and event liability insurance coverage for the leading cancer fundraising event.

AUTHORIZED AGENTS & BROKERS

Our extensive network of agents in The Bahamas stretches from Grand Bahama to Inagua and everywhere in between. In The Cayman Islands, we enjoy the support of a vibrant network of agents and brokers for all of our product lines. They have been the backbone of our company since we began to offer insurance services, and continue to deliver the highest quality of service to our customers.

THE BAHAMAS

NEW PROVIDENCE

BAF General & Health Insurance Brokers and Agents Ltd.
T: [242] 461-1000

BMG Insurance Agents & Brokers Limited
T: [242] 322-2225

Chandler Gilbert Insurance Associates Ltd.
T: [242] 676-2306

Colina General Insurance Agents & Brokers Limited
T: [242] 677-2050

Confidence Insurance Bahamas Agency Ltd.
T: [242] 323-6920

FG Insurance Agents & Brokers Ltd.
T: [242] 396-1300

Freeport Insurance Agents & Brokers Ltd.
T: [242] 322-1910

Island Insurance Agents & Brokers Ltd.
T: [242] 322-1106

N.U.A. Insurance Agents & Brokers Ltd.
T: [242] 302-9100

Professional Insurance Consultants Ltd.
T: [242] 327-2143

RMS Insurance Agents and Brokers Ltd.
T: [242] 698-7233

Safeguard Insurance Brokers Ltd.
T: [242] 676-7521

Shield Insurance Agents & Brokers Ltd.
T: [242] 356-7202

Star General Insurance Agents & Brokers Ltd.
T: [242] 676-0800

Sunshine Insurance (Agents & Brokers) Ltd. T: [242] 394-0011

Tavares Higgs Insurance Agents & Brokers Ltd.
T: [242] 702-9025

GRAND BAHAMA

Colina General Insurance Agents & Brokers Limited
T: [242] 352-3223

FG Insurance Agents & Brokers Ltd.
T: [242] 352-7233

Freeport Insurance Agents & Brokers Ltd.
T: [242] 352-8501

N.U.A. Insurance Agents & Brokers Ltd.
T: [242] 352-7891

SHIELD Insurance Agents & Brokers Ltd.
T: [242] 441-1590

Star General Insurance Agents & Brokers (Grand Bahama) Ltd.
T: [242] 350-7827

ANDROS

Confidence Insurance Bahamas Agency Ltd.
T: [242] 392-4222

Nassau Underwriters Agency Insurance Agents & Brokers Ltd.
T: [242] 368-2036

ELEUTHERA

Island Insurance Agents & Brokers Ltd.
T: [242] 332-0380

N.U.A. Insurance Agents & Brokers Ltd.
T: [242] 333-2797

EXUMA

Colina General Insurance Agents & Brokers Limited
T: [242] 336-2127

Island Insurance Agents & Brokers Ltd.
T: [242] 336-3500

ABACO

Abaco Insurance Agency Limited
T: [242] 367-2549

Colina General Insurance Agents & Brokers Limited
T: [242] 367-3432

N.U.A. Insurance Agents & Brokers Ltd.
T: [242] 367-2222

CAYMAN ISLANDS

CAYMAN BRAC

Brac Insurance Associates
T: [345] 948-2266

GRAND CAYMAN

AON Risk Solutions (Cayman)
T: [345] 945-1266

Balderamos Insurance Services
T: [345] 945-3450

Bogle Insurance Brokers
T: [345] 949-0579

Caribbean Insurance Practice
T: [345] 943-2475

Cayman Insurance Centre
T: [345] 949-4657

Fidelity Insurance (Cayman)
T: [345] 949-7221

FIS Insurance Brokers
T: [345] 945-5616

Hyperion Risk Solutions (Cayman)
T: [345] 623-6500

International Property Insurance
T: [345] 623-1111

Island Insurance Brokers
T: [345] 949-0883

Marsh Management Services Cayman
T: [345] 949-7988

Pensum Services
T: [345] 945-1830

Premier Group Insurance Brokers
T: [345] 769-0092

Briat Insurance
T: [345] 945-0030

Scotiabank (Cayman)
T: [345] 949-7666

Willis Management (Cayman)
T: [345] 949-6039

BAHAMAS FIRST GENERAL INSURANCE COMPANY HIGHLIGHTS

PROUD TO SPONSOR HACK <IT> BAHAMAS

Bahamas First Insurance joined with STEMBoard to present Hack <IT> 2019 – a five-day summer camp providing hands-on STEM training to private and public-school students in grades 9-12 at no cost. Students got to apply their knowledge to an issue of social impact within The Bahamas and competed for funding to go toward making their project a reality.

"We are honoured to continue to highlight the ingenuity of Bahamian youth. With a focus on providing the fundamentals of technology and entrepreneurship, our students create innovative projects that showcase the genius that lies within The Bahamas. We are extremely grateful for the support and engagement of our sponsors and partners."

Aisha Bowe, Bahamian-American Aerospace Engineer and Founder of STEMBoard

2019 BAHAMAS FIRST JUNIOR GOLF OPEN

Bahamas First Insurance partnered with Fourteen Clubs Golf Academy to present the 2019 Bahamas First Junior Golf Open.

"Bahamas First is proud to once again be able to sponsor this junior golf event, and partner with Fourteen Clubs Golf Academy. They are doing a fantastic job of exposing young people to the game of golf, providing instruction and access to lessons and exposure to tournaments, and creating positive life experiences. We remain committed to supporting positive opportunities for young Bahamians, who are putting first things first, pursuing their personal goals and making positive choices."

Patrick Ward, President & CEO

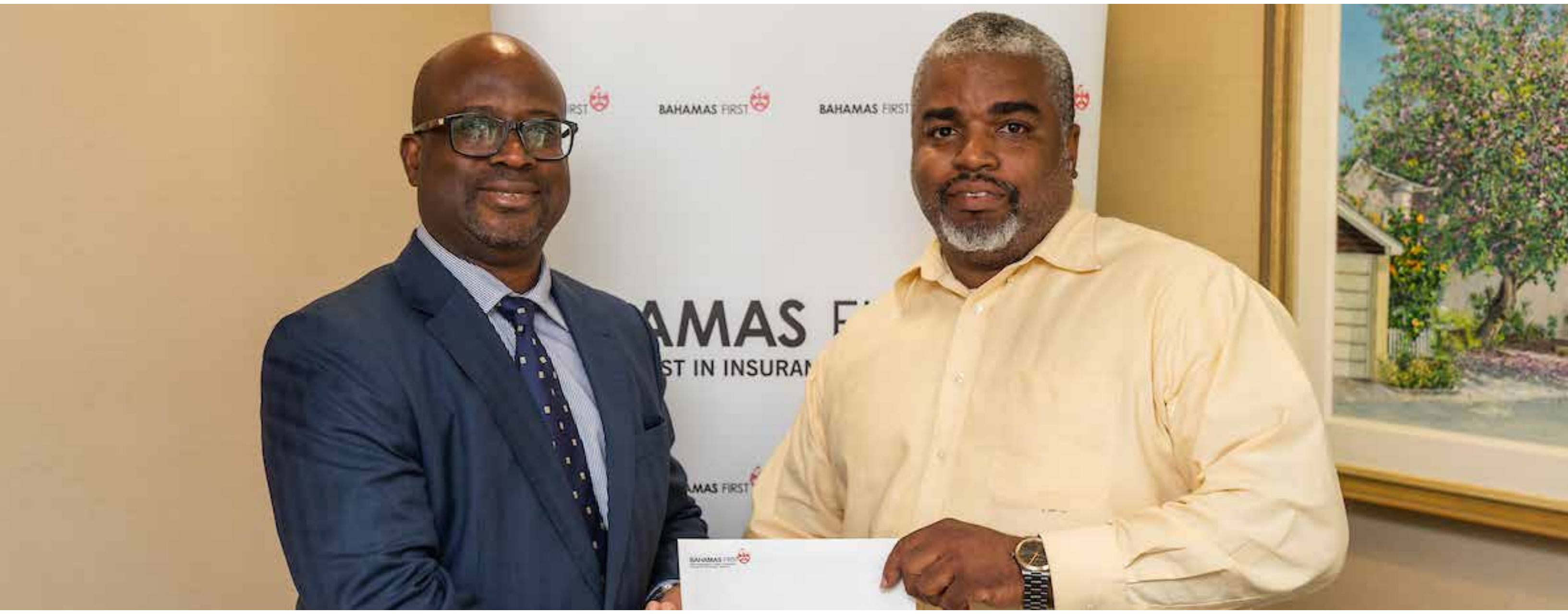
HURRICANE DORIAN RELIEF

Donation of $25,000 to The Bahamas Red Cross Society. We applaud and are eternally grateful to The Bahamas Red Cross and all of the relief agencies and groups that worked tirelessly to support the residents of Grand Bahama, Abaco and surrounding islands.

Donation of $10,000 to the Grand Bahama Children's Home. This represents a portion of the funds diverted from our annual Christmas party with an additional contribution from the company. The Home was completely devastated by Dorian and these funds will go a long way in purchasing furniture and other needed items for the children.

FUTURE STARS FOOTBALL CLUB

Bahamas First Insurance has renewed its commitment to sponsoring the Future Stars Football Club, which started in 2012 and has grown to over 100 players. We believe team sports like football cultivate leadership and teamwork competencies among other valuable disciplines.



2019 DONATION & SPONSORSHIP RECIPIENTS

THE BAHAMAS

Bahamas AIDS Foundation
Bahamas Aquatics Federation
Bahamas Council for Disability
Bahamas Feeding Network
Bahamas Football Association
Bahamas Girl Guides Association
Bahamas Heart Association
Bahamas Historical Society
Bahamas Red Cross Society
Cancer Society of The Bahamas
Crime Stoppers Bahamas
Fourteen Clubs Junior Golf Academy
Governor General's Youth Awards
HACK<IT> Bahamas
Hands for Hunger
Hope Ball
Impact Tennis Summer Camp
Jeff Rodgers Basketball Camp
Junior Achievement
Junior Baseball League of Nassau
Kevin Johnson Basketball Camp
Mario Ford Baseball Programme
PACE (Providing Access to Continuing Education)
Physically Challenged Children's Committee
Project READ
Ranfurly Home for Children
Rotary Clubs of The Bahamas
Royal Bahamas Police Sports & Welfare Fund
Salvation Army
Saxons Junkanoo Group
Sister Sister Breast Cancer Support Group

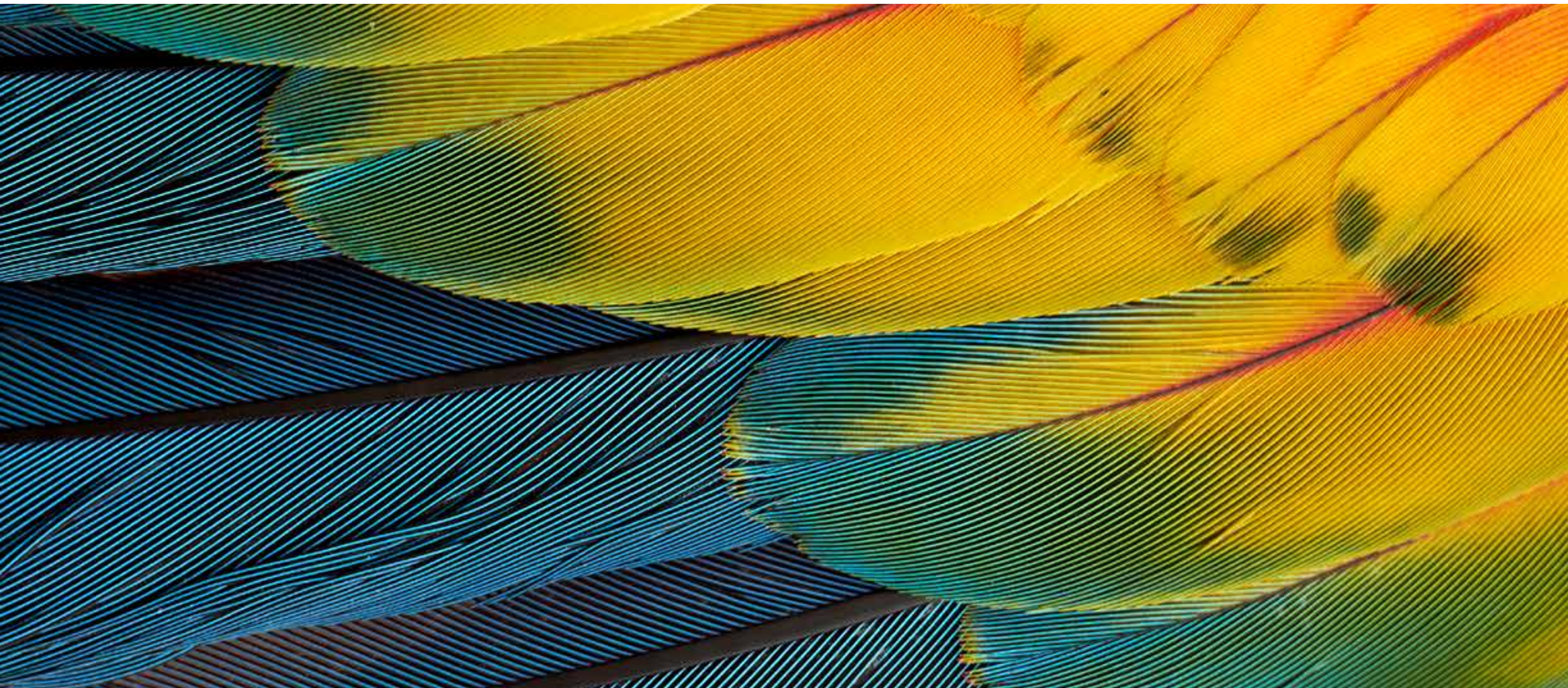
CAYMAN ISLANDS

BRAC Cayman South High School Graduation
BRAC Lions Public Speaking Contest
Cayman AIDS Foundation
Cayman ARK (Acts of Random Kindness)
Cayman Islands Angling Club
Cayman Islands Crisis Centre
Cayman Island Diabetes Association
Cayman Islands Triathlon Association
Cayman Islands Veterans Association
Drive Safely in Cayman Handbook
Feed Our Future
Have a Heart Cayman Islands
Kiwanis Club of Grand Cayman
KRI Performing Arts School
Leadership Cayman (Chamber of Commerce)
Lions Club of Tropical Gardens
MS Foundation of the Cayman Islands
National Council of Voluntary Organizations
Special Needs Foundation Cayman
St. Baldrick's Foundation
The Cayman Islands Red Cross
The Lighthouse School

CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

The Bahamas First Group remains committed to giving back to the communities of which we are a part in both The Bahamas and the Cayman Islands. We believe that strong communities make better countries. Our partnerships with local civic and cultural organizations such as The Cancer Society, Junior Achievement, The Cayman Islands Red Cross and the Cayman Islands Chamber of Commerce help those in need and support youth and community development.

In the Cayman Islands, the company continues to lead the way as a good corporate citizen, supporting many local community-based and philanthropic programmes. Our Charities of First initiative continues to benefit local charitable and civic groups with employees making contributions alongside the company to twelve local organizations annually.



FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BAHAMAS FIRST HOLDINGS LIMITED:

OPINION

We have audited the consolidated financial statements of Bahamas First Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of profit or loss, other comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Group 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.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information to be included in the Group's annual report (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group'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 ISA, 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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

NASSAU, BAHAMAS
MAY 28, 2020

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 (Expressed in Bahamian dollars)

	NOTES	2019	2018
ASSETS			
CASH		$76,298,279	$17,200,210
TRADE ACCOUNTS RECEIVABLE, NET	4,8,23	27,982,506	26,571,355
SUNDRY RECEIVABLES AND PREPAYMENTS	23	6,625,155	2,527,885
DEFERRED COMMISSION COSTS	9	5,061,150	5,104,588
DEFERRED REINSURANCE PREMIUMS	9	36,186,510	34,467,074
UNPAID CLAIMS RECOVERABLE FROM REINSURERS	4,10	233,262,062	33,587,632
INVESTMENTS	6	42,834,135	44,811,848
INVESTMENT IN ASSOCIATE	7	727,980	689,048
PROPERTY AND EQUIPMENT	4,11	23,906,688	24,434,668
RIGHT-OF-USE ASSETS	12	1,071,207	-
INTANGIBLE ASSETS AND GOODWILL	4,13	6,276,604	6,640,092
TOTAL ASSETS		**$450,232,276**	**$196,034,400**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

(Expressed in Bahamian dollars)

LIABILITIES AND EQUITY	NOTES	2019	2018
LIABILITIES:			
ACCRUED EXPENSES AND OTHER LIABILITIES		$1,746,857	$6,398,916
REINSURANCE BALANCES PAYABLE		72,534,806	3,783,899
UNEARNED COMMISSION INCOME	9	9,300,933	8,880,424
UNEARNED PREMIUMS	9	51,304,050	49,016,075
UNPAID CLAIMS	4,10	244,237,144	51,917,644
LEASE LIABILITIES	12	1,164,586	–
BONDS PAYABLE	14	7,616,866	7,616,866
TOTAL LIABILITIES		**387,905,242**	**127,613,824**
EQUITY:			
COMMON SHARES	15	365,116	365,116
PREFERENCE SHARES	15	5,000,000	5,000,000
CONTRIBUTED SURPLUS		14,926,159	14,926,159
GENERAL RESERVE	16	4,000,000	4,000,000
REVALUATION RESERVE	17	6,194,064	3,489,278
RETAINED EARNINGS		27,484,448	36,535,245
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP		**57,969,787**	**64,315,798**
NON-CONTROLLING INTEREST	18	4,357,247	4,104,778
TOTAL EQUITY		**62,327,034**	**68,420,576**
TOTAL LIABILITIES AND EQUITY		**$450,232,276**	**$196,034,400**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. THESE CONSOLIDATED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON MAY 27, 2020 AND ARE SIGNED ON ITS BEHALF BY: **ALISON TRECO, CHAIRMAN | PATRICK G.W. WARD, DIRECTOR**

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Bahamian dollars)

UNDERWRITING INCOME:	**NOTES**	**2019**	**2018**
GROSS PREMIUMS WRITTEN	19,23	$160,629,101	$154,752,335
MOVEMENT IN UNEARNED PREMIUMS	9	(2,287,975)	(2,834,929)
		158,341,126	*151,917,406*
PREMIUMS CEDED TO REINSURERS		(93,383,253)	(89,528,537)
MOVEMENT IN DEFERRED REINSURANCE PREMIUMS	9	1,719,436	2,985,076
NET PREMIUMS EARNED		*66,677,309*	*65,373,945*
COMMISSION INCOME		20,283,099	23,741,976
TOTAL UNDERWRITING INCOME		**86,960,408**	**89,115,921**
UNDERWRITING EXPENSES:			
NET CLAIMS INCURRED	10	39,891,805	27,803,373
COMMISSION EXPENSE	23	13,402,908	14,062,369
COST OF EXCESS OF LOSS REINSURANCE		10,058,609	10,098,292
PREMIUM TAX		2,989,583	2,798,017
TOTAL UNDERWRITING EXPENSES		**66,342,905**	**54,762,051**
NET UNDERWRITING INCOME		*20,617,503*	*34,353,870*
OTHER EXPENSES:			
SALARIES, BENEFITS AND BONUSES	21,22,23	14,171,865	14,254,236
GENERAL AND ADMINISTRATIVE EXPENSES		8,441,228	8,416,541
INTEREST EXPENSE		1,478,977	908,925
DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS	11,12,13	1,896,667	1,341,643
TOTAL OTHER EXPENSES		**25,988,737**	**24,921,345**
UNREALIZED (LOSS) ON INVESTMENT	6	-	(2,541,581)
OTHER INCOME, NET	20	290,828	3,165,923
(LOSS)/PROFIT FOR THE YEAR		**$(5,080,406)**	**$10,056,867**
ATTRIBUTABLE TO:			
OWNERS OF THE GROUP		$(5,549,923)	$9,239,796
NON-CONTROLLING INTEREST	18	469,517	817,071
		$(5,080,406)	**$10,056,867**
BASIC AND DILUTED EARNINGS PER COMMON SHARE	15	*$(0.16)*	*$0.24*

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2019 (Expressed in Bahamian dollars)

	NOTES	2019	2018
(LOSS)/PROFIT FOR THE YEAR		$(5,080,406)	$10,056,867
OTHER COMPREHENSIVE INCOME/(LOSS):			
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
REVALUATION OF LAND AND BUILDINGS	11,17	1,905,353	-
		1,905,353	**-**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
RECLASSIFICATION ADJUSTMENT OF AVAILABLE-FOR-SALE INVESTMENT	17	-	(340,388)
UNREALIZED GAIN /(LOSS) ON AVAILABLE-FOR-SALE INVESTMENTS	6,17	799,433	(439,910)
		799,433	**(780,298)**
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		**2,704,786**	**(780,298)**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**$(2,375,620)**	**$9,276,569**
ATTRIBUTABLE TO:			
OWNERS OF THE GROUP		$(2,992,991)	$8,719,779
NON-CONTROLLING INTEREST	18	617,371	556,790
		$(2,375,620)	**$9,276,569**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019 (Expressed in Bahamian dollars)

	ATTRIBUTABLE TO OWNERS OF THE GROUP							
	COMMON SHARES	PREFERENCE SHARES	CONTRIBUTED SURPLUS	GENERAL RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL
BALANCE AT DECEMBER 31, 2017	**365,116**	**5,000,000**	**14,912,047**	**4,000,000**	**4,269,576**	**32,326,556**	**3,614,219**	**64,487,514**
PROFIT FOR THE YEAR	-	-	-	-	-	9,239,796	817,071	**10,056,867**
OTHER COMPREHENSIVE (LOSS)/INCOME (NOTE 17)	-	-	-	-	(780,298)	65,400	(65,400)	**(780,298)**
TOTAL COMPREHENSIVE (LOSS)/INCOME	**-**	**-**	**-**	**-**	**(780,298)**	**9,305,196**	**751,671**	**9,276,569**
TRANSACTIONS WITH SHAREHOLDERS								
DIVIDENDS PAID BY CFI	-	-	-	-	-	-	(247,000)	**(247,000)**
CHANGE IN SHAREHOLDERS' INTEREST IN CFI (NOTE 15)			14,112				(14,112)	**-**
PREFERENCE SHARES DIVIDEND PAID (NOTE 15)	-	-	-	-	-	(350,000)	-	**(350,000)**
DIVIDENDS PAID ($0.13 PER COMMON SHARE) (NOTE 15)	-	-	-	-	-	(4,746,507)	-	**(4,746,507)**
BALANCE AT DECEMBER 31, 2018	**$365,116**	**$5,000,000**	**$14,926,159**	**$4,000,000**	**$3,489,278**	**$36,535,245**	**$4,104,778**	**$68,420,576**
ADJUSTMENT ON INITIAL APPLICATION OF IFRS 16 (NOTE 3W)	-	-	-	-	-	(82,100)	-	**(82,100)**
BALANCE AT JANUARY 1, 2019	**365,116**	**5,000,000**	**14,926,159**	**4,000,000**	**3,489,278**	**36,453,145**	**4,104,778**	**68,338,476**
(LOSS)/PROFIT FOR THE YEAR	-	-	-	-	-	(5,549,923)	469,517	**(5,080,406)**
OTHER COMPREHENSIVE INCOME	-	-	-	-	2,704,786	(147,847)	147,847	**2,704,786**
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	-	-	**2,704,786**	**(5,697,770)**	**617,364**	**(2,375,620)**
TRANSACTIONS WITH SHAREHOLDERS								
DIVIDENDS PAID BY CFI	-	-	-	-	-	-	(364,895)	**(364,895)**
PREFERENCE SHARES DIVIDEND PAID (NOTE 15)	-	-	-	-	-	(350,000)	-	**(350,000)**
DIVIDENDS PAID ($0.08 PER COMMON SHARE) (NOTE 15)	-	-	-	-	-	(2,920,927)	-	**(2,920,927)**
BALANCE AT DECEMBER 31, 2019	**$365,116**	**$5,000,000**	**$14,926,159**	**$4,000,000**	**$6,194,064**	**$27,484,448**	**$4,357,247**	**$62,327,034**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (Expressed in Bahamian dollars)

CASH FLOWS FROM OPERATING ACTIVITIES:			
	NOTES	**2019**	**2018**
(LOSS)/PROFIT FOR THE YEAR		**$(5,080,406)**	**$10,056,867**
ADJUSTMENTS FOR:			
DEPRECIATION	11,12	1,533,179	1,067,580
LOSS ON BUILDING REVALUATION	20	1,409,736	-
BUILDING CONTRACT SUM ADJUSTMENT	11	180,000	-
INTEREST ON LEASES		59,326	-
AMORTIZATION OF INTANGIBLE ASSETS	13	363,488	274,063
AMORTIZATION OF PREMIUMS AND DISCOUNTS ON BONDS	6,20	94,086	119,911
SHARE OF NET EARNINGS OF ASSOCIATE	7,20	(38,932)	(16,173)
REALIZED (GAIN) ON SALES OF INVESTMENTS	6,20	-	(1,198,957)
UNREALIZED LOSS ON FVTPL INVESTMENT	6	-	2,541,581
(GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	20	(2,840)	(1,560)
RECLASSIFICATION OF AFS INVESTMENTS	17	-	(340,388)
(INCREASE) IN TRADE ACCOUNTS RECEIVABLE, NET		(1,411,151)	(2,497,955)
(INCREASE) IN SUNDRY RECEIVABLES AND PREPAYMENTS		(4,097,270)	(414,310)
DECREASE/(INCREASE) IN DEFERRED COMMISSION COSTS	9	43,438	(335,416)
(INCREASE) IN DEFERRED REINSURANCE PREMIUMS	9	(1,719,436)	(2,985,076)
(DECREASE)/INCREASE IN ACCRUED EXPENSES AND OTHER LIABILITIES		(4,652,059)	965,897
(DECREASE) IN ACCRUED INTEREST ON BONDS		-	(56,096)
INCREASE IN REINSURANCE BALANCES PAYABLE		68,750,907	3,373,362
INCREASE IN UNEARNED COMMISSION INCOME	9	420,509	141,562
INCREASE IN UNEARNED PREMIUMS	9	2,287,975	2,834,929
INCREASE/(DECREASE) IN NET UNPAID CLAIMS	10	2,645,070	(1,436,340)
NET CASH FROM OPERATING ACTIVITIES		**$60,785,620**	**$12,093,481**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019 (Expressed in Bahamian dollars)

	NOTES	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:			
PURCHASE OF PROPERTY AND EQUIPMENT	11	$(428,777)	$(3,919,815)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT		10,910	5,171
PROCEEDS FROM SALE AND MATURITY OF INVESTMENTS	6	5,282,561	4,768,822
PURCHASE OF INVESTMENTS	6	(2,599,501)	(3,456,599)
ACQUISITION OF GENERAL INSURANCE PORTFOLIOS	13	-	(1,474,678)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**$2,265,193**	**$(4,077,099)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
CHANGES IN NON-CONTROLLING INTEREST		$(364,895)	$(247,000)
COMMON SHARES DIVIDEND PAID	15	(2,920,927)	(4,746,507)
REDEMPTION OF SERIES I BONDS PAYABLE		-	(3,750,000)
PREFERENCE SHARES DIVIDEND PAID	15	(350,000)	(350,000)
LEASE LIABILITY CASH PAYMENTS		(316,922)	-
NET CASH (USED IN) FINANCING ACTIVITIES		**$(3,952,744)**	**$(9,093,507)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**59,098,069**	**(1,077,125)**
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		17,200,210	18,277,335
END OF YEAR		**$76,298,279**	**$17,200,210**
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
INTEREST RECEIVED		$1,316,637	$1,442,642
DIVIDENDS RECEIVED		$316,641	$348,624
PREMIUM TAXES PAID		$2,989,583	$2,798,017
INTEREST EXPENSE PAID		$1,478,977	$965,021

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

1. GENERAL

Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas, except BFH International Limited, Cayman First Insurance Company Limited, BRAC Insurance Associates Ltd. and BFH Services (Cayman) Limited which are incorporated under the laws of the Cayman Islands.

These consolidated financial statements include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as the "Group". The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

REGISTERED INSURERS:

- Bahamas First General Insurance Company Limited ("BFG")
- Cayman First Insurance Company Limited ("CFI")

REGISTERED INSURANCE INTERMEDIARIES:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA")
- BRAC Insurance Associates Ltd. ("BIA")
- CMA Insurance Brokers & Agents Limited ("CMA")

MANAGEMENT COMPANY:

- Bahamas First Corporate Services Ltd. ("BFCS")

BFCS provides administrative and corporate services to the Group and charges management fees to the various Group companies, which are eliminated on consolidation.

CLAIMS SERVICING COMPANY:

- First Response Limited ("FRL")

FRL provides motor claim roadside assistance and claim adjusting services to BFG.

HEALTH REFERRAL AGENCY:

- BFH Services (Cayman) Limited ("BFHS")

INSURANCE HOLDING COMPANY:

- BFH International Limited ("BFHIL")

All of the above subsidiaries are wholly-owned except for CFI, of which BFHIL owns 87.70%. The registered office of the Company is located at 32 Collins Avenue, Nassau, The Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND INTERNATIONAL ACCOUNTING STANDARDS ("IAS")

a. New and amended Standards and Interpretations adopted by the Group

In the current year, there were several new and amended standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB effective for annual reporting periods beginning on or after January 1, 2019.

IFRS 16 – LEASES

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed in Notes 3w and 12.

A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

b. Standards and Interpretations effective but not affecting the reported results or financial position

IFRS 9 – FINANCIAL INSTRUMENTS

During 2019, the Group performed a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

The IASB issued a temporary exemption for the effective date of implementation of IFRS 9 for insurance companies which meet certain qualifying criteria. This exemption allows the application of IFRS 9 to be deferred until January 1, 2023. At December 31, 2019, the Group met these qualifying criteria of i) not applying any previous versions of IFRS 9 and ii) at least 90% of its total liabilities being connected to insurance contracts and has therefore deferred implementation of IFRS 9.

c. Standards and Interpretations in issue but not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the aforementioned date.

Effective for annual periods beginning on or after January 1, 2020

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material.

The amendments refine the definition of material in IAS 1 and align the definitions used across IFRS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020. The Company is currently assessing the impact of adopting this interpretation but does not expect it to have a significant impact.

Effective for annual periods beginning on or after January 1, 2023

IFRS 17 – INSURANCE CONTRACTS

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

• Discounted probability-weighted cash flows

• An explicit risk adjustment, and

• A contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts. The Group has not yet fully assessed the impact of the new standard on its results.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies:

a. Basis of preparation - These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the accrual basis and under the historical cost convention, except as outlined in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

During the current year, within the consolidated statement of financial position, the accrued liabilities caption was renamed accrued expenses and other liabilities and the trade accounts payable caption was renamed reinsurance balances payable. Corresponding figures within these captions were adjusted to conform to changes in presentation to more accurately represent the nature of liability classifications adopted in the current year. Furthermore, within Note 6, $1,970,000 in fixed income debt securities and $1,550,000 in preference shares were reclassified from level 2 to level 1 in the fair value hierarchy. The 2018 comparatives were adjusted to be consistent with the current year. Within Note 23, the key management compensation reported for the year ended 2018 has been adjusted to reflect, and be consistent with, the list of individuals identified as key management personnel at the end of 2019.

The accounting policies are consistent with those used in previous years, except for the adoption of IFRS 16, Leases which became effective on January 1, 2019.

b. Basis of consolidation - Subsidiaries are those entities controlled by BFH. Control exists when the Company is exposed, or has rights, to variable returns from its investment with an entity and has the ability to affect those returns through its power over the entity. In assessing control, the potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. Business combinations - Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition cost incurred is expensed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Company's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recognized in contributed surplus in the consolidated statement of changes in equity.

d. Investment in associates - An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially carried at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Company's share of those changes is recognized in other income, net in the consolidated statement of profit or loss.

After application of the equity method, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Losses of associates in excess of the Group's interest in those associates are not recognized.

Where a company within the Group transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

e. Financial instruments

Classification and measurement - On initial recognition, a financial asset or liability is measured at its fair value plus, in the case of investments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

The classification depends on the nature and purpose of the financial assets. Management determines the classification of its investments at initial recognition and re-evaluates the classification at each reporting date.

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; or available-for-sale ("AFS"); and are measured as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. A financial asset is classified into the FVTPL category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. These assets are stated at fair value, with any resultant gain or loss recognized in the consolidated statement of profit or loss and other comprehensive income.

(ii) Available-for-sale investments

AFS financial assets are those non-derivative financial assets that are either designated as available for sale or are not classified as a) FVTPL, b) held-to-maturity or c) loans and receivables. AFS assets are stated at fair value. Cost may be used to approximate the fair value of AFS assets.

(iii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets which are carried at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. Investment income is recorded in interest income in the consolidated statement of profit or loss and other comprehensive income.

(iv) Loans and receivables

Loans and other receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, and which the Group has no intention of trading or designating at fair value. Loans and receivables are recognized when the Group provides goods or services to debtors or cash is advanced to borrowers. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any impairment.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Trade accounts receivable, sundry receivables and prepayments are classified as loans and receivables and are carried at cost, which equates to amortized cost, less provision for bad debts. Reinsurance balances payable, accrued expenses and other liabilities and bonds payable are financial liabilities, which are carried at cost.

Investments in Bahamas Government Registered Stock are classified as loans and receivables and are carried at amortized cost. Preference shares and redeemable fixed rate note investments that meet the criteria are also classified as loans and receivables and carried at amortized cost. Preference shares and mutual fund investments that do not meet the loan and receivables recognition criteria are classified as available-for-sale and are measured at fair value at the consolidated statement of financial position date. All other investments are classified as financial assets at fair value through profit or loss.

Gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income (loss) until the investments are disposed of or are determined to be permanently impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income (loss) is included in profit or loss for the period. Investments are measured at fair value with reference to market prices, or, for non-listed companies, financial information on the company. The gain or loss on investments classified as at fair value through profit or loss is recognized in the consolidated statement of profit or loss.

Recognition and derecognition - The Group recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its right to receive cash flows from the asset and substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished.

f. Trade accounts receivable - Trade accounts receivable is stated at cost less provision for bad debts. The provision for bad debts is based on management's evaluation of the accounts receivable portfolio, as noted in Note 4(d).

g. Property and equipment - Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as an expense as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the consolidated statement of profit or loss.

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated, and expenditure incurred on construction-in-progress is not depreciated until construction is completed.

The estimated useful lives are as follows:

Buildings - 40 years
Furniture and equipment 5 - 10 years
Leasehold improvements and others 3 - 6 years
Computer software 3 - 7 years

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed at least once every three years. At the end of each reporting period, management updates its assessment of the fair value of each property, considering current information available and the most recent independent valuations. The fair value measurement is categorized in Level 3 in the fair value hierarchy.

A revaluation increment is recorded in other comprehensive income (loss), unless it reverses a revaluation decrease of the same asset previously recognized as an expense and is transferred to retained earnings to the extent realized by complete or partial disposal of the related asset, including depreciation.

Any revaluation decrease is recognized as an expense unless it reverses a revaluation increase that was previously recognized in other comprehensive income (loss).

Any depreciation accumulated on an asset at the date of revaluation is eliminated against the gross carrying amount of the asset and the resulting net amount restated to the revalued amount of the asset. The accumulated depreciation is reduced or eliminated, and any remaining surplus is used to increase cost.

h. Intangible assets and goodwill - On acquisition of an investment in an associate/subsidiary any goodwill arising (i.e. the excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets, liabilities and contingent liabilities) is accounted for as follows:

(i) goodwill is included in the carrying amount of the investment in associate and is neither amortized nor individually tested for impairment. For subsidiaries, it is included as goodwill in the consolidated statement of financial position and is tested for impairment at least annually.

(ii) other intangible assets identified on acquisition of a subsidiary are recognized at cost, only if future economic benefits attributable to the asset will flow to the Group, and if the fair value of the asset can be measured reliably. In addition, for purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. On acquisition, the useful life of the asset is estimated and determined to be either finite or indefinite.

(iii) any excess of the investor's share of the fair value of the net assets over the cost of the investment is included in the consolidated statement of profit or loss in the period in which the investment is acquired.

After initial recognition, an intangible asset with a finite useful life is amortized using the straight-line method over the estimated useful life of 5-20 years and amortization expense is included in depreciation and amortization of intangible assets in the consolidated statement of profit or loss. An intangible asset with an indefinite useful life is not amortized, but tested for impairment at least annually. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group.

An intangible asset shall be derecognized on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognized in the consolidated statement of profit or loss.

i. Impairment - Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period in the consolidated statement of profit or loss.

In assessing whether financial assets carried at amortized cost are impaired, due consideration is given to the factors outlined in Note 4(d).

j. Insurance contracts

Product classification - Insurance contracts are those that transfer significant insurance risk at the effective date of the contract. Insurance risk is transferred when the Group agrees to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Any contracts not meeting the definition of an insurance contract under IFRS 4 Insurance Contracts are classified as investment contracts. The main insurance contracts issued by the Group are as follows:

Property and casualty ("P&C") insurance contracts - Property and casualty contracts are generally one-year renewable contracts issued by the Group covering insurance risks over property, motor, marine, engineering and general accident.

Health and Group Life ("H&L") insurance contracts - Health and Group Life contracts are one-year renewable contracts. Health insurance contracts cover insureds for medical expenses incurred Group Life insurance contracts protect the Group's customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

Reinsurance contracts - Contracts with reinsurers under which the Group is compensated for losses are classified as reinsurance contracts held. Insurance contracts in which the contract holder is another insurer (inwards reinsurance) are accounted for in the same manner as insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term recoverables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of profit or loss.

Portfolio Transfer In / (Out) - At the option of the Company and at the anniversary date of the reinsurance agreements, proportional reinsurers agree to relinquish (assume) liability for all policies in force at such anniversary date. The Company debits (credits) the reinsurers with the related portion of the unearned premiums and unpaid claims calculated in accordance with the method outlined in the agreement.

Premiums - Premiums written are recognized as income over the periods covered by the related policies taking into consideration the exposure period to which they relate. The adjustment to apportion the gross premiums written and ceded over the life of the policy is made through the movement in the unearned premiums.

Unearned premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis.

Premiums ceded - Premiums ceded to reinsurers are recognized as an expense over the periods covered by the related policies taking into consideration the exposure period to which they relate.

Deferred reinsurance premiums in the consolidated statement of financial position at year-end represent the proportion of the premiums ceded which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis.

k. Unpaid claims and unpaid claims recoverable from reinsurers - The provision for unpaid claims, and the reinsurers' share thereof, represents an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred on or before each consolidated statement of financial position date.

The provision is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the consolidated statement of profit or loss.

At the date of the consolidated statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. Management has engaged independent actuaries to assist in performing the liability adequacy test at year-end.

l. Policy acquisition costs

Deferred and unearned commissions - At year end, deferred and unearned commissions represent the proportion of the commission paid to agents and brokers and received from reinsurers which related to periods of insurance subsequent to the consolidated statement of financial position date. These amounts are calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

Commission income and expense - Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commissions paid and received are adjusted so that they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

Profit commissions received from reinsurers and non-group insurers, calculated based on past underwriting results, are received from other insurance companies for whom Group agents may act and from the Group's reinsurers. Profit commission income and expense are recognized when the Company's right to receive, or obligation to make, payment has been established.

m. Dividend and interest income - Dividends are recognized in profit or loss when the Group's right to receive the dividend income is established. Interest income is accounted for on an accrual basis. Both are recognized in other income, net in the consolidated statement of profit or loss.

n. Investment premiums and discounts - Premiums and discounts arising on acquisition of fixed income securities are amortized over the period remaining to maturity and are recognized in other income, net in the consolidated statement of profit or loss.

o. Cash and cash equivalents - Cash and cash equivalents consist of cash on hand and deposits with banks maturing within ninety days from the date of acquisition.

p. Borrowings - Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of profit or loss over the period of borrowing using the effective rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan and are capitalized, and included in sundry receivables and prepayments in the consolidated statement of financial position. Capitalized fees are amortized over the period of the facility to which it relates, and are included in general and administrative expenses in the consolidated statement of profit or loss.

q. Share capital - Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is comprised of common and preference shares. The preference shares are non-voting and redeemable at the option of the Company. When common shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

Dividends on common shares are recognized as a liability and deducted from equity when they are declared by the Group's Board of Directors.

r. Foreign currency translation:

(i) Functional and presentation currency - Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Bahamian dollars, which is BFH's functional and presentation currency.

(ii) Transactions and balances - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the consolidated statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the consolidated statement of profit or loss and other comprehensive income (loss).

s. Related parties – Related parties include:

(i.) key management personnel, including Directors; and close members of that person's family;
(ii.) entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and
(iii.) entities that are controlled, jointly controlled or significantly influenced by parties in (i) and (ii).

t. Pension benefits - The Group's employees participate in a defined contribution plan. Under the plan, the Group contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Group has no further obligations. The expensed amount is included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

u. Share-based payments - The Company has a share option plan for executives, and, on occasion, a share subscription offer for employees. When the options are exercised the Company issues new shares and the proceeds received are credited to common shares and contributed surplus in the consolidated statement of changes in equity.

v. Earnings per share - Earnings per share is computed by dividing the profit attributable to the common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding during the year is the number of common shares outstanding at the beginning of the period, adjusted by the number of common shares repurchased or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. There is no material difference between basic earnings per share and fully diluted earnings per share.

w. Leases - At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

(i) fixed payments, including in-substance fixed payments;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable under a residual value guarantee; and

(iv) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On transition, to IFRS 16, the Group recognized an additional $1,340,082 in right of use assets and $1,422,182 of lease liabilities, recognizing the difference in retained earnings.

The Group presents the right-of-use assets and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

x. Taxation - Subsidiaries of the Group operating in The Bahamas are subject to tax on taxable gross premium income at the flat rate of 3% (2018: 3%) for premium tax; and at 12% (effective July 1, 2018 and 7.5% prior thereto), for value added tax (VAT). There are no other taxes on corporate income or capital gains levied on the Group in any of the jurisdictions in which it operates.

y. Segment reporting - In identifying its operating segments, management generally follows the Group's business operating activities by geographic location (Bahamas & Cayman). The Bahamas' segment includes general insurance only and Cayman's segment includes both general insurance and health and group life. General insurance comprises fire, motor, marine, engineering and general accident. The health and life insurance segment include group life and medical insurance.

z. Contingent liabilities - A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value. Potential recoveries from third parties are recognized as a receivable when it is virtually certain that the recoveries will be received, and the amount can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the consolidated statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, changes in medical costs and the cost of automobile and property repair materials and labor rates.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management estimates and judgments are based on the Company's claims experience, relevant circumstances and/or advice from legal counsel.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within one to three months after the claims event. Health claims are normally reported within three months of the event and are usually settled within days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third-party liability, employers' liability, workmen's compensation and long-term disability may not be readily available. The provision for the long-tail claims is continually evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Group's level of incurred losses and the provision for unpaid claims.

The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

The carrying value at the consolidated statement of financial position date of gross unpaid claims reported and loss adjustment expenses and claims incurred but not reported ("IBNR") was $244,237,144 (2018: $51,917,644). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is $233,262,062 (2018: $33,587,632).

b. Pro-ration of Premiums and Commissions

As described in Note 3(j), unearned premiums and deferred reinsurance premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. Similarly as per Note 3(l), deferred and unearned commissions at year end represent the proportion of the commission paid to agents and brokers and received from reinsurers which relate to periods of insurance subsequent to the consolidated statement of financial position date. These premium and commission amounts are recognized on a quarterly pro-rated basis taking into consideration the exposure period to which they relate. Commissions received from reinsurers are dependent on the underlying loss ratio of the various classes of business, on an underwriting year basis. Commissions are susceptible to adjustments in future years as the underwriting year result develops.

c. Impairment of goodwill and intangible assets

Determining whether goodwill or intangible assets are impaired requires an estimation of (i) the value in use or (ii) the fair value less costs to sell of the cash-generating unit or group of units to which the value has been allocated:

(i). The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit(s) and a suitable discount rate in order to calculate present value, both of which are material sources of uncertainty.

(ii). The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit(s) between knowledgeable willing parties, less the costs of disposal.

The carrying value at the consolidated statement of financial position date for intangible assets and goodwill was $6,276,604 (2018: $6,640,092).

d. Provision for bad debts

As described in Note 3(f), provision for bad debts is based on management's evaluation of the respective portfolios. This evaluation is based on the aged analysis of the trade accounts receivable. Trade accounts receivable, which is shown net of provision for bad debts, is comprised of (1) amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"); (2) clients of the Group's agency subsidiaries ("policyholders' receivables"); and (3) amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

Provisions are recorded for policyholders' receivables as follows:

Over 6 months	10% provision
Over 9 months	20% provision
Over 1 year	100% provision

The carrying value at the consolidated statement of financial position date for trade accounts receivable, net was $27,982,506 (2018: $26,571,355).

e. Depreciation

Depreciation is based on management's estimates of the future useful life of property and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation charges. The Company reviews the future useful life of property and equipment periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation charges are adjusted prospectively.

f. Fair value of financial assets and liabilities

The fair values of listed equities are based on current bid prices reported on recognized exchanges. The fair value of debt securities is based on either current bid prices reported on recognized exchanges or pricing data provided by internationally recognized pricing services. Mutual funds are carried at fair value based on the net asset value per share provided by the administrator of the fund. If prices are not readily available, the fair value is estimated using either dealer quotes or pricing models or discounted cash flow models or management's estimate of amounts that could be realized under current market conditions and which are based on observable market-based inputs when available.

Where fair value has been determined using data provided by a recognized pricing service, dealer quotes, pricing models or net asset value per share, the Group has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that prices represent fair value.

Investments for which observable market prices do not exist are reported at fair value as determined in good faith by management. Fair value is based on the best information available and is determined by reference to information including, but not limited to the following: projected revenues, net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), book value, relevant public or private transactions, valuations for publicly traded companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate management's own assumptions (including appropriate risk adjustments for non-performance and lack of marketability).

For certain financial instruments carried at cost, the carrying amounts approximate to fair value due to the short term nature of these instruments. Such instruments include trade accounts receivable, sundry receivables and prepayments, reinsurance balances payable and other accrued expenses and other liabilities.

Refer to Notes 5 and 6 for further information on the fair value of financial assets and liabilities.

g. Land and building revaluation

Land and buildings are revalued triennially based on outputs derived from an independent appraisal report. The techniques used by the appraiser involve the use of assumptions to provide a fair value estimate of land and buildings. Information about the valuation technique and inputs used in determining the fair value of the land and buildings are disclosed in Note 11.

5. RISK MANAGEMENT

As an insurance company, the Group is concerned about the risks inherent in its business activities (insurance risk) and the risks associated with the management of the financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management structure. The Group has established the Technical Review and Risk Compliance Committee, and the Finance and Investment Committee to oversee the management of the risks assigned within its respective Board approved mandate. It is management's responsibility to adhere to the parameters established within the Board's risk management structure. This is executed through periodic evaluation of risk registers, development of appropriate policies, and procedures, periodic measurement of KPIs, and the necessary controls to ensure reliable reporting and material compliance with regulatory guidelines. The Group's Internal Audit function reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Group. The committees report regularly to the Board of Directors on their activities.

The Group has exposures to risks that may develop in each class of business within each operating segment and could have a material impact upon the Group's financial position.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of entities within The Bahamas and the Cayman Islands. There is a concentration of insurance risk in those territories.

Below is a discussion of insurance risks specific to the lines of coverage provided by the operating segments within the Group.

Property and casualty insurance risks

Property risks are comprised of physical damage to property. Property policies are underwritten by reference to the commercial replacement value of the properties and content insured.

Casualty risks are comprised of personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

For the Group's property and casualty insurance contracts, significant risk exposure arises from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The key factors that influence the quantum of claim settlements are the costs of rebuilding properties and the replacement of or indemnity for building contents.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The Group actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments. It has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury claims thus ensuring settlements and avoiding claims development.

The Group follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. In addition, catastrophe reinsurance is obtained to limit liability to a maximum of 10% of the Group's capital and reserves in the event of a series of claims arising out of a single occurrence.

The Group is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance constraints. The Group's strategy is to select reinsurers with the best combination of financial strength, price and capacity.

In the event that the Group's reinsurers were unable to meet their obligations under the reinsurance programs in place, the Group would still be obligated to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to health and group life insurance contracts are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

The reinsurance program used by the Group is reviewed and approved by the Technical Review and Risk Compliance Committee on an annual basis.

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities. The components of financial risk that have an impact on the Group are credit risk, market risk and liquidity risk. Market risk exposure results from adverse movements in market rates and prices and as a result the Group is exposed to interest rate risk, foreign currency risk and price risk.

Financial risk is a significant risk for the Group's operations. The risk framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Group and regulatory policies and guidelines.

The following table reconciles financial assets and financial liabilities to the Group's statement of financial position:

	2019	2018
FINANCIAL ASSETS:		
CASH	$76,298,279	$17,200,210
INVESTMENTS:		
AT FAIR VALUE THROUGH PROFIT OR LOSS	14,254,420	14,254,420
AVAILABLE-FOR-SALE	22,608,952	23,280,720
LOANS AND RECEIVABLES:		
DEBT SECURITIES	5,970,763	7,276,708
TRADE ACCOUNTS RECEIVABLE, NET	27,982,506	26,571,355
SUNDRY RECEIVABLES*	5,746,789	1,739,763
TOTAL FINANCIAL ASSETS	**152,861,709**	**90,323,176**
NON - FINANCIAL ASSETS	**297,370,567**	**105,711,224**
TOTAL ASSETS	**$450,232,276**	**$196,034,400**
FINANCIAL LIABILITIES:		
PAYABLES AT AMORTIZED COST:		
REINSURANCE BALANCES PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES	$74,281,663	$10,182,815
BONDS PAYABLE (FAIR VALUE: $7,616,866)	7,616,866	7,616,866
TOTAL FINANCIAL LIABILITIES	**81,898,529**	**17,799,681**
NON - FINANCIAL LIABILITIES	**306,006,713**	**109,814,143**
TOTAL LIABILITIES	**$387,905,242**	**$127,613,824**

*Excludes prepaid expenses of $878,366 (2018: $788,122)

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Group is exposed to credit risk are in the cash and cash equivalents, investments, unpaid claims recoverable from reinsurers, trade accounts receivable, and sundry receivables.

The Group's investment policy permits the Group to invest in fixed income securities, equity securities, private placements of financial institutions, term deposits, and to limit exposure to any one issuer. The Group's deposits are placed with well-known high-quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Group.

The Group is exposed to credit risk with respect to the amounts recoverable from its reinsurers.

The Group's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Review and Risk Compliance Committee ensures that management assesses the creditworthiness of all reinsurers by reviewing credit ratings as determined by independent rating agencies and other publicly available financial information. The Group has approved limits for the maximum participation of any one reinsurer in its reinsurance program. Reinsurance coverage is placed with a number of major international third-party reinsurers, including underwriting members of Lloyd's, with credit ratings of A- or higher from AM Best or Standard & Poor's. The concentration of credit risk is also monitored to minimize the Group's exposure to significant losses from reinsurer insolvency.

The following assets of the Group are exposed to credit risk:

	2019	2018
AVAILABLE-FOR-SALE SECURITIES:		
FIXED INCOME DEBT SECURITIES	$18,628,675	$19,582,366
MUTUAL FUNDS	2,180,277	1,898,354
PREFERENCE SHARES	1,800,000	1,800,000
LOANS AND RECEIVABLES:		
DEBT SECURITIES	5,970,763	7,276,708
TRADE ACCOUNTS RECEIVABLE	28,931,917	27,665,892
SUNDRY RECEIVABLES	5,746,789	1,739,763
REINSURERS' SHARE OF PROVISION FOR UNPAID CLAIMS	223,262,062	33,587,632
CASH	76,298,279	17,200,210
TOTAL	**$362,818,762**	**$110,750,925**

Debt securities are analyzed in the table below using Standard & Poor's ("S&P") ratings (or an equivalent rating when not available from S&P).

	2019	2018
AA	1,045,120	1,295,654
A	7,800,615	8,710,486
BBB	11,152,840	12,024,618
BELOW BBB OR NOT RATED	4,600,863	4,828,316
TOTAL DEBT SECURITIES	**$24,599,438**	**$26,859,074**

Financial and other assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and those that are impaired are analyzed in the table below:

AT DECEMBER 31, 2019	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED	IMPAIRED	TOTAL
AVAILABLE-FOR-SALE DEBT SECURITIES	$22,608,952	$-	$-	**$22,608,952**
LOANS AND RECEIVABLES:				
DEBT SECURITIES	5,970,763	-	-	**5,970,763**
TRADE ACCOUNTS RECEIVABLE	21,977,266	6,005,240	949,411	**28,931,917**
SUNDRY RECEIVABLES	5,746,789	-	-	**5,746,789**
REINSURERS' SHARE OF PROVISION FOR UNPAID CLAIMS	223,262,062	-	-	**223,262,062**
CASH	76,298,279	-	-	**76,298,279**
TOTAL ASSETS EXPOSED TO CREDIT RISK	**$355,864,111**	**$6,005,240**	**$949,411**	**$362,818,762**

AT DECEMBER 31, 2018	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED	IMPAIRED	TOTAL
AVAILABLE-FOR-SALE DEBT SECURITIES	$23,280,720	$-	$-	**$23,280,720**
LOANS AND RECEIVABLES:				
DEBT SECURITIES	7,276,708	-	-	**7,276,708**
TRADE ACCOUNTS RECEIVABLE	20,943,856	5,627,499	1,094,537	**27,665,892**
SUNDRY RECEIVABLES	1,739,763	-	-	**1,739,763**
REINSURERS' SHARE OF PROVISION FOR UNPAID CLAIMS	33,587,632	-	-	**33,587,632**
CASH	17,200,210	-	-	**17,200,210**
TOTAL ASSETS EXPOSED TO CREDIT RISK	**$104,028,889**	**$5,627,499**	**$1,094,537**	**$110,750,925**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cashflows will fluctuate due to changes in market interest rates. This is primarily a concern with fixed and fluctuating interest rate financial instruments, which the Group intends to hold for the long-term.

The Group's investment in debt securities, mutual funds, cash and cash equivalents, and its bonds payables are all subject to interest rate risk. Fluctuations in interest rates impact the level of gains and losses on the Group's interest-bearing financial instruments.

The coupon rates associated with the fixed income debt securities held by the Group range from 2.95% to 6.50% (2018: 2.95% to 6.50%) per annum. The underlying debt securities of the money market fund may be affected by changes in interest rates. Interest on the series II bonds payable are at B$ prime rate plus 2.00% [effective rate 6.25% (2018: 6.25%)] per annum.

The average interest yields of investments held during the year are as follows:

Debt securities 4.85% (2018: 4.69%)
Cash and money market funds 0.01% (2018: 0.38%)

Foreign currency risk

Foreign currency risk relates to the Group operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Group is not directly exposed to foreign currency risk, as investments are denominated in Bahamian dollars and US dollars.

The Group's investments in The Bahamas are denominated in Bahamian dollars, which is fixed to the US dollar at the following rate: B$1 = US$1. CFI has investments denominated in US dollars. The Cayman Island dollar is fixed to the US$ at the following rate: CI$1 = US$1.20, at the date of the consolidated statement of financial position.

Price risk

The Group is subject to price risk on its equity securities due to changes in market values. One of the primary objectives of the Group's risk management policy is to mitigate potential adverse impacts of market movements.

Price risk arises primarily from changes in the value of equity investments that may be bought and sold. The Group is sensitive to price risk on its fair value through profit or loss and available-for-sale securities. These securities are managed according to the benchmarks as specified in the Group's statement of investment policy and guidelines.

The effect of a 10% increase (2018: 10%) and a 10% decrease (2018: 10%) in prices at the date of the consolidated statement of financial position are set out below:

AT DECEMBER 31, 2019	CARRYING VALUE	EFFECT ON PROFIT AND EQUITY +10%	EFFECT ON PROFIT AND EQUITY -10%
LISTED ON STOCK EXCHANGES/MARKETS	$14,248,863	$1,424,886	$(1,424,886)
FIXED INCOME DEBT SECURITIES	18,628,675	1,862,868	(1,862,868)
PREFERENCE SHARES	1,800,000	180,000	(180,000)
LISTED/UNLISTED MUTUAL FUNDS	2,180,277	218,028	(218,028)
UNLISTED EQUITY SECURITIES	5,557	556	(556)
TOTAL	**$36,863,372**	**$3,686,337**	**$(3,686,337)**

AT DECEMBER 31, 2018	CARRYING VALUE	EFFECT ON PROFIT AND EQUITY +10%	EFFECT ON PROFIT AND EQUITY -10%
LISTED ON STOCK EXCHANGES/MARKETS	$14,248,863	$1,424,886	$(1,424,886)
FIXED INCOME DEBT SECURITIES	19,582,366	1,958,237	(1,958,237)
PREFERENCE SHARES	1,800,000	180,000	(180,000)
LISTED/UNLISTED MUTUAL FUNDS	1,898,354	189,835	(189,835)
UNLISTED EQUITY SECURITIES	5,557	556	(556)
TOTAL	**$37,535,140**	**$3,753,514**	**$(3,753,514)**

Liquidity risk

Liquidity risk is the risk that the Group may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events, the Group is exposed to liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. Most of the Group's investments are either in a market that is not highly active or does not have a market and therefore may not be readily realizable. As a result, the Group may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. The Group mitigates this risk by maintaining significant holdings in cash and cash equivalents and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments. The consolidated statement of financial position presents assets and liabilities in order of liquidity. Except for the investment assets shown as due over one year in Note 6 and in the unpaid claims recoverable from reinsurers projections shown below, investment in associate, property and equipment, right-of-use assets and intangible assets and goodwill, all assets are current assets.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

The following tables indicate the timing of undiscounted cash flows arising from liabilities as at December 31, 2019 and 2018:

2019	**CASH FLOWS**			
LIABILITIES	**TOTAL**	**< 1 YEAR**	**1 - 5 YEARS**	**> 5 YEARS**
ACCRUED EXPENSES AND OTHER LIABILITIES	**$2,403,422**	$2,403,422	$-	$-
REINSURANCE BALANCES PAYABLE	**72,534,806**	72,534,806	-	-
UNPAID CLAIMS	**244,237,144**	187,914,880	32,111,197	24,211,067
LESS: UNPAID CLAIMS RECOVERABLE FROM REINSURERS	**(223,262,062)**	(184,766,566)	(21,852,221)	(16,643,275)
BONDS PAYABLE	**7,616,866**	116,866	3,750,000	3,750,000
TOTAL UNDISCOUNTED CASH FLOWS	**$104,038,197**	**$78,711,429**	**$14,008,976**	**11,317,792**

2018	**CASH FLOWS**			
LIABILITIES	**TOTAL**	**< 1 YEAR**	**1 - 5 YEARS**	**> 5 YEARS**
ACCRUED EXPENSES AND OTHER LIABILITIES	**$6,398,916**	$6,398,916	$-	$-
REINSURANCE BALANCES PAYABLE	**3,783,899**	3,783,899	-	-
UNPAID CLAIMS	**51,917,644**	14,704,649	19,663,687	17,549,308
LESS: UNPAID CLAIMS RECOVERABLE FROM REINSURERS	**(33,587,632)**	(8,306,120)	(13,208,403)	(12,073,109)
BONDS PAYABLE	**7,616,866**	116,866	3,750,000	3,750,000
TOTAL UNDISCOUNTED CASH FLOWS	**$36,129,693**	**$16,698,210**	**$10,205,284**	**$9,226,199**

In addition to the analysis above, we have disclosed the cash flows for lease liabilities in note 12. All other liabilities are current liabilities.

Sensitivity analysis

The Group predominantly funds its net insurance liabilities through its cash generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Group's portfolio of investments. Several of the Group's investments are subject to the impact of interest rate fluctuations.

Insurance liabilities are calculated using historical claims data to determine an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred at the date of the consolidated statement of financial position.

Projections are based on assumptions implicit in the historic claim's development. As such, the sensitivity of the insurance liabilities is based on the financial impact of changes to the reported loss ratio. The provision for long-tail claims is determined by using the incurred loss method and loss ratio method. The loss development factors used are based on the Group's experience.

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. The analyses assume that there is no correlation between the assumptions.

SENSITIVITY FACTOR	DESCRIPTION OF SENSITIVITY FACTOR APPLIED
INTEREST RATES	THE IMPACT OF A CHANGE IN MARKET INTEREST RATES BY 1%
UNDERWRITING EXPENSES	THE IMPACT OF A CHANGE IN UNDERWRITING EXPENSES BY 5%
LOSS RATIO	THE IMPACT OF A CHANGE IN LOSS RATIO BY 5%

DECEMBER 31, 2019 IN $	INTEREST RATES		UNDERWRITING EXPENSES		LOSS RATIO	
	+1%	-1%	+5%	-5%	+5%	-5%
IMPACT ON PROFIT	973,836	(973,836)	(1,322,555)	1,322,555	(3,333,865)	3,333,865
IMPACT ON EQUITY	973,836	(973,836)	(1,322,555)	1,322,555	(3,333,865)	3,333,865

DECEMBER 31, 2018 IN $	INTEREST RATES		UNDERWRITING EXPENSES		LOSS RATIO	
	+1%	-1%	+5%	-5%	+5%	-5%
IMPACT ON PROFIT	402,632	(402,632)	(1,347,934)	1,347,934	(3,268,697)	3,268,697
IMPACT ON EQUITY	402,632	(402,632)	(1,347,934)	1,347,934	(3,268,697)	3,268,697

Capital management

The Group's objectives when managing Capital are:

- To safeguard the Group's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to maximize returns for shareholders;

- To ensure that it maintains a strong credit rating (minimum AM Best rating of A- Excellent) and healthy capital ratios in order to support its business objectives; and

- To comply with the regulatory capital requirements in the jurisdictions in which the Group operates.

The Group actively monitors its capital requirements and is in compliance with all relevant laws, rules and regulations.

6. INVESTMENTS

LOANS AND RECEIVABLES:	2019	2018
DEBT SECURITIES:		
BAHAMAS GOVERNMENT REGISTERED STOCKS - AT COST		
UNRESTRICTED - FAIR VALUE: $2,359,000 (2018: $3,439,600)	$2,359,900	$3,439,600
RESTRICTED - FAIR VALUE: $1,000,000 (2018: $1,000,000)	1,000,000	1,000,000
OTHER FIXED INCOME DEBT SECURITIES AT COST - FAIR VALUE: $2,610,863 (2018: $2,837,108)	2,610,863	2,837,108
TOTAL LOANS AND RECEIVABLES	**5,970,763**	**7,276,708**
AT FAIR VALUE THROUGH PROFIT OR LOSS:		
BAHAMAS INTERNATIONAL SECURITIES EXCHANGE LIMITED (BISX) 12 (2018: 12) COMMON SHARES - AT COST $130,556 (2018: $130,556)	5,557	5,557
COMMONWEALTH BANK LIMITED		
3,166,414 (2018: 3,166,414) COMMON SHARES - COST $1,306,277 (2018: $1,306,277)	14,248,863	14,248,863
TOTAL AT FAIR VALUE THROUGH PROFIT OR LOSS	**14,254,420**	**14,254,420**
AVAILABLE FOR SALE:		
FIXED INCOME DEBT SECURITIES, AT FAIR VALUE; AMORTIZED COST $18,172,729 (2018: $19,849,830)	18,628,675	19,582,366
MUTUAL FUNDS, AT FAIR VALUE: COST LESS IMPAIRMENT $1,820,939 (2018: $1,615,039)	2,180,277	1,898,354
PREFERENCE SHARES, AT FAIR VALUE; AMORTIZED COST $1,800,000 (2018: $1,800,000)	1,800,000	1,800,000
TOTAL AVAILABLE-FOR-SALE	**22,608,952**	**23,280,720**
TOTAL INVESTMENTS	**$42,834,135**	**$44,811,848**

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

Loans and receivables investments are recorded at amortized cost based on the effective interest rate method. The variable interest rate instruments are tied to B$ prime, with interest rates ranging from 3.37% to 4.44% (2018: 4.29% to 4.44%) per annum and scheduled maturities between 2020 and 2030 (2018: 2019 and 2030) at the date of the consolidated statement of financial position.

In 2011, in accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010, the Group established a Trust Account (the "BFG Trust") in which $1,000,000 of The Bahamas Government Registered Stocks have been placed in trust. This amount is restricted for regulatory purposes, but the interest income accrues to the Group.

As at December 31, 2019, the investment in Commonwealth Bank Limited (the "Bank") was valued at $4.50 (2018: $4.50) per share, which was the quoted price by the Bahamas International Securities Exchange ("BISX"). As a result, the Group recorded an unrealized gain of $Nil (2018: loss of $2,541,581) for the year then ended.

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2019 by contractual maturities are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties. Interest rates range from 2.95% to 6.50% (2018: 2.95% to 6.50%) per annum at the date of the consolidated statement of financial position.

	2019		2018	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
AVAILABLE-FOR-SALE				
DUE IN LESS THAN 1 YEAR	$2,508,428	$2,522,590	$1,587,210	$1,585,510
DUE FROM 1 THROUGH 5 YEARS	13,674,300	14,116,085	12,682,214	12,533,161
DUE AFTER 5 YEARS	1,990,000	1,990,000	5,580,406	5,463,696
TOTAL AVAILABLE-FOR-SALE	**$18,172,728**	**$18,628,675**	**$19,849,830**	**$19,582,367**

The Group's fixed income debt securities are comprised of the following:

	2019	2018
CORPORATE DEBT SECURITIES	$18,989,871	$19,504,235
GOVERNMENT DEBT SECURITIES	2,224,667	2,885,239
OTHER DEBT SECURITIES	25,000	30,000
TOTAL	**$21,239,538**	**$22,419,474**

The geographical locations of the Group's portfolio of investments are as follows:

	2019	%	2018	%
BAHAMAS	$26,175,461	61%	$27,199,482	61%
USA	7,218,439	17%	7,508,974	17%
ASIA	2,568,235	6%	3,064,424	7%
EUROPE	2,659,860	6%	2,980,985	7%
UNITED KINGDOM	2,095,130	5%	2,021,900	4%
AUSTRALIA	1,032,750	3%	1,009,548	2%
CARIBBEAN	567,360	1%	540,895	1%
SOUTH AFRICA	516,900	1%	485,640	1%
TOTAL	**$42,834,135**	**100%**	**$44,811,848**	**100%**

Reconciliation of movements in the balance of investments is provided below:

	LOANS & RECEIVABLES	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	TOTAL
AT DECEMBER 31, 2017	$8,547,045	$17,165,657	$22,313,814	**$48,026,516**
COST OF INVESTMENTS PURCHASED	-	-	3,456,599	**3,456,599**
PROCEEDS FROM SALES AND MATURITIES	(1,270,337)	(1,568,613)	(1,929,872)	**(4,768,822)**
AMORTIZATION OF PREMIUMS/ DISCOUNTS ON BONDS (NOTE 20)	-	-	(119,911)	**$(119,911)**
REALIZED GAINS ON SALES OF INVESTMENTS (NOTE 20)	-	1,198,957	-	**$1,198,957**
NET INCREASE IN FAIR VALUE OF INVESTMENTS	-	(2,541,581)	(439,910)	**$(2,981,491)**
AT DECEMBER 31, 2018	**7,276,708**	**14,254,420**	**23,280,720**	**44,811,848**
COST OF INVESTMENTS PURCHASED	2,393,600	-	205,901	**2,599,501**
PROCEEDS FROM SALES AND MATURITIES	(3,699,545)	-	(1,583,016)	**(5,282,561)**
AMORTIZATION OF PREMIUMS/ DISCOUNTS ON BONDS (NOTE 20)	-	-	(94,086)	**(94,086)**
NET DECREASE IN FAIR VALUE OF INVESTMENTS	-	-	799,433	**799,433**
AT DECEMBER 31, 2019	**5,970,763**	**14,254,420**	**22,608,952**	**42,834,135**

Management believes that there is no objective evidence of impairment of its investment portfolio as there has not been a significant or prolonged decline in the fair value of any of its securities.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

Fair value measurement

In accordance with IFRS 13 Fair Value Measurement, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- **LEVEL 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and are actively traded on recognized exchanges.

- **LEVEL 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **LEVEL 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In addition to the measurement hierarchy, financial instruments which have significant unobservable inputs (classified as Level 3) require the disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognized in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions, if material. Disclosure is also required of the movements between different levels of the fair value hierarchy and the reason for those movements.

Specific valuation techniques used to fair value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analyses, are used to determine fair value for the remaining financial instruments.

Significant unobservable inputs for a discounted cash flow analysis are cash flows and the discount rate.

The following table presents the Group's financial assets measured at fair value at December 31, 2019, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2019				
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
EQUITY SECURITIES	$14,254,420	$-	$-	**$14,254,420**
TOTAL	**14,254,420**	**-**	**-**	**14,254,420**
AVAILABLE-FOR-SALE FINANCIAL ASSETS:				
FIXED INCOME DEBT SECURITIES	1,970,000	16,638,675	20,000	**18,628,675**
MUTUAL FUNDS	-	2,180,277	-	**2,180,277**
PREFERENCE SHARES	1,550,000	250,000	-	**1,800,000**
TOTAL	**3,520,000**	**19,068,952**	**20,000**	**22,608,952**
TOTAL ASSETS MEASURED AT FAIR VALUE	**$17,774,420**	**$19,068,952**	**$20,000**	**$36,863,372**

There were no transfers between the various levels during the year.

The following table presents the Group's financial assets measured at fair value at December 31, 2018, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2018				
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:				
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
EQUITY SECURITIES	$14,254,420	$-	$-	**$14,254,420**
TOTAL	**14,254,420**	**-**	**-**	**14,254,420**
AVAILABLE-FOR-SALE FINANCIAL ASSETS:				
FIXED INCOME DEBT SECURITIES	1,970,000	17,592,366	20,000	**19,582,366**
MUTUAL FUNDS	-	1,898,354	-	**1,898,354**
PREFERENCE SHARES	1,550,000	250,000	-	**1,800,000**
TOTAL	**3,520,000**	**19,740,720**	**20,000**	**23,280,720**
TOTAL ASSETS MEASURED AT FAIR VALUE	**$17,774,420**	**$19,740,720**	**$20,000**	**$37,535,140**

There were no transfers between the various levels during 2018.

There were no changes in the carrying value of Level 3 instruments during 2019 and 2018.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

7. INVESTMENT IN ASSOCIATE

The Company holds a 20% (2018: 20%) equity interest in Star General Insurance Agents & Brokers (Grand Bahama) Limited ("Star General"). Star General is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas. It is licensed under the Insurance Act, 2005, and operates as a general agent and broker for insurance products, writing business for a number of insurers including BFG.

	2019	2018
BALANCE AT JANUARY 1	**$689,048**	**$672,875**
SHARE OF NET EARNINGS FOR THE YEAR (NOTE 20)	38,932	16,173
BALANCE AT DECEMBER 31	**$727,980**	**$689,048**
SHARE OF ASSOCIATE'S UNAUDITED STATEMENT OF FINANCIAL POSITION:		
TOTAL ASSETS	$1,598,584	$1,621,632
TOTAL LIABILITIES	(978,604)	(1,040,584)
NET ASSETS	**619,980**	**581,048**
GOODWILL	108,000	108,000
CARRYING VALUE OF INVESTMENT IN ASSOCIATE	**727,980**	**689,048**
SHARE OF ASSOCIATE'S UNAUDITED STATEMENT OF COMPREHENSIVE INCOME:		
REVENUES	**$811,673**	**$819,299**
NET INCOME	**$38,932**	**$16,173**

Investment in associate includes $108,000 (2018: $108,000) in goodwill. At December 31, 2019 the recoverable amount exceeded the carrying amount of the investment in associate, accordingly no provision for impairment was considered necessary.

8. TRADE ACCOUNTS RECEIVABLE - NET

Trade accounts receivable, which is shown net of provision for bad debts, is comprised of:

- Amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables").
- Clients of the Group's agency subsidiaries ("policyholders' receivables").
- Amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

	2019	2018
INSURER TRADE RECEIVABLES	$16,945,293	$14,870,253
POLICYHOLDERS' RECEIVABLES	11,293,723	12,128,200
REINSURERS' RECEIVABLES	692,901	667,439
	28,931,917	**27,665,892**

PROVISION FOR BAD DEBTS:	2019	2018
BALANCE AT JANUARY 1, RESTATED	1,094,537	1,055,293
INCREASE IN PROVISION FOR THE YEAR	144,347	54,995
BAD DEBT WRITTEN OFF DURING THE YEAR	(289,473)	(15,751)
BALANCE AT DECEMBER 31	**949,411**	**1,094,537**
TRADE ACCOUNTS RECEIVABLE, NET	**$27,982,506**	**$26,571,355**

Ageing of trade accounts receivable, NET is as follows:

	2019	2018
LESS THAN 3 MONTHS	$22,158,863	$18,859,012
3 - 6 MONTHS	3,774,601	4,627,385
6 - 9 MONTHS	1,531,751	2,181,451
9 MONTHS - 1 YEAR	517,291	903,507
	$27,982,506	**$26,571,355**

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

9. DEFERRED/UNEARNED PREMIUMS AND COMMISSIONS

	INSURANCE ASSETS		INSURANCE LIABILITIES	
	DEFERRED REINSURANCE PREMIUMS	**DEFERRED COMMISSION COSTS**	**UNEARNED PREMIUMS**	**UNEARNED COMMISSION INCOME**
BALANCE AT DECEMBER 31, 2017	$31,481,998	$4,769,172	$(46,181,146)	$(8,738,862)
MOVEMENT DURING THE YEAR	2,985,076	335,416	(2,834,929)	(141,562)
BALANCE AT DECEMBER 31, 2018	**34,467,074**	**5,104,588**	**(49,016,075)**	**(8,880,424)**
MOVEMENT DURING THE YEAR	1,719,436	(43,438)	(2,287,975)	(420,509)
BALANCE AT DECEMBER 31, 2019	**$36,186,510**	**$5,061,150**	**$(51,304,050)**	**$(9,300,933)**

10. UNPAID CLAIMS AND CLAIMS INCURRED

	GROSS	REINSURANCE	NET
UNPAID CLAIMS AT DECEMBER 31, 2017	$49,379,265	$(29,612,913)	$19,766,352
CLAIMS INCURRED	49,331,188	(21,527,815)	27,803,373
CLAIMS PAID	(46,792,809)	17,553,096	(29,239,713)
UNPAID CLAIMS AT DECEMBER 31, 2018	**51,917,644**	**(33,587,632)**	**18,330,012**
CLAIMS INCURRED	413,824,323	(373,932,518)	39,891,805
CLAIMS PAID	(221,504,823)	184,258,088	(37,246,735)
UNPAID CLAIMS AT DECEMBER 31, 2019	**$244,237,144**	**$(223,262,062)**	**$20,975,082**

The tables on the following page show the development of claims over a period of time on a gross basis, and also shows the cumulative incurred claims, including both notified and IBNR claims for each successive accident year.

P&C						
	2015	2016	2017	2018	2019	TOTAL
GROSS CLAIMS INCURRED AT END OF REPORTING YEAR	$30,382,164	$113,514,913	$22,918,793	$32,646,833	$387,033,518	
ONE YEAR LATER	29,418,761	107,507,658	28,187,490	35,949,789	-	
TWO YEARS LATER	27,598,709	107,348,016	31,078,344	-	-	
THREE YEARS LATER	28,352,746	107,137,970	-	-	-	
FOUR YEARS LATER	28,011,825	-	-	-	-	
TOTAL INCURRED TO DATE	28,011,825	107,137,970	31,078,344	35,949,789	387,033,518	
CUMULATIVE PAYMENTS TO DATE	(24,279,536)	(101,432,883)	(21,124,118)	(22,440,839)	(190,637,926)	
LIABILITY INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**3,732,289**	**5,705,087**	**9,954,226**	**13,508,950**	**196,395,592**	**229,296,144**
RESERVES FOR PRIOR YEARS						11,705,702
TOTAL UNPAID CLAIMS FOR P&C BUSINESS INCLUDING AMOUNT RECOVERABLE FROM REINSURER						**$241,001,846**

H&L						
	2015	2016	2017	2018	2019	TOTAL
GROSS CLAIMS INCURRED AT END OF REPORTING YEAR	$17,853,743	$18,638,992	$19,645,726	$19,747,056	$21,295,643	
ONE YEAR LATER	18,164,801	17,974,956	18,529,456	19,388,453	-	
TOTAL INCURRED TO DATE	18,164,801	17,974,956	18,529,456	19,388,453	21,295,643	
CUMULATIVE PAYMENTS TO DATE	(18,164,801)	(17,974,956)	(18,529,456)	(19,388,453)	(18,157,945)	
LIABILITY INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**-**	**-**	**-**	**-**	**3,137,698**	**3,137,698**
RESERVES FOR PRIOR YEARS						97,600
TOTAL UNPAID CLAIMS FOR H&L BUSINESS INCLUDING AMOUNT RECOVERABLE FROM REINSURER						**$3,235,298**
TOTAL UNPAID CLAIMS INCLUDING AMOUNT RECOVERABLE FROM REINSURER IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION						**$244,237,144**

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

11. PROPERTY AND EQUIPMENT

2019 COST/VALUATION:	LAND & BUILDINGS	CONSTRUCTION IN PROGRESS	FURNITURE AND EQUIPMENT	LEASEHOLD IMPROVEMENTS AND OTHERS	COMPUTER SOFTWARE	TOTAL
AT JANUARY 1, 2019	$23,345,850	$-	$2,793,477	$1,480,578	$5,485,139	**$33,105,044**
ADDITIONS	155,920	-	267,548	5,309	-	**428,777**
BUILDING CONTRACT ADJUSTMENT	(180,000)	-	-	-	-	**(180,000)**
DISPOSALS/TRANSFERS	-	-	(8,070)	-	-	**(8,070)**
REVALUATION OF LAND AND BUILDINGS	495,617	-	-	-	-	**495,617**
AT DECEMBER 31, 2019	**23,817,387**	**-**	**3,052,955**	**1,485,887**	**5,485,139**	**33,841,368**
ACCUMULATED DEPRECIATION:						
AT JANUARY 1, 2019	1,858,025	-	1,855,925	651,484	4,304,942	**8,670,376**
CHARGE FOR THE YEAR	522,633	-	374,043	87,074	280,554	**1,264,304**
DISPOSALS	-	-	-	-	-	**-**
AT DECEMBER 31, 2019	**2,380,658**	**-**	**2,229,968**	**738,558**	**4,585,496**	**9,934,680**
CARRYING AMOUNT 2019	**$21,436,729**	**$-**	**$822,987**	**$747,329**	**$899,643**	**$23,906,688**

2018 COST/VALUATION	LAND & BUILDINGS	CONSTRUCTION IN PROGRESS	FURNITURE AND EQUIPMENT	LEASEHOLD IMPROVEMENTS AND OTHERS	COMPUTER SOFTWARE	TOTAL
AT JANUARY 1, 2018	$13,098,713	$7,793,077	$3,761,866	$1,805,825	$5,317,996	**$31,777,477**
ADDITIONS	10,247,137	-	518,036	780,576	167,143	**11,712,892**
DISPOSALS/TRANSFERS	-	(7,793,077)	(1,486,425)	(1,105,823)	-	**(10,385,325)**
AT DECEMBER 31, 2018	**23,345,850**	**-**	**2,793,477**	**1,480,578**	**5,485,139**	**33,105,044**
ACCUMULATED DEPRECIATION:						
AT JANUARY 1, 2018	1,472,996	-	3,105,302	1,698,369	3,914,766	**10,191,433**
CHARGE FOR THE YEAR	385,029	-	237,048	55,327	390,176	**1,067,580**
DISPOSALS	-	-	(1,486,425)	(1,102,212)	-	**(2,588,637)**
AT DECEMBER 31, 2018	**1,858,025**	**-**	**1,855,925**	**651,484**	**4,304,942**	**8,670,376**
CARRYING AMOUNT 2018	**$21,487,825**	**$-**	**$937,552**	**$829,094**	**$1,180,197**	**$24,434,668**

The CFI building final contract sum, with the developer, was finalized during 2019. The building costs at December 31, 2018 included an estimate of the final payment to the developer, which was based on the estimates provided at the time. The final settlement in 2019 resulted in an adjustment of $180,000 which has been reflected on the previous page.

In 2019, the land and buildings were revalued to fair market value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the land and buildings are derived from capitalized income projections based on a property's estimated net market income adjusted for vacancies, and a discount rate derived from an analysis of market evidence. There has been no change in the valuation technique during the year. The fair value measurement of the Group's land and building is classified as Level 3 in the fair value hierarchy.

Land and buildings are classified as Level 3 as inputs are generally unobservable. There were no transfers between the various levels during the year.

The following table illustrates the impact of changes in estimates and assumptions in determination of fair values of land and buildings.

ESTIMATE/ASSUMPTION	**CHANGE**	**IMPACT ON FAIR VALUE**
RENTAL REVENUE ($27-$59/SQ. FT)	5,00%/-5,00%	$1,045,943/$(1,045,957)
VACANCY RATES (5%)	5,00%/-5,00%	$1,101,007/$1,100,993
DISCOUNT RATE (8.25%-9%)	1,00%/-1,00%	$(2,159,092)/$2,727,713

The net book value of the land and buildings, ignoring effects of revaluations would have been $4,477,088 and $15,217,516 respectively.

The net revaluation of land and buildings of $495,617 reported above comprised of revaluation gains of $1,905,353 (Note 17) and losses of $1,409,736 (Note 20).

12. LEASES

The policy for leases entered into after January 1, 2019 is outlined in Note 3w. For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

(i). fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
(ii). the arrangement had conveyed a right to use the asset.

The Group did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

The Company leases office premises and vehicles. The leases typically run for a period of three to five years, with an option to renew the lease after that date.

For some leases, payments are renegotiated every three to five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

Right-of-use asset

2019	OFFICE PREMISES	VEHICLES	TOTAL
BALANCE AT JANUARY 1	$1,263,219	$76,863	**$1,340,082**
DEPRECIATION CHARGE FOR THE YEAR	$(249,659)	$(19,216)	**$(268,875)**
BALANCE AT DECEMBER 31	**$1,013,560**	**$57,647**	**$1,071,207**

At December 31 2019, the future minimum lease payments under non-cancellable operating leases were payable as follows.

MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED CASH FLOWS 2019	
LESS THAN ONE YEAR	**267,010**
BETWEEN ONE AND FIVE YEARS	**929,239**
TOTAL UNDISCOUNTED LEASE LIABILITIES AT DECEMBER 31	**1,196,249**

Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors.

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

13. INTANGIBLE ASSETS AND GOODWILL

The table below summarizes the Group's goodwill and intangible assets:

INTANGIBLE ASSETS AND GOODWILL ACQUIRED					
	GOODWILL	CUSTOMER RELATIONSHIPS	WORKFORCE	NON-COMPETE AGREEMENTS	TOTAL
BALANCE AT DECEMBER 31, 2017	$2,250,810	$2,788,667	$400,000	$-	**$5,439,477**
ACQUISITIONS (NOTE 12)	-	1,435,088	-	39,590	**1,474,678**
AMORTIZATION	-	(274,063)	-	-	**(274,063)**
BALANCE AT DECEMBER 31, 2018	**2,250,810**	**3,949,692**	**400,000**	**39,590**	**6,640,092**
AMORTIZATION	-	(355,570)	-	(7,918)	**(363,488)**
BALANCE AT DECEMBER 31, 2019	**$2,250,810**	**$3,594,122**	**$400,000**	**$31,672**	**$6,276,604**

Intangible assets with indefinite lives and goodwill acquired through business combinations have been allocated to a single cash-generating unit for impairment testing as follows:

	2019	2018
CAYMAN'S CASH-GENERATING UNIT	2,650,810	2,650,810
	$2,650,810	**$2,650,810**

The Group performed its annual impairment test as at December 31, 2019. The recoverable amounts of Cayman's cash-generating unit have been determined by the fair value less costs to sell calculation based on a discounted cash flow model using a 5-year cash flow forecast and incorporating a Catastrophe event every 3 years. The discount rate and premium growth rate used in the cash flow model was 10.8% (2018: 11.3%) and 2.6% (2018: 3%) respectively. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for the cash-generating unit.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

14. BONDS PAYABLE

On October 15 2020, the Group effected a private offering of Series I & II Redeemable Cumulative Variable Rate Corporate Bonds ("the bonds") which bore interest rates of B$ prime rate plus 1.75% and 2.00% per annum respectively. The net proceeds were used for general corporate purposes. The bonds rank equally among themselves and with all other existing and future unsubordinated and unsecured debt of the Company. The bonds rank senior to the Company's existing and all future preference and ordinary shares.

On March 11, 2017, and July 17, 2018 respectively, the Board of Directors of BFH, in accordance with the provision for early redemption as stated in the BFH's Private Placement Offering Memorandum dated September 2010, resolved to redeem the first 50% and remaining 50% of the outstanding Series I Corporate Bonds.

SERIES II CORPORATE BONDS	2019	2018
$7,500,000 AT B$ PRIME RATE + 2.00%, PRESENTLY 6.25% (2018: 6.25%) PER ANNUM - DUE 2025	7,500,000	7,500,000
ACCRUED INTEREST	116,866	116,866
TOTAL	**$7,616,866**	**$7,616,866**

15. SHARE CAPITAL

The Company's share capital is comprised as follows:

	2019	2018
COMMON SHARES **AUTHORIZED:** 45,000,000 (2018: 45,000,000) AT $0.01 EACH **ISSUED AND FULLY PAID:** 36,511,589 (2018: 36,511,589) PAR VALUE $0.01 PER SHARE	$365,116	$365,116
PREFERENCE SHARES **AUTHORIZED:** 5,000,000 (2018: 5,000,000) AT $1.00 EACH **ISSUED AND FULLY PAID:** 5,000,000 (2018: 5,000,000) PAR VALUE $1.00 PER SHARE	$5,000,000	$5,000,000

The calculation of basic earnings per share is as follows:

	2019	2018
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	$(5,549,923)	$9,239,796
PREFERENCE SHARES DIVIDEND PAID	(350,000)	(350,000)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO COMMON SHAREHOLDERS	**(5,899,923)**	**8,889,796**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	36,511,589	36,511,589
BASIC AND DILUTED EARNINGS PER COMMON SHARE	$(0.16)	$0.24

There were no transactions that would dilute earnings per share.

Dividends are accounted for in the period in which they are declared by the Group's Board of Directors. During the year, dividends of $0.08 (2018: $0.13) per common share [total dividends $2,920,927 (2018: $4,746,507)] were declared and subsequently paid.

The preference shares are non-convertible, non-voting, cumulative, redeemable "A" with a dividend rate of 7% per annum. These shares are redeemable at the option of the Company.

During 2018, BFHIL acquired 1,000 shares from minority shareholders, at a cost of $14,112, which increased its holdings to 87.70%. The effect of this increase in BFHIL's ownership resulted in an increase of $14,112 in contributed surplus and a corresponding change in non-controlling interest and was reflected in the consolidated statement of changes in equity. During 2019, BFHIL acquired nil shares from minority shareholders resulting in no change in percentage holdings.

16. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of $4,000,000 (2018: $4,000,000), which the Board of Directors have determined is not available for distribution.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

17. REVALUATION RESERVE

	LAND & BUILDINGS	AFS INVESTMENTS	TOTAL
BALANCE AT DECEMBER 31, 2017	$3,514,743	$754,833	**$4,269,576**
RECLASSIFICATION ADJUSTMENT TO AFS	-	(340,388)	**(340,388)**
NET DECREASE IN FAIR VALUE OF AFS INVESTMENTS	-	(439,910)	**(439,910)**
OTHER COMPREHENSIVE INCOME	**-**	**(780,298)**	**(780,298)**
BALANCE AT DECEMBER 31, 2018	**3,514,743**	**(25,465)**	**3,489,278**
REVALUATION OF LAND & BUILDINGS (NOTE 11)	1,905,353	-	**1,905,353**
NET INCREASE IN FAIR VALUE OF AFS INVESTMENTS	-	799,433	**799,433**
OTHER COMPREHENSIVE INCOME	**1,905,353**	**799,433**	**2,704,786**
BALANCE AT DECEMBER 31, 2019	**$5,420,096**	**$773,968**	**$6,194,064**

In accordance with the Group's accounting policy, freehold land and buildings are subject to a revaluation exercise that is performed by an independent professional appraiser every three years. Freehold land and buildings were independently valued in 2019. The next appraisal is due in 2022, or when the Fair Value of a revalued asset differs materially from its carrying amount due to the economic condition, whichever is earlier.

18. NON-CONTROLLING INTEREST

The following table summarises the information relating to Cayman First Insurance which is the Group's sole subsidiary with a material non-controlling interest ("NCI"), before any intra-group eliminations.

	2019	2018
NCI PERCENTAGE	12,30%	12,30%
TOTAL ASSETS	$65,331,332	$61,657,405
TOTAL LIABILITIES	29,910,158	28,255,000
NET ASSETS	35,421,174	33,402,405
GROSS WRITTEN PREMIUM	$57,986,768	$58,687,100
NET UNDERWRITING INCOME	13,361,120	14,722,367
TOTAL COMPREHENSIVE INCOME	5,018,768	6,137,468
CASHFLOWS FROM OPERATING ACTIVITIES	$7,791,271	$7,429,883
CASHFLOWS FROM INVESTMENT ACTIVITIES	1,616,874	(5,369,725)
CASHFLOWS FROM FINANCING ACTIVITIES	(3,044,670)	(2,000,000)

19. GROSS PREMIUMS WRITTEN

	2019	2018
GROUP AGENTS AND INSURERS	$103,195,843	$100,548,643
NON-GROUP AGENTS	51,933,301	48,278,941
ASSOCIATE	5,499,957	5,924,751
TOTAL	**$160,629,101**	**$154,752,335**

20. OTHER INCOME, NET

	2019	2018
INTEREST INCOME - LOANS AND RECEIVABLES	$372,702	$416,634
INTEREST INCOME - AVAILABLE FOR SALE	912,424	917,877
INTEREST INCOME - BANK DEPOSIT	6,659	60,133
DIVIDEND INCOME - EQUITY SECURITIES	316,641	348,624
REALIZED GAINS ON SALES OF INVESTMENTS (NOTE 6)	-	1,198,957
REVALUATION OF LAND AND BUILDINGS (NOTE 11)	(1,409,736)	-
SHARE OF NET EARNINGS FROM ASSOCIATE (NOTE 11)	38,932	16,173
SUB-LEASE INCOME	33,600	-
OTHER INCOME	110,852	325,876
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	2,840	1,560
AMORTIZATION OF PREMIUMS AND DISCOUNTS ON BONDS (NOTE 6)	(94,086)	(119,911)
TOTAL	**$290,828**	**$3,165,923**

21. SALARIES, BENEFITS AND BONUSES

Included in salaries, benefits and bonuses is a bonus payable to management and staff amounting to $791,226 (2018: $923,532). This amount was determined and approved by the Board of Directors.

22. PENSION PLAN

Employees of the Group participate in defined contribution plans registered in The Bahamas and in the Cayman Islands. These plans are administered by independent administrators and trustees and membership is mandatory for all eligible employees. Under these plans, the Group paid contributions of 3% - 5% per annum of base salary. Contributions under these plans totalled $500,079 (2018: $450,079) and are included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED) (Expressed in Bahamian dollars)

23. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

	2019	2018
GROSS PREMIUMS WRITTEN - ASSOCIATE	$5,499,957	$5,924,751
COMMISSION EXPENSE - ASSOCIATE	$809,413	$943,143
TRADE ACCOUNTS RECEIVABLE - ASSOCIATE	$1,162,198	$1,359,680
DIRECTORS' FEES PAID	$415,763	$372,597

The trade accounts receivable balance is expected to be settled in cash. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Key management personnel include members of the Group's management team having authority and responsibility for planning, directing and controlling the activities of the Group's operation. Compensation to key management personnel is included in salaries, benefits and bonuses in the consolidated statement of profit or loss and receivables from key management personnel is included in sundry receivables and pre-payments in the consolidated statement of financial position and are as follows:

	2019	2018
SALARIES AND OTHER BENEFITS	$1,923,103	$1,972,854
POST EMPLOYMENT BENEFITS	80,983	76,825
TOTAL	**$2,004,086**	**$2,049,679**
COMMISSION EXPENSE	**$214,174**	**$207,879**
RECEIVABLES FROM KEY MANAGEMENT PERSONNEL	**$32,062**	**$-**

24. CONTINGENCIES

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its insurance operations. The Group is of the opinion that litigation arising from these legal proceedings will not have a significant impact on the financial position, results of operations or cash flows of the Group.

25. SEGMENTED INFORMATION

In accordance with IFRS 8 Operating Segments, the Group has identified the Chief Operating Decision Maker as the Board of Directors. Key decisions on assessing performance and allocation of resources are reviewed by the Board or its sub-committees.

The Group's operations are segmented into the following business segments by geographic location:

- **General Insurance/Property and Casualty ("P&C")**
- **Health and Life ("H&L")**

The segment results for the years ended December 31, 2019 and 2018 are as follows:

2019	**BAHAMAS P&C $**	**CAYMAN P&C $**	**CAYMAN H&L $**	**TOTAL $**
NET UNDERWRITING INCOME	7,256,382	5,086,488	8,274,633	**20,617,503**
DEPRECIATION OF PROPERTY AND EQUIPMENT	812,346	237,278	214,680	**1,264,304**
DEPRECIATION OF RIGHT-OF-USE ASSET	225,102	22,981	20,792	**268,875**
AMORTIZATION OF INTANGIBLE ASSETS	308,288	16,560	38,640	**363,488**
SEGMENT (LOSS)/PROFIT FOR THE YEAR	(8,897,228)	97,496	3,719,326	**(5,080,406)**
TOTAL SEGMENT ASSETS	384,900,944	42,773,552	22,557,780	**450,232,276**
TOTAL SEGMENT LIABILITIES	357,995,083	25,844,891	4,065,268	**387,905,242**
CAPITAL EXPENDITURE	280,091	78,060	70,626	**428,777**

2018	**BAHAMAS P&C $**	**CAYMAN P&C $**	**CAYMAN H&L $**	**TOTAL $**
NET UNDERWRITING INCOME	19,631,501	5,391,379	9,330,990	**34,353,870**
DEPRECIATION OF PROPERTY AND EQUIPMENT	796,648	142,240	128,693	**1,067,580**
AMORTIZATION OF INTANGIBLE ASSETS	217,527	17,896	38,640	**274,063**
SEGMENT PROFIT FOR THE YEAR	3,414,014	1,138,622	5,504,231	**10,056,867**
TOTAL SEGMENT ASSETS	134,736,986	39,948,251	21,349,163	**196,034,400**
TOTAL SEGMENT LIABILITIES	121,318,824	2,699,890	3,595,110	**127,613,824**
CAPITAL EXPENDITURE	8,153,968	1,868,435	1,690,489	**11,712,892**

26. SUBSEQUENT EVENTS

The spread of coronavirus ("COVID-19") around the world in the first quarter of 2020 has caused significant volatility in the territories in which the Group operates as well as the global community. The various government responses to restrict domestic and international travel and the reduced number of businesses permitted to operate, presents new challenges to the economic environment of the Group. A lot of uncertainty remains and so it is difficult to determine the precise impact on the Group. However, the expectation is that there will be a negative impact on premiums and the timing of receipt of cash flows. We also anticipate changes to the frequency of claims reported, especially within the Health and Life segment. So, while we understand there will be some impact to the Group, the significant uncertainty around the breadth and duration of business disruptions related to COVID-19 precludes the Group from determining the extent of the impact on its operations and financial position.

The Group has however prepared an assessment of its revised operating and cash flow forecasts for calendar year 2020 using various scenarios, including a conservative analysis, and has concluded that it has sufficient equity and liquidity to meet its regulatory capital requirement and obligations as they become due, under these scenarios.

BAHAMAS FIRST HOLDINGS LIMITED 2019 ANNUAL REPORT

Bahamas First Centre, 32 Collins Avenue,
Nassau, The Bahamas

BAHAMAS FIRST