

**Refocus.  
Reimagine.  
Redefine.**

**Bahamas First Holdings Limited**  
2020 Annual Report





“Learning and innovation  
go hand in hand.”

- William Pollard, Physicist & Priest

## 2020.

The year ushered in a “new normal” that felt anything *but* normal. Facing a landscape forever altered by the COVID-19 pandemic, companies like BFH that survived this inflection point must adopt an innovative spirit and refocus for the future.

**Refocus. Reimagine. Redefine.**

Bahamas **FIRST** 

Cayman **FIRST** 





The consolidated financial statements in this report include the accounts of Bahamas First Holdings Limited (“BFH” or the “Company”) and its subsidiaries, which are collectively referred to as the “Group”. The subsidiaries are as follows: Bahamas First General Insurance Company Limited (“BFG”), Cayman First Insurance Company Limited (“CFI”), NUA Insurance Agents & Brokers Ltd. (“NUA”), Bahamas First Corporate Services Ltd. (“BFCS”), First Response Limited (“FRL”), BFH International Limited (“BFHIL”), BRAC Insurance Associates Ltd. (“BIA”), CMA Insurance Brokers & Agents Ltd (“CMA”) and BFH Services (Cayman) Limited (“BFHS”).





*“Progress is impossible  
without change.”*

- George Bernard Shaw, Playwright & Critic

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## Message from the Chair

**ALISON J. TRECO**

It goes without saying that the major influence on The Bahamas, Cayman and the world in 2020 was the COVID-19 pandemic. While we continue to hope that vaccines will bring a return to a sense of normalcy in day-to-day operations, it would be ill-advised to think that the business world will revert to its original state of what we once considered normal.

The pandemic has forced rapid change on all of us and, although we might have thought previously that advancements in technology were happening rapidly, we now realize that we are on a bullet train. Making these changes in the restricted access environment in which we currently operate has been, and continues to be, challenging; added to this, the significant increase in cyber-attack risks requires that all protocols be followed without any latitude.

In spite of the devastating blow caused by Hurricane Dorian in September 2019, and the economic impact of the pandemic in 2020, we managed to produce a credible result from our insurance operations of \$6.5 million in profit before unrealized loss on investment and other income.

Our Total Underwriting Income returned to 2018 levels of \$89 million, having fallen below this in 2019 due to Hurricane Dorian; however, our profitability from insurance operations was some 30% below our 2018 performance. While some of this is due to amortization of our new IT system and will be an ongoing expense, other increases, which are somewhat within our control, are being actively remediated. Our result was also impacted by our investment performance. This was due primarily to our investment in Commonwealth Bank shares, which we are acutely aware can have a disproportionately positive or (as in recent years) negative impact on our results. We assure you, however, that we continue to seek ways to reduce our exposure to this single investment which will enable us to further diversify our investment portfolio and produce more consistent investment results.

While the improvement in Comprehensive Income in 2020 compared to 2019 supported a higher level of dividend for 2020, the Directors considered it prudent in light of the ongoing economic environment and difficulty in predicting the

future to take a conservative approach to dividend distribution. Accordingly, Bahamas First Holdings distributed dividends of \$0.07 per ordinary share, compared to \$0.08 per share in the prior year.

### A Word of Thanks

In this year's Annual Report, we pay tribute to five of our former colleagues who sadly passed away in 2020: Quentin Chisnall, Graham Garner, Elizabeth "Lou" Moseley Cuevas, Jack Sands and Carleton Williams. Each one of them played a vital role in the development of the Company over the years in various capacities. Their hard work and visionary leadership provided the foundation for much of the success that we enjoy today.

Insurance is a complex business that relies heavily on its relationships with business partners both locally and internationally. These symbiotic relationships are based to a large extent on trust and, in the current climate, are essential for survival. We thank all of our business partners both locally and internationally for their ongoing support and trust.

To our customers, we thank you for your loyalty. We realize that there have been some customer service challenges during the year, primarily due to restricted access to our premises, reduced onsite staff and changes to our IT platform. We do expect that the issues created by the introduction of a new system will be resolved shortly and that the benefits will be self-evident as they provide increased opportunities for online connectivity.

To our shareholders, we continue to look for opportunities to enhance your investment. Our listing on BIX last July has provided increased liquidity and, as such, has increased value. We acknowledge that dividends are an important source of revenue for many of our shareholders and, as the uncertainty in the current economic future lessens, we expect to be able to return the percentage of profit available for distribution to shareholders to former levels.

To our staff, who have adapted to very difficult conditions, we appreciate your dedication and hard work. We will continue to collaborate to provide the safest working environment that we can, while at the same time enabling you to provide efficient and effective service to our customers.

As we move forward in 2021, providing our customers with the best possible service is our focus. We ask for your feedback and we encourage all of our partners, customers and shareholders to become more familiar with our online services as they are rolled out during 2021. As always, please stay safe.



## Message from the Group President & CEO

**PATRICK G. WARD**

At the start of 2020, having just experienced the largest and most devastating natural catastrophe in the history of The Bahamas, we determined our main objective for this jurisdiction to be a focus on rebuilding our portfolio of business and restoring profitability to all lines of business within our domestic market.

The COVID-19 pandemic has interfered with the execution of this objective but we have been able to achieve a degree of success in our efforts. Fortunately, in respect to both Cayman and The Bahamas, we experienced very little direct loss associated with COVID-19 from policy covers issued in either market. We do not expect any adverse developments of this sort in the future.

At the start of the pandemic, our operating entities switched to remote working conditions, connecting employees, business partners and clients mostly by digital means. We also worked hard to integrate our agents and brokers more fully into our digital journey, both in terms of where we are now and, more importantly, where we see ourselves in the future. This move to a more dispersed workforce and the requisite expansion of our IT systems and functionality outside of the traditional security parameters of our operating environment created additional demands on our cybersecurity capabilities. This was tested fully in April of 2020, when we were the subject of an attempted external unauthorized intrusion. Fortunately, we were able to navigate through this test successfully, and investigations uncovered no evidence that any of our data was taken or misused. It is noteworthy that some estimates indicate that there was as much as a 400% increase in cyber ransomware attacks worldwide in 2020.

The technical results in our Property and Casualty business segment improved significantly in 2020, compared to the prior year, which is reflected in our loss ratio.

As a result, our overall loss ratio was 44.4% in 2020, compared to a loss ratio of 59.8% in 2019. Our combined ratio for 2020 also improved, shrinking to 89.9% in 2020, compared with 108.1% in 2019.

Our Health Account in Cayman produced a marginal reduction in the top line but the loss ratio on this line of business deteriorated during the course of the year, thereby reducing the expected profit on this line of business.

The Group's overall gross and net premiums are down by 1% and 6.4%, respectively, as a consequence of the above and the falloff in motor business in The Bahamas. Despite the lower levels of premium income, we were able to raise Net Underwriting Income to \$33 million, compared to the 2019 result of \$20 million, which, of course, was impacted heavily by Hurricane Dorian. Unfortunately, our investment income was negatively impacted to the tune of (\$2.9) million by the unrealized loss in value of our main equity investment.

Total Comprehensive Income for 2020 is \$5.3 million, despite the hugely impactful unrealized loss on the equity investment in Commonwealth Bank mentioned above – a vast improvement over the 2019 loss of (\$ 2.4) million.

Throughout the massive disruptions and operational and financial pressures throughout the course of 2020, we have been able to maintain our Group A. M. Best rating of A- (Excellent) with a stable outlook.

The experience of COVID-19 has forced us to look at many more aspects of our operational setup and we expect to implement changes that will benefit the Group over time.

## Summary of Results

For the Year Ended December 31, 2020

(Expressed in Bahamian dollars with the exception of \$ per share amounts)

Consolidated Statement of Financial Position				
	2020	2019	% Change	2018
Total Assets	226,647	450,232	-49.7%	196,034
Equity Attributable to Owners of The Group	60,014	57,970	3.5%	64,316
<b>Book Value Per Common Share</b>	<b>1.51</b>	<b>1.45</b>		<b>1.62</b>

Consolidated Statement of Comprehensive Income				
	2020	2019	% Change	2018
Gross Premiums Written	159,097	160,629	-1.0%	154,752
Net Written Premiums	62,941	67,246	-6.4%	65,224
Net Premiums Earned	64,611	66,677	-3.1%	65,374
Commission Income	24,462	20,283	20.6%	23,742
Net Claims Incurred	28,695	39,892	-28.1%	27,803
Net Underwriting Income	33,067	20,618	60.4%	34,354
Other Income	1,321	291	354.4%	3,166
<b>Total Profit/(Loss)</b>	<b>4,953</b>	<b>(5,080)</b>	<b>-197.5%</b>	<b>10,057</b>
<b>Total Profit/(Loss) Attributable to Owners of the Company</b>	<b>4,627</b>	<b>(5,550)</b>	<b>-183.4%</b>	<b>9,240</b>
<b>Total Comprehensive Income/(Loss)</b>	<b>5,306</b>	<b>(2,376)</b>	<b>-323.4%</b>	<b>9,277</b>
<b>Total Comprehensive Income/(Loss) Attributable to Owners of the Company</b>	<b>4,950</b>	<b>(2,993)</b>	<b>-265.4%</b>	<b>8,720</b>
<b>Earnings/(Loss) Per Common Share</b>	<b>0.12</b>	<b>(0.16)</b>		<b>0.24</b>

Ratios				
	2020	2019	% Change	2018
Solvency ratio	95.3%	86.2%		98.6%
Combined ratio	89.9%	108.1%		85.6%
Loss ratio	44.4%	59.8%		42.5%
Expense ratio	41.1%	39.0%		38.1%

**Solvency ratio** Total equity attributable to owners of the group as a % of net written premiums

**Combined ratio** Net underwriting expense & administrative cost as a % of net premiums earned

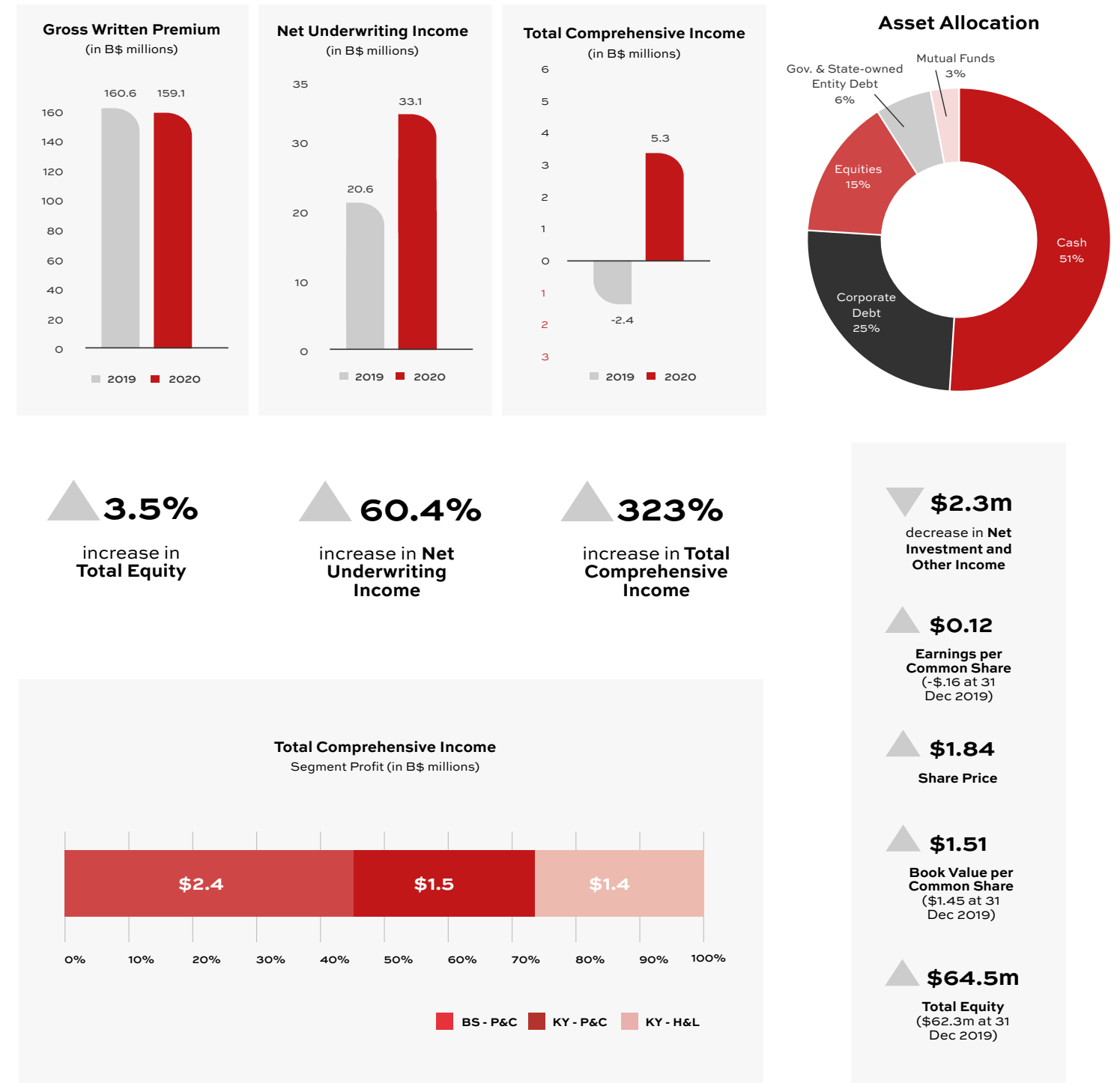
**Loss ratio** Net claims incurred as a % of net premiums earned

**Expense ratio** Administrative expenses as a % of net premiums earned

## Summary of Results

For the Year Ended December 31, 2020

(Expressed in Bahamian dollars with the exception of \$ per share amounts)





## Executive Interview



**PW** Patrick G. Ward, Group President & CEO, Bahamas First Holdings Limited

**WR** Warren Rolle, Managing Director, Cayman First Insurance Company Limited

**SC** Stanford Charlton, Acting Managing Director, NUA Insurance Agents & Brokers Ltd.

### 1. In a word, how would you describe the year 2020?

**PW** Forgettable **JC** Unforgettable

**WR** Extraordinary **RD** Innovative

**SC** Challenging **RK** Disruptive

**AT** Challenging **NH** Murphy's Law

**KR** Challenging

### 2. The Company was listed on the Bahamas International Stock Exchange (BISX) last summer. What benefits have accrued to the Group from this move?

**PW** One of the biggest benefits we derived from having a listing on the local exchange is that it brings greater transparency to the pricing of our shares and allows for their unimpeded public trading. Prior to listing, we had about 250 shareholders. Listing has broadened our shareholder base to include entities and persons that probably would not have been able to invest in Bahamas First or who would not previously have considered Bahamas First because we were not a listed company. For example, a few pension funds have now acquired shares of Bahamas First from existing shareholders and, as a consequence of the increased level of interest, we've seen the share price go from the initial listing of \$1.62 up to the current<sup>1</sup> price \$2.35. That's nearly 30% appreciation in value, and I think it demonstrates a realization of the value of the Bahamas First brand. The other benefit of listing is for legacy shareholders as it now gives them a platform for a smoother transition of shared ownership from one generation to the next.

### 3. The year 2020 was a challenging one for governments, companies and citizens alike. How did the biggest challenge of 2020 present itself for you?

**PW** The biggest challenge was the intangible of uncertainty. There was no playbook that we could reference; no experience that any member of the management team or director or staff member could use to determine the most appropriate thing to do. How do you make sense of something that doesn't on the surface appear to make sense? To what extent do you try and make big decisions that could have a profound impact on your business without having any idea how the whole thing was going to turn out? It created an environment where every fiber of your existence was tested in one way or another. However, if I could pivot to the positive side of that, it taught us that experience and talent are absolutely essential when it comes to managing through a crisis.

**WR** The most significant challenge was adapting our processes, procedures, and systems to accommodate remote working, to facilitate staff productivity and client servicing.

**SC** As expected, the overall economic environment created a challenge for our client base and their ability to meet their premium commitments. This created a need on our part to enhance our range of flexible payment options to allow them to secure and maintain coverage.

**AT** I would say the biggest challenge initially was the uncertainty regarding our means of operating. The entire world was trying to figure out the best way to combat this pandemic. The government was also trying to be as swift as it could be in responding to the risks it saw. At times it resulted in us having to have another way to operate because things changed with very short notice.

**KR** The biggest challenge was pivoting to ensure that we were able to continue to provide ongoing quality service and support to our vast agency network. Additionally, we rolled out PRIME<sup>2</sup>, our new policy administration system, during this period and we were challenged to coordinate training and implementation for everyone in our network at the same time. PRIME also brought with it a revised pricing structure for our Motor business, which presented another project at a time when there were a number of other changes happening concurrently.

**JC** The government-mandated stay-at-home order forced us to strategize internal communication, remote work set up, and effectively serve our clients from home. Despite the uncertainty of it all, our focus was to ensure business moved forward as usual.



**AT** Andrae Thompson, Group Chief Financial Officer, Bahamas First Corporate Services Ltd.

**KR** V. Keith Rolle, Senior Vice President - Underwriting & Reinsurance, Bahamas First General Insurance Company Limited

**JC** Judy Campbell, Vice President - Property & Casualty, Cayman First Insurance Company Limited

**RD** It was the adjustment to the remote environment and our ability to connect with all our stakeholders, including claimants and vendors. We had instances where some vendors were unavailable. For example, an auto repair facility might have been closed. We also had challenges with claimants who were only comfortable with the traditional service outlet of coming into the office. Additionally, we found that some customers who had smart phones were not as readily able to use the technology they offered, and so the opportunity to photograph accident scenes or complete documentation electronically was not easy for them. We also had connectivity issues ourselves, with some of our persons working from home and dealing with challenges with their internet service provider.

**RK** The biggest challenge was in finding humanity in a virtual world. Everything we did was to reach out and touch in a touchless environment.

**NH** Like most, our biggest challenge was the transition to a work-from-home arrangement. Unfortunately, this also coincided with a group-wide system disruption that caused us to pivot once again to some manual processes.

### 4. What were the opportunities that you were able to seize last year?

**PW** One of the opportunities we were able to accelerate was our transition to a more digital operating platform. We had already fundamentally made the strategic decision a few years prior to start the journey along that path, and so a lot of the heavy lifting of transforming our underwriting approach from an analog environment to a more digital-friendly environment had to some extent been completed. We had made an investment in a platform that allowed us to become more digital in our offerings, and we were already psychologically in that frame of mind. So, the short answer is that it was validation of our strategic direction.

**WR** The countrywide lockdown mandated by the Cayman Islands Government arising from COVID-19 drew into greater focus the importance of digitization to improve our value proposition to customers. The ability of clients to transact business with us from end to end – obtain quotations, bind cover, and make online payments – was essential to our continued viability. The launch of our new policy administration system, PRIME, in 2020 and the anticipated launch of a consumer portal in 2021, will certainly assist us in meeting this objective.

**SC** NUA had the opportunity to initiate and progress negotiations with a global entity on a Foreign Intermediary Co-broking Agreement. This has the potential for significant growth in 2021 and beyond for Bahamas First and added commission for NUA. We are looking for this agreement to be finalized in early 2021.

**AT** We were a lot more creative and more efficient in the way we operated because we often had less time and fewer personnel in the room for collaboration. We had to think of the best way to complete a task – not just the way that we did it before, because the old way was out of the window. It caused us to think outside of the box across the various sets of challenges we faced.

**KR** We succeeded in demonstrating to our agents that, even in a work-from-home situation, the Underwriting Department could still deliver a high-quality service, which, hopefully, showed Bahamas First in a positive light.

**JC** From a business perspective, we were able to move average rates up on our property business and grow our motor book of business during the second half of the year. I was also able to improve my knowledge and experience with virtual team management and meeting software, which allowed my unit and me to communicate frequently and efficiently during the lockdown period.

**RD** Initially, a lot of our vendors did not see themselves as being in the digital space and so, in some instances, we had several of our engineers actually go and assist them to transition to more remote basis of working. It also gave the engineer an opportunity to learn how to do inspections without physically seeing the vehicle, but merely working from photos. They were used to thinking that if they needed to see a car it would be brought to them or they'd go to it, and that changed little bit. We also realized that our work hours were no longer restricted to the traditional 9 to 5. We now had the opportunity to interact with claimants at any time within reason once they started engaging with us.

<sup>1</sup>Share price as at 2 February 2021

<sup>2</sup>New policy administration system launched in July 2020



*“The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking.”*

- Albert Einstein, Theoretical Physicist



**RD** **Richard Darville**, Vice President - Claims & Support Services, Bahamas First General Insurance Company Limited

**RK** **Richenda King**, Group Vice President - HR & Training/CHRO, Bahamas First General Insurance Company Limited

**NH** **Nadia Lewis-Hamilton**, Assistant Vice President - Group Insurance Services, Cayman First Insurance Company Limited

**RK** We were able transition key HR functions to a remote approach. For example, payroll, recruiting, and onboarding were all done essentially by remote means.

**NH** Despite market uncertainty, we were able to win new clients. In addition, with the COVID-19 situation under control quite early in the Cayman Islands, we were able to work on building our Broker relationships.

#### **5. Looking back, how satisfied are you overall with the financial year 2020?**

**PW** Having regard to the uncertainty last year and the major concerns about the overall economic scenario, I think that to finish 2020 where we are now is a tremendous achievement, both in terms of sustaining our top line, and generating profitability in an environment where you simply can't take that for granted. The robustness of our results also shows that our underlying business – both in terms of our geographical diversification and our product diversification – has a tremendous benefit.

**AT** I'm pretty satisfied. While there was obviously some impact from a revenue perspective – things are lower than they would have been in previous years – the impact could have been a lot worse. We were able to manage our cash flow and receivables. When I consider the fact that the economy didn't allow many individuals and businesses to generate revenue as they would like, which compelled them to prioritize their expenses (of which insurance is just one) I think we fared pretty well.

#### **6. What were the critical elements of your unit's success in 2020?**

**WR** We continued to enhance our Broker relationships and, as a result, have experienced increased support from our Brokers, who are important strategic business partners. Additionally, as a consequence of maintaining rate discipline on the Property Account, we were

successful in securing the reinsurance capacity required to continue writing business at the current levels in a reinsurance market that is contracting. At the same time, we were able to achieve modest growth in Gross Written Premiums.

**SC** We focused intently on retaining our previous levels of renewal success and we were able to achieve our goal in this regard.

**AT** The critical element of our success was flexibility. Whatever was needed, the team was willing to do. We had to be flexible in our work schedules because of restrictions imposed on the number of persons allowed in the office. On occasion, team members were requested at short notice to change plans to accommodate someone else not being available and I think they all took that in stride. They took on whatever we needed to do to adjust to the new way of working and moved forward.

**KR** The unit banded together during the COVID-19 crisis to ensure that even though we were in a work-from-home situation, we cooperated with each other and our Agents and continued to function efficiently.

**RD** It was the people. There was an intentional light switched on, so to speak. We had a meeting immediately before the first shutdown and the management team predicted, "This new environment is going to challenge you; how you respond to it is going to be the difference". And so even when we had instances where machines gave out or the Internet was an issue, certain people left their homes, jumped in their cars and drove to where they were needed. It was really the way the people in the unit responded that was most impressive to me. It carried over to when we started to return to the office.

**RK** It was difficult, but we were able to keep employees connected. We were also able to overcome our health and safety challenges through consistent information sessions that had a significant positive impact on our uninterrupted operations.

**NH** We in the Health Division, owe our success to our hardworking and dedicated team, our ability to identify opportunities, and lots of support from senior management.

#### **7. What will be the most important driver of growth for the Group over the next few years?**

**PW** First, having multiple distribution channels, both in terms of legacy distribution outlets and a digital platform. Secondly, continuance of our programme to build strong relationships with all the participants within our distribution chain. And, thirdly, having products that are relevant to the needs of our consumers. And 'relevant' is the key word here.



**8. The Cayman market contributed very favourably to the Group's profitability in 2020. What are your plans for this market in the year ahead?**

**WR** We have set particular focus on enhancing client servicing and broker relationships through continued customer service training, process improvements, innovation and technology. This includes, but is not limited to, the launch of a consumer portal for Property & Casualty clients and the implementation of a new policy administration system for the Health Unit.

**9. How would you describe the progress of the Hurricane Dorian claim portfolio a year following the passage of the storm?**

**KR** In the immediate aftermath of Hurricane Dorian, we faced challenges in accessing Abaco due to the amount of debris on the ground and the need to have government officials clear roads and carry out search and rescue operations as necessary. Despite this slow start in getting adjusters on the ground, once they were in place, our retained loss adjusters performed in an exemplary manner and claims progressed very quickly. Grand Bahama was more immediately accessible following the storm and our loss adjusters can be given credit for processing claims swiftly and efficiently. We processed more than 2,200 claims across the various lines of business. At the first anniversary of the storm, we had 74 claims remaining (having paid out a total of about \$340 million with outstanding reserves of about \$7.7 million). Today<sup>3</sup>, we have only 26 claims remaining. This is an excellent result in the aftermath of such a catastrophic event for The Bahamas. The Hurricane Team put in a tremendous hard work in the oversight of claims, and I commend them for their effort.

**10. How did HR equip employees to succeed during 2020's disruptive work environment?**

**RK** The year 2020 was a year for employers and employees to be flexible and adaptable. As such, we created a work environment where health and safety ruled! We made the technological changes for employees to work from home and the infrastructural changes for employees and customers to feel safe in the office. We also recognized that safety was not just physiological but also psychological and sociological. With our various virtual programs and real time communications, we were successfully connected and remained productive.

**11. How did the disruption of 2020 drive innovation in claims settlement?**

**RD** Again, it really just meant that we had to do more things in the technological realm than we were doing beforehand. We had to talk to some of our vendors who were not as far advanced as we thought they might have been. We had to hold some hands and walk them through certain things. Having team members who had the presence of mind to step in was a great help.

**12. How were you able to support customers during such an extraordinary year?**

**SC** We supported clients by being as competitive as possible with our premiums. We gave additional discounts where possible and worked with them as best as we could on payment of premiums (i.e. gave an extra month or two to pay where needed). We also ensured that we offered various avenues where payments could be made online. Finally, NUA was open for business the minute we were given permission to interact with the public.

**JC** Initially, we relied a lot on technology until a systems outage propelled us into a manual hybrid procedure. During that time, we prepared manual documents and used instant messaging platforms to communicate with our customers, who were very appreciative. Kudos to my staff for keeping track of all the manual work and getting it into the system when the outage was resolved. In July, when the stay-at-home order was lifted and we returned to the office, we followed all the COVID-19 protocols while also dealing with outstanding requests from customers. Again, our staff rose to the occasion and continued to deliver our best service, considering all the challenges.

**13. What are the big themes on your agenda for 2021?**

**PW** The number one item across the whole enterprise is cybersecurity. We also want to explore opportunities for expanding our business footprint beyond our current geographical locations. We will be passionate about developing top talent for the future. And, obviously, our financial target is to generate a return on equity consistent with the requirements of the Group.

**WR** Our goal is to continue to maintain Property rate discipline, which will augur well for our next reinsurance renewal, and also ensure that there is no erosion of our margins.

**SC** The five major goals for NUA for 2021 center around (i) accounts receivables management; (ii) renewal retention; (iii) attainment of revenue goals; (iv) containment of expenses; and (v) customer service.

**AT** We will be focused on expanding our means of interaction with our customers digitally, particularly in the way that we receive or remit funds.

Another goal is preparation for the new IFRS 17 accounting standard, which is expected to impact significantly the way our reporting to the market looks.

**KR** My agenda centers on product development and product enhancements.

**JC** We will continue to strengthen Broker relationships by offering innovative product solutions and flexibility. We are also aiming to initiate our online business presence in early 2021, which will allow customers to have more convenient access to our services. Additionally, we will facilitate more training for staff on our products to grow overall expertise. With all these themes considered, we are determined to make Cayman First the number one choice for consumers and partners.

**RD** We will direct our efforts in 2021 to formalizing new methodologies to incorporate remote working; revising workflows to allow for new means of client engagement; redefining the roles of employees for the new demands of the department; and engaging more effectively with vendors, business partners and government entities.

**RK** We will be concentrating on leadership development, productivity and connection.

**NH** In 2021, our big picture focus is on service and innovation.



**“We aren't going through all of this disruption just to become what we were before.”**

- Brian Solis, Digital Anthropologist & Futurist



## Management's Discussion & Analysis

If we were concluding a more normal year, the results for the Group would be broadly acceptable, albeit with a level of dissatisfaction for certain metrics. However, the 2020 year was anything but normal and, given the attendant level of operating uncertainty and economic disruption, the Group's high level of business resiliency in both The Bahamas and Cayman was demonstrable.

The special circumstances brought about by the pandemic resulted in an enhanced level of oversight by regulators, ratings agencies and, to a lesser extent, reinsurers. Additionally, the Board's level of oversight was appropriately adjusted to reflect the prevailing conditions.

Most of the heightened external scrutiny has now subsided as there seems to be more of an understanding of the actual impact of the COVID-19 pandemic and the reasonable forward-looking position of the Company. Hurricane Dorian provided the impetus for the Group to revise its disaster contingency planning and protocols and we have broadened that remit to include the special issues associated with the pandemic's varying scope and complexity.

### Business Development

The global pronouncements about economic developments continued to reveal lackluster performance in key countries and regional blocs during 2020, reflecting the fact that the world's economy was overshadowed by COVID-19.

Global economic output contracted by 3.3% in GDP terms, according to the latest IMF reports, and this indicates the extent of the collapse in economic activity, particularly in the first six months of 2020. Within the context of the Bahamian economy, the level of GDP contraction rose to 14.5% during 2020, while Cayman saw a more modest contraction of 7.8% over the same period.

The international tourism sector declined globally and both The Bahamas and Cayman suffered in this regard as well. The comparatively higher level of dependence on the tourism industry by The Bahamas meant that the economic implications were more severe, compared to Cayman.

At various points in 2020, Government authorities in both Cayman and The Bahamas imposed varying levels of COVID-19 mitigation protocols which, in some cases, involved a complete shutdown of business and social

activities other than through remote means. This reality had a very real impact on our business production levels, especially in the early stages, which was also exacerbated by an uncertain economic outlook that obliged consumers to restrict or defer spending choices even for essential or important services and products.

In terms of premium growth and business retention during the year, we had a mixed bag of results across various product lines, as detailed more fully in the sections that follow. In overall terms, we recorded reductions of 1% in Gross Written Premiums and 6.4% in Net Written Premiums in 2020, compared to 2019.

	2020	2019
GWP	\$159.1M	\$160.6M
NWP	\$62.9M	\$67.2M

### Property

Having a well calibrated and comprehensive reinsurance program is a critical success factor for regional Property & Casualty companies that are heavily dependent on reinsurance capacity. Coming out of the difficult claims experience caused by Hurricane Dorian in 2019, we were happy to note that capacity remained fairly stable and upward price adjustments for loss affected territories were mostly reasonable.

In connection with our renewal for 2020, we found the reinsurance market generally receptive to our strategic differentiation program, which reflects a consistent approach to our procurement methodology and a focus on data and reporting improvements.

As a consequence of this, we were able to offer reasonable renewal terms and conditions for new and renewal property business in both the loss affected islands of The Bahamas and in other places where the impact of Dorian was minimal or nonexistent.

In Cayman, we continued to drive marginal rate improvements in order to maintain an acceptable margin between the cost of reinsurance and original rates charged to our customers. This is an important endeavor and is directly linked to our ability to remain a viable participant in that market.

The Group's total premium in the Property line of business grew to more than \$73 million in 2020, largely driven by the rate increases in both markets. The prior year result was \$69 million. As the commercial and private stock of buildings or physical plant gets rebuilt in Abaco and Grand Bahama, we expect to recapture our proportionate share of the demand for coverage.

### Motor / Liability

Based on trends prior to the last two weeks of March 2020, we were expecting to see a continuation in the growth in the Motor class of business in both jurisdictions all the way through 2020. However, in The Bahamas, particularly, the Motor Account experienced the most significant business development impact. Gross premiums in this location fell off by almost \$5 million as a result of a number of factors, including extended lockdowns and reduced vehicle sales during the year. These factors and the other contributing components appear to be temporary in nature and our current post-2020 experience shows that this business line is likely to recover very strongly.

In Cayman, the rate of premium growth was marginal, with a stronger finish to the year in Q3 and Q4.

Gross Written Premiums for 2020 finished at \$35 million overall, compared to just under \$40 million in 2019.

### Health

As foreshadowed in the 2019 Annual Report, the pandemic directly impacted employment in Cayman, and in some ways the utilization behavior of our clients in the Health Account segment of our business.

Overall, gross premiums reduced to \$29.4 million from the prior year total of \$30.8 million. However, early returns in 2021 suggest that this is a temporary blip in the long-term trend of this line of business.

The loss ratio was not as good as it was in 2019, and this resulted in a lower level of underwriting income for this segment of our business. The path to recovery will be challenging but not impossible, and we are dedicating appropriate levels of resources to ensure that our objectives can be met.

### Marine

Premium development in 2020 declined modestly compared to the prior year. Consequently, we saw a lower level of Net Underwriting Income. As in the immediate post-Dorian scenario, we expect to see a similar normalization of loss ratios.

### Engineering

As anticipated, we experienced an historic level of premium growth in this line of business as rebuilding efforts in Abaco and Grand Bahama gained steam in 2020. This source of business, together with additional construction projects in other parts of The Bahamas and the Cayman Islands, helped to fuel significant underwriting gains. We expect this trend to continue into 2021.

### Investments & Asset Management

The rebuilding of the Abaco branch of NUA was a major focus of our investment in premises allocation during much of 2020. We also continued with major investments in technology, both with respect to our main business processing platform, and in our internal cyber-security infrastructure.

The scope and performance of our investments in The Bahamas continue to be a challenge, and we continue to act in accordance with our plan as market conditions allow. Our investment return in 2020 was a muted 2.9%, primarily as a result of the significant unrealized loss on a main equity investment in The Bahamas. Our international bond portfolio performed well in 2020, contributing \$0.7 million in interest income and unrealized gains.

### Capital & Risk Management

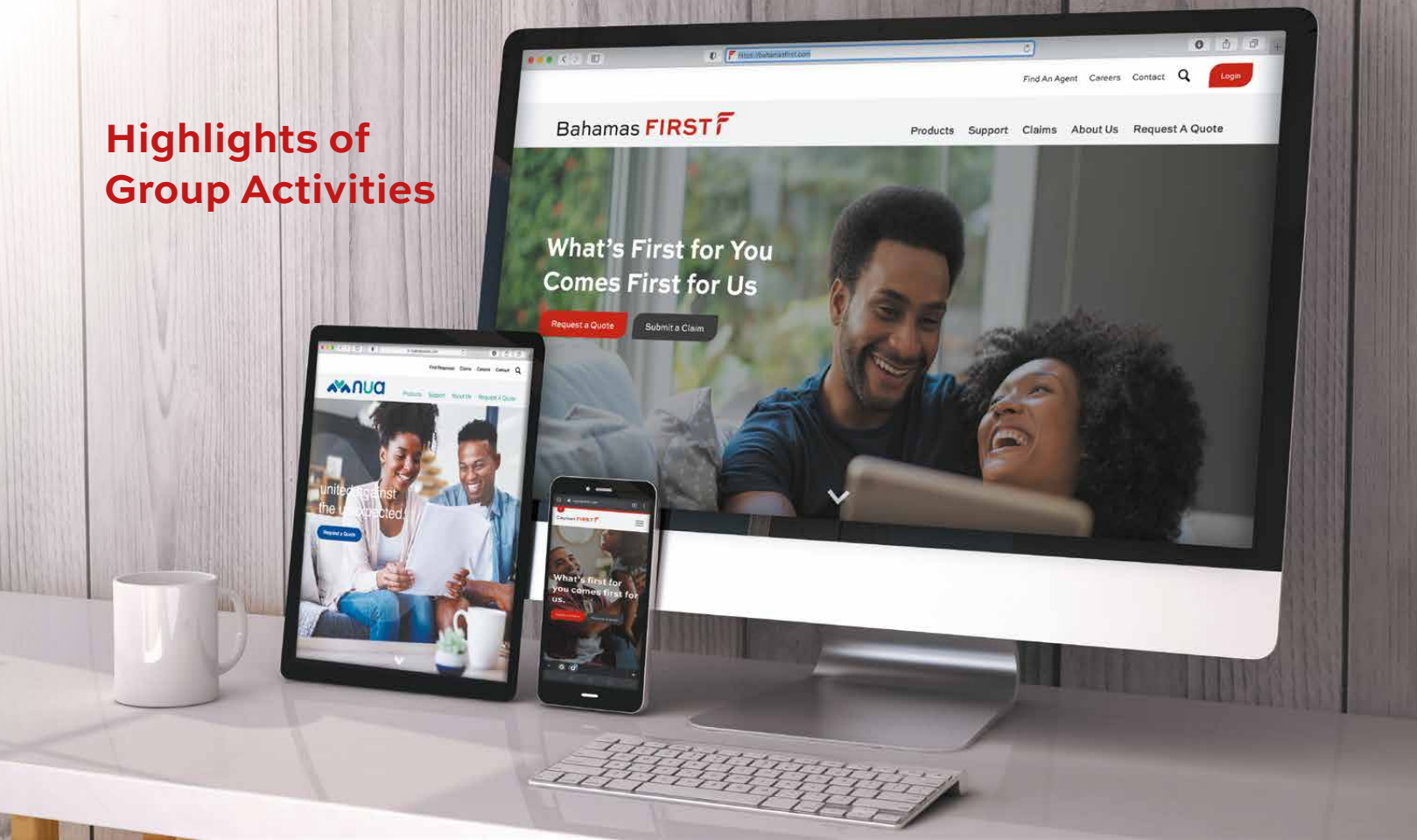
The Group's Total Equity increased to \$64.5 million, while Equity Attributable to the Owners of the Company grew to \$60 million.

The COVID-19 pandemic has taught us that enterprise risk management (ERM) is both an expansive and highly dynamic endeavor. Agility is key to survival in what can be a very stressful environment. We have spent many years creating and redefining our risk landscape and mitigation strategies, and this definitely played a major role in our ability to navigate through the unexpected developments we encountered in 2020.

We have progressively moved toward the goal of reviewing and redefining our pricing models for the lines of business we write across the organization. This will allow us the opportunity, through improved analytics capabilities, to optimize the pricing and, ultimately, more consistently, the results of our various business segments.

From a governance perspective, the Board engaged in more frequent meetings during 2020, and required more detailed and timely analysis of the trading results and overall market conditions during the course of the year.

## Highlights of Group Activities



Bahamas **FIRST**  
Cayman **FIRST**

### What's first for you comes first for us

We design innovative insurance solutions that protect our customers from life's uncertainties and prepare them for the future so that they can recover stronger. The new logo is called the Pinion. A pinion is the outer portion of a bird's wing, including the feathers. A bird's wing represents protection. It safeguards the things that matter most. It also represents innovation – wings being a universally recognized symbol of advancement in knowledge and technology.



### A Brand-New Brand

In 2019, Group leadership convened to conduct a large-scale examination of the company, our industry, local and regional competitors, and our need to both convey the **continuing evolution and growth of our business**, and leverage the strengths and values delivered through our business.



Internal and external research conducted around the brand suggested that it was time to take the opportunity to advance our brand in order to realign with our refined value proposition and vision.

In November 2020, our Group companies revealed new logos aimed at aligning the companies' image with their mission, vision, and role in the marketplace. While this milestone represents our transformation and growth over the past 50+ years, our brand ethos remains the same. We continue to lead change in our markets, yet remain committed to helping people achieve financial security by offering high quality insurance products.

**Melanie D. Hutcheson**  
Group Marketing & Communications Manager,  
Bahamas First Corporate Services Ltd.



### United against the unexpected

NUA's logo represents a commitment to customer service. Called the United Wave, the logo represents our understanding that customers are not just risks on a spreadsheet, but real people with real connections to the assets they are seeking to protect. They should feel the humanity behind our technology and protocols. We partner with our customers and navigate the complex world of insurance on their behalf in order to provide them with competitive and practical solutions that deliver the security they need and the tailored service they expect.





## Creating Value through Digitalization



**Gina L. Brooks**  
Manager, Innovation  
Centre, Bahamas First  
General Insurance  
Company Limited

### Automated System Conversion

Digital technology continues to transform the way the world operates, how humans interact and how we conduct business. With this understanding, alongside our drive to keep at pace with consumer expectations, we were happy to launch the first phase of our digitization plan in the summer of 2020.

Our new line of business software, called PRIME, was launched on July 1 during this extraordinary year. One of the most significant pivots included the expedited deployment of an online training academy for all users due to the national lockdowns in both The Bahamas and Cayman in March.

This initial rollout included the most popular products, such as Motor, Homeowners, and Commercial Property. The remaining products are scheduled to be activated in PRIME in 2021.

In addition to being the black box of our digitization strategy, Prime is expected to reduce operational bottlenecks across the Group and allow it to leverage process improvements and capitalize on data management. The ultimate goal is to improve the company's ability to provide products and services that meet and exceed the needs of stakeholders, including the end consumer. Over time, additional system functionality will be phased in.

### Moving Beyond Information

The next phase in the company's digitization plan is a consumer portal. Studies have shown that consumers prefer self-service options that can be executed at their convenience. Time has been commoditized and spending time to visit a merchant in person nowadays is both potentially a health hazard and unnecessary in many cases. To close this gap, phase two of our digitization offering is a full-service consumer portal that will allow clients to access their policies, obtain quotes, pay premiums, and make claims. This portal will be released to the public in 2021.



**Kahlil Strachan**  
Manager, Operational  
Risk & Compliance,  
Cayman First Insurance  
Company Limited

The effects of the pandemic of 2020 will be lasting, but one of the lessons learned was that a company's ability to manage disruption and change is a skill that is undoubtedly necessary for survival. For our Group, innovation, agility, and technology are the tools we use to ride the tide or rise above the new normal state of flux.

The marriage of PRIME and the customer portal provides the following key benefits:

- Real-time, end-to-end Policy Administration, including Quoting, Binding and Claims
- Asset-tracking and Management
- Built-in KYC Management and 360° view of client
- Payment Plan Management
- Distribution Channel Management
- Digital Management Dashboards to monitor KPIs and other targets
- Key step in the move towards building a group-wide Data Warehouse

### Building Cyber Resilience

The year 2020 was a turning point for cybersecurity around the world. With the Fourth Industrial Revolution moving society deeper into digitalization, our society is more technologically reliant than ever before. Risks stemming from this ubiquitous connectivity, therefore, cybersecurity more important now than ever before. In 2020, the company experienced first-hand a data security incident involving the attempted unauthorized intrusion into our network by an outside source. Concerted investigations by law enforcement, external digital forensics specialists and our internal data security team assured us that there was no evidence that any of our data was taken or misused. Following the incident, the company undertook a multi-pronged approach to increase security and reduce the risk of cybercrime by educating all levels of our organization and investing in tools to monitor and limit data exposure.



**Jamaal J. Davis**  
Group Information  
Technology Manager,  
Bahamas First Corporate  
Services Ltd.

### Securing the Home Front

All workstations were updated with the latest version of endpoint protection software (antivirus) and configured with a secure firewall client that protects employees who are working from home. The new client VPN is just as secure as if employees were sitting at their desks, and provides the same level of access to necessary data.

### Going Public

On July 1, 2020, Bahamas First Holdings became the first general insurer to list its securities on the Bahamas International Stock Exchange ("BISX").

Upon the announcement of the listing, Alison Treco, Chair of the Board, commented: "Our listing on BISX has been a consideration for several years and has now become a significant milestone for us as we begin our next phase of growth and development as a publicly traded and listed company. While we do not intend to issue any additional shares at this time, we believe that this move will facilitate an open trading platform that will provide increased liquidity for our existing shareholders while enhancing Bahamas First's visibility in the capital markets."

Patrick Ward, Group President and CEO, continued: "Despite the recent turmoil and disruption created by Hurricane Dorian and the global COVID-19 pandemic, we believe that the benefits of this listing outweigh any concerns around the current level of uncertainty in our operating environment."

The company commenced trading on BISX on July 3, 2020.

### Group Cyber Hygiene and Defense

The Information Technology team is on the front line of protecting our network. Additionally, cyber awareness training will build a strong, informed user force. All employees regularly participate in a cybersecurity awareness program both detailing familiar hacking techniques and how employees may defend themselves.

The IT Security Policy has also been updated to include weekly external penetration testing and weekly internal vulnerability testing. These assessments create a real-time snapshot of all security risks from the inside and exterior – all part of our new multi-layered strategy to keep assets protected. Workloads are monitored 24/7/365 for security patches and any attempts to breach our network.

## Bahamas First provides \$65m boost to BISX

By NEIL HARTNELL  
Tribune Business Editor  
nhartnell@tribunemedia.net

BAHAMAS First yesterday delivered a \$65m boost to the Bahamas International Securities Exchange (BISX) by becoming the first general insurer to list on it.

Patrick Ward, pictured, Bahamas First's president and managing director, told *Tribune Business* it had finally decided "the benefits of the listing outweigh any potential downside" after finally adding its ordinary and preference shares, as well as bonds, to the exchange.



securities will begin trading on the exchange as of today, has been mulling its move from the over-the-counter (OTC) market for several years.

Mr Ward said BISX listing will aid its 255 existing shareholders by providing

SEE



## Navigating Change

The company is constantly changing to meet the business needs within the Group. Still, in 2020, we were not immediately prepared for the coronavirus pandemic and the tremendous disruption that it would cause to the business and to all of our employees. However, we chose to meet the challenge head on. Our HR strategy was updated to focus on health and safety, performance and productivity, employee engagement, talent management and administrating HR systems. In so doing, we reimagined our workplace and repurposed it with forward thinking approaches and policies to mitigate the disruption.

### Coronavirus Safety Protocols

We formalized a new Work-from-Home (WFH) Policy, necessitated by lockdown measures and a restriction on the number of employees in the workplace. This policy, along with the management of daily tasks and functions, allowed the company to remain productive during these times. We ensured that all employees had the necessary equipment and other resources to remain productive. The WFH Policy now includes a WFH Agreement for use throughout the Group.

Through the collaboration of the Human Resources Department, the Health & Safety Committee and managers throughout the group, the company drafted and implemented Workplace Guidelines for the Coronavirus Pandemic. These guidelines kept us safe and compliant in the new environment of government regulations, emergency orders, lockdowns, travel restrictions and safety protocols.



**Deborah McKinney**  
Group Operations &  
Special Projects Manager,  
Bahamas First Corporate  
Services Ltd.



**Amanda Dean**  
Manager, Human  
Resources &  
Administration, Bahamas  
First General Insurance  
Company Limited

In addition to implementing the guidelines, we provided a series of seminars and activities to prepare our employees to face this new challenge:



**Health and Safety Videos** – These included safety tips on mask-wearing, hand-washing, temperature-monitoring and social distancing.



**What is COVID-19?** – Facilitated by a medical doctor, this seminar provided specific insight on the make-up of the disease and how to prevent transmission.



**The Pandemic of Fear** – This seminar gave us an opportunity to extend our Employee Assistance Program (EAP) to provide support to our employees and their families to help them cope with the many challenges of working from home through a pandemic.



**Virtual Fitness Activities and Healthy Eating** – These activities included exercise sessions and healthy eating tips and recipes to keep our employees active and motivated.



**Mental Health during the COVID-19 Crisis** – Our employees' wellbeing was not only about physical activities. It was also about emotional health. Our EAP was again expanded to cover this contingency.



**Financial Planning** – We continued to provide full benefits to our employees throughout the pandemic and provided financial counselling to ensure that employees were budgeting and planning for all that would be required during a pandemic.

After the return to office, the Operations Department managed the coordination of health and safety measures to reduce the risk of the spread of COVID-19 in the various offices. Health and safety measures included:

- Meetings between the Health and Safety Committee and the company's maintenance service providers to ensure cleaning substances and techniques were effective in the elimination of SARS-CoV-2
- Regular frequent fogging regimen for all offices
- Physical barriers installed throughout the various offices to mitigate against the spread of SARS-CoV-2 and protect both customers and staff

## Employee Engagement

Managing fully or partially remote teams requires specific skills, and employee engagement is especially challenging when employees are working from home, are on various rotation schedules, or have a blended working environment. We identified this as a gap in the organization and have begun identifying tools and programs to fill this gap. This process will continue in the coming year, as these skills will be key to leadership in the future.

Engagement in the culture was also important for us. We coordinated a number of engagement activities through our Corporate Culture Committee (CCC) to keep the pulse of employee engagement.

The CCC in The Bahamas and the Cayman Islands organized virtual events and in-person social activities applicable to the country's level of restrictions.

Our Long-service and Educational Awards ceremonies encapsulated our commitment to maintaining our culture and celebrating our accomplishments. Observing all COVID-19 protocols (as applicable), we celebrated in grand style!

Employee communication was a key part of the employee engagement process. We communicated often and used different approaches. From meetings with our Group President and CEO, to tips on working from home, we kept employees informed and connected.





## Talent Management

Our brand and our strength helped us to attract and retain top talent through the pandemic. To manage our talent, we focused on our recruiting, onboarding, and retention strategies. These activities were conducted online with limited interaction. We also conducted a review of the performance levels of all employees and made changes to reposition resources throughout the Group as needed and to challenge our leaders to maintain an acceptable productivity for all employees.

Succession development and planning continued to be a centerpiece of our talent management strategy. Leaders were assessed for their levels of competency in emotional intelligence, using the traditional model in the following four quadrants of, Self-Awareness; Self-Management; Social Awareness; and Relationship Management. These areas will continue to be developed as we move forward.

## Administering HR Systems

We ensured that all of our HR systems were remotely enabled, including payroll and benefits administration. We offered increased flexibility, giving employees the opportunity for WFH options, flexible work hours, changes in work status (part-time to full-time, for example). The seamless administration of the HR systems in the new remote environment was critical to our employees' financial health and to build employee confidence.

In its supporting role, HR is uniquely positioned to lead the organization to reimagine our work culture and provide leadership as we adapt to working in the "new normal".

## Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) - New Industry Protocols

The Group's Legal & Compliance and Operations departments worked jointly with insurance industry partners to finalize protocols relative to AML/CFT Guidelines established by the Insurance Commission of the Bahamas (ICB). The finalization of the industry protocols, training and rollout was completed in September 2020.

## NUA 2020 Top Producers

Despite the economic uncertainty of the year, NUA continued its mandate to service customers' essential needs and to operate with a high degree of professionalism.

The awards recognize those who consistently excel in the market throughout the year.



**First place -**  
**Rozalla Bowe**  
Account Executive



**Second place -**  
**Wanda Smith**  
Sr. Customer Service Representative



**Third place -**  
**Theresa Culmer**  
Branch Supervisor - Eleuthera



**Darcel Smith-Williamson**  
Group Chief Legal & Compliance Officer/  
CLCO, Bahamas First Corporate Services Ltd.

## Long Service Awards



**40 years | Rozalia Bowe**  
Account Executive, NUA



**25 years | Deborah McKinney**  
Group Operations & Special Projects Manager, BFCS



**15 years | Caroline Lewis**  
Front Office Assistant, CFI



**10 years | Magarita Newbold**  
Customer Accounts Representative, NUA



**30 years | Grace Cartwright**  
Senior Technical Accounts Assistant, BFG



**20 years | Kira Mathews**  
Customer Care Manager, CFI



**10 years | Stanford Charlton**  
Acting Managing Director, NUA



**10 years | Shekera Sears**  
Customer Accounts Representative, NUA



**30 years | Lorraine Patton-Dawkins**  
Claims Officer & Office Administrator - Freeport, BFG



**15 years | Kalama Bennett**  
Underwriter, CFI



**10 years | Ruth Kibe**  
Chief Financial Officer, CFI



**10 years | Area Wilson-Pratt**  
Assistant Financial Controller, BFG



# Abaco Strong

*In November 2020, a little more than a year after the passage of deadly Hurricane Dorian, and after months of remote working, the Abaco team once again began serving the local community from our new office building in Marsh Harbour.*

*The NUA office, which is one of only two insurance agencies with storefronts at this time, specializes in Motor, Home, Commercial and Marine Insurance products.*



*Pictured (l-r) at the new premises are Customer Service Representatives Braneka Reckley, Sabrina Sweeting and Leesa Sawyer.*





## Corporate Social Responsibility (CSR)

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.

### The Bahamas

#### BAARK

Bahamas Children's Emergency Hostel

Bahamas Feeding Network

Bahamas Girl Guides Association

Bahamas Humane Society

Bahamas National Trust

Bahamas Primary School Student of the Year

Bahamas Red Cross

Bilney Lane Children's Home

Cancer Society of The Bahamas

Great Commission Ministries

Mario Ford Baseball Camp

PACE Foundation

Persis Rodgers Home for the Aged

Pilot Club of Lucaya

Power Passion Purpose Project

Red Nose Day

Ride for Hope

Rotary Club of Southeast Nassau

Sister Sister Breast Cancer Support Group

Susan G. Komen Race for the Cure

The Gentlemen's Club

The Salvation Army

United Faith Ministries International

University of The Bahamas

### Cayman Islands

#### ALS Cayman

Alzheimer's and Dementia Association of the Cayman Islands

Cayman Animal Rescue Enthusiasts (CARE)

Cayman Islands Cancer Society

Cayman Islands Crisis Center

Cayman Islands Diabetes Association

Guardians Alive

Have a Heart Cayman Islands

Jasmine Homes

Meals on Wheels

NCVO Children Services

Nicaragua Disaster Relief

Pines Retirement Home

Rotary Sunrise

The Good Samaritan Food Bank



## Authorized Agents & Brokers

Our extensive network of agents in The Bahamas spans the archipelago. In the Cayman Islands, we enjoy the support of a vibrant network of agents and brokers for all of our product lines. Our agents 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.**  
(242) 461-1000

**BMG Insurance Agency & Brokers Ltd.**  
(242) 322-2221/322-2128

**Chandler Gilbert Insurance Associates Ltd.**  
(242) 676-2306

**Colina General Insurance Agency**  
(242) 677-2050

**Confidence Insurance Bahamas Agency Ltd.**  
(242) 323-6920

**FG Insurance Agents & Brokers Ltd.**  
(242) 396-1490

**Freeport Insurance Agents & Brokers**  
(242) 352-8501

**Island Insurance Agents & Brokers Ltd.**  
(242) 322-1106

**NUA Insurance Agents and Brokers Ltd.**  
(242) 302-9100

**Professional Insurance Consultants Ltd.**  
(242) 327-2143

**RMS Insurance Agents & Brokers**  
(242) 698-7233

**Safeguard Insurance Brokers Ltd.**  
(242) 676-7521

**SHIELD Insurance Agents & Brokers Ltd.**  
(242) 356-7202

**Star General Insurance Agents & Brokers Ltd.**  
(242) 676-0800

**Sunshine Insurance Agents & Brokers Ltd.**  
(242) 394-0011

**Tavares and Higgs Insurance Agents and Brokers Ltd.**  
(242) 702-9025

### Grand Bahama

**Colina General Insurance Agency**  
(242) 396-2100

**FG Insurance Agents & Brokers Ltd.**  
(242) 396-1490

**Freeport Insurance Agents & Brokers**  
(242) 352-8501

**NUA Insurance Agents and Brokers Ltd.**  
(242) 352-7891

**SHIELD Insurance Agents & Brokers Ltd.**  
(242) 356-7202

**Star General Insurance Agents & Brokers (Grand Bahama) Ltd.**  
(242) 350-7827

### Abaco

**Abaco Insurance Agency Ltd.**  
(242) 367-2549

**NUA Insurance Agents and Brokers Ltd.**  
(242) 367-2222

### Eleuthera

**Island Insurance Agents & Brokers Ltd.**  
(242) 332-0380

**NUA Insurance Agents & Brokers Ltd.**  
(242) 332-0451/2

### Exuma

**Island Insurance Agents & Brokers Ltd.**  
(242) 336-3500

### Cayman Islands Grand Cayman

**AON Risk Solutions (Cayman)**  
(345) 945-1266

**Balderamos Insurance Services**  
(345) 945-3450

**Bogle Insurance Brokers**  
(345) 949-0579

**Caribbean Insurance Practice**  
(345) 943-2475

**Cayman Insurance Centre**  
(345) 949-4657

**Fidelity Insurance (Cayman)**  
(345) 949-7221

**FIS Insurance Brokers**  
(345) 945-5616

**Hyperion Risk Solutions (Cayman)**  
(345) 623-6500

**International Property Insurance**  
(345) 623-1111

**Island Insurance Brokers**  
(345) 949-0883

**Marsh Management Services Cayman**  
(345) 949-7988

**Pensum Services**  
(345) 945-1830

**Premier Group Insurance Brokers**  
(345) 769-0092

**Briat Insurance**  
(345) 945-0030

**Scotiabank (Cayman)**  
(345) 949-7666

**Willis Management (Cayman)**  
(345) 949-6039

### Cayman Brac

**Brac Insurance Associates**  
(345) 948-2266



*“The greatest thing in this world is not so much where we stand as in what direction we are moving.”*

– Johann Wolfgang Von Goethe, Poet & Playwright



## In Memoriam

In 2020, the Bahamas First Holdings family mourned the loss of five Directors who devoted themselves to the Board over the years. They were astute business professionals and fierce advocates for the Group who left behind extraordinary legacies. At this moment, we again express our gratitude and great appreciation for their many instrumental and decisive contributions to our success.



Graham Garner



Quentin Chisnall



Carleton Williams



Elizabeth "Lou" Moseley Cuevas



Jack Sands

# Corporate Governance

*Bahamas First Holdings Limited has developed a compliance framework that gives each of our employees, agents and strategic partners the resources, guidance and tools necessary to make ethical and value-based decisions that will effectively minimize and manage the risks inherent to our business, while maximizing shareholder value.*

## Corporate Governance Philosophy

It is a framework based on the belief that good governance requires adherence to all legal requirements, regulations and our stated Company policies, as well as a developed culture of responsibility.

## Role of the Board

The Board is responsible for the stewardship of the Company and for supervising the management of the business and affairs of the Company.

## Role of the Chair

The Board Chair provides leadership to enhance Board effectiveness and to manage the affairs of the Board in accordance with the Company's by-laws, foundational documents, and governance policies.



## Directors and Officers



### **Alison J. Treco**

**Chair | Director since 2012**

Ms. Treco was elected Chair of the Board in May 2018 at the company's Annual General Meeting. Since 2012, Ms. Treco has been a Director of the Board of Bahamas First Holdings Limited and several of its subsidiary companies. 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.



### **Abhilash Bhachech**

**Director since 2018**

Mr. Bhachech was elected to the 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. He is a former Inspector of Banks & Trust Companies with the Central Bank of The Bahamas, and is currently serving as a Financial Services Consultant.



### **Liam McFarlane**

**Director since 2020**

Mr. McFarlane is a recognized and respected actuarial expert in Canada and was elected to the Board in November 2020. He currently serves as Chief Risk and Actuarial Officer at the Economical Mutual Insurance Company (Economical). Prior to joining Economical, Mr. McFarlane was a partner with Ernst & Young LLP for ten years, where he led the Canadian actuarial practice. He is a member of the Canadian Institute of Actuaries where he served as chair of the Committee on Professionalism and as a member of the Standards and Guidance Council.



### **Neil McKinney**

**Director since 2015**

Mr. McKinney was elected to the 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 its President for three years. He remains a Council Member.



### **Dr. Samir Mikhael**

**Director since 2015**

Dr. Mikhael was elected to the Board in July 2015. Prior to this, he served on the NUA Board, beginning in 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.



### **Linda Goss**

**Director, March 2014 to November 2020**

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.



### **Kenwood Kerr**

**Director since 2019**

Mr. Kerr was elected to the 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.



### **Paul MacDonald**

**Director since 2020**

Mr. MacDonald was elected to the Board in July 2020 at the company's Annual General Meeting. He is the Executive Vice President of Personal Insurance at the Economical Mutual Insurance Company with significant experience in the insurance sector. Prior to working with Economical, Mr. MacDonald worked with RSA Canada, as the Senior Vice President and Chief Claims Officer, at SGI Canada as the Vice President of the Canadian Operations, and at PricewaterhouseCoopers (PWC), where he served as the Vice President of Insurance Consulting - Strategy and Operations.



### **Dawn Patton**

**Director since 2019**

Mrs. Patton was elected to the Board in June 2019. She is a member of the Bahamas Institute of Chartered Accountants. She was a partner at PricewaterhouseCoopers (PWC) until her retirement in 2016. Mrs. Patton worked with PWC for 30 years, where her primary client focus was on international clients in the financial services industry. She currently serves as a member of the Board of other entities.



### **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.



### **Abagale Butler**

**Corporate Secretary**

Ms. 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.



## Board Committees

To assist in effectively discharging its duties and responsibilities, and in satisfaction of regulatory requirements, the Board has established the following standing Committees to oversee important issues of policy.

### 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**

### 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**

### 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**

**Paul MacDonald**

### FINANCE & INVESTMENT COMMITTEE

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

#### Members

**Kenwood Kerr, Chair**

**Alison J. Treco**

**Patrick G. Ward**

**Neil McKinney**

**Abhilash Bhachech**

### 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. Ward**

**Samir Mikhael**

**Richard Darville**

**Andrae Thompson**

**Denise Vaval**

**Paul MacDonald**

### 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 – Richenda King
- Staff Representative – Area Wilson-Pratt

***“It’s very easy to be different  
but very difficult to be better.”***

– Sir Jonathan Ive, Architectural Designer



## Shareholder Information

### About Bahamas First Holdings Limited

Bahamas First Holdings Limited is a diversified group of companies providing insurance and related services in The Bahamas and the Cayman Islands.

12 offices and branches on  
5 islands in the Bahamian  
archipelago and the  
Cayman Islands

205 employees across  
its operating markets

3 registered  
insurance intermediaries

The primary holdings of Bahamas First Holdings Limited can trace their genesis back over 55 years with the establishment of Nassau Underwriters Limited.

#### 1966

Nassau Underwriters Limited (“NUL”) is established in August through the amalgamation of the insurance interests of Solomon Brothers Ltd., Sir George Roberts, and Sir Stafford Sands.

#### 1970

NUL changes its name to Nassau Underwriters Agency Limited (“NUAL”)

#### 1975

The insurance interests of R.H. Curry & Co. Ltd. are acquired.

#### 1978

The insurance portfolio of Inter Island Services Company is purchased.

#### 1979

NUAL opens an office in Freeport, Grand Bahama.

#### 1982

Bahamas First General Insurance Company Limited (“BFG”) is incorporated in September and opens its doors the following year.

#### 1996

Bahamas First Holdings Limited (“BFH”) is formed in September, incorporating the shareholding base of BFG and NUAL as wholly owned subsidiaries of BFH.

#### 1998

BFH acquires Allied Bahamas Insurance Co. Ltd. and the portfolios of Peter Cole & Associates and T. Dan Albury Insurance. Allied’s portfolio is taken over by BFG, while the other two agencies are initially merged to form Cole Albury Insurance Agency.

#### 1999

BFG becomes the first Bahamian property and casualty company to have its financial strength and ability to pay claims assigned a rating by A.M. Best. The company has maintained its initial A- (Excellent) rating ever since.

#### 2004

NUAL is renamed and incorporated as Nassau Underwriters Cole Albury Insurance Agency Limited (“NUCA”).

#### 2006

NUCA purchases the sub-agency portfolio of Sam Gray Insurance in January and establishes a branch office in George Town, Exuma. In March NUCA changes its name to Nassau Underwriters Agency Insurance Agents & Brokers Ltd. (“NUA Insurance Agents & Brokers” or “NUA”).

#### 2007

BFG launches First Response, which provides on-location assistance from the moment of a motor vehicle accident through the claim and repair process. It is the first programme of its kind in The Bahamas and is offered at no cost to drivers whose vehicles are insured through authorized agents of BFG.

#### 2008

BFG celebrates its silver anniversary (incorporated in 1982, it opened to the public in January 1983).

#### 2010

BFH acquires the majority equity interest in a Cayman based insurance company, which was subsequently rebranded as Cayman First Insurance Company Limited (“CFI”).

#### 2015

The Bahamas First Innovation Centre is established to ensure that BFG is able to leverage strong leadership, technology, and innovation to meet the ever-changing demands of the industry and clients.

#### 2018

CMA Insurance Brokers & Agents Ltd. and Response Insurance Agency become a part of NUA.

#### 2019

CFI celebrates 35 years in the Cayman Islands.

#### 2020

BFH is added to the Official Roster of companies listed on the Bahamas International Securities Exchange (“BISX”).



## Key Contacts

### Head Office

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

### General Inquiries

T: (242) 302-3900  
askus@bahamasfirst.com

### 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.  
P.O. Box N-272  
Nassau, Bahamas

#### Cayman Islands

Maples and Calder  
Ugland House  
P.O. Box 309  
Grand Cayman, KY1-1104  
Cayman Islands

### Internal Audit

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

### Registrar & Transfer Agent

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

### Investor Materials

Bahamas First Holdings Limited's securities trade on the Bahamas International Securities Exchange (BISX) under the following symbols:

Ordinary Shares – BFH  
Preference Shares – BFHP  
Bonds – BFHB

For investor information, including additional copies of our Annual Report or other financial literature, please visit our website at [bahamasfirst.com/financial-reports](http://bahamasfirst.com/financial-reports) or contact us via email at [askus@bahamasfirst.com](mailto:askus@bahamasfirst.com) or via phone at (242) 302-3900.

## Audited Consolidated Financial Statements for the Year Ended December 31, 2020

Independent Auditors' Report

Consolidated Statement of Financial Position

Consolidated Statement of Profit or Loss

Consolidated Statement of Profit or Loss & Other Comprehensive Income (Loss)

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements





KPMG  
 PO Box N-123  
 Montague Sterling Centre  
 13 East Bay Street  
 Nassau, Bahamas

## 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, 2020, and the consolidated statements of profit or loss, profit or loss and 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, 2020, 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 ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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



<i>Unpaid claims liability (See Notes 3, 4 and 10)</i>	
<i>The risk</i>	<i>Our response</i>
<p>As at December 31, 2020, the unpaid claims liability, including claims incurred but not reported ("IBNR"), amounted to \$57,774,921.</p> <p>The Group maintains reserves for the best-estimate of the costs to cover claims for losses or injuries that have been incurred as at December 31, 2020, whether or not reported to the Group as at that date, including claims handling costs.</p> <p>The valuation of the unpaid claims liability is estimated using a range of standard actuarial claims projection techniques.</p> <p>The calculation of the unpaid claims liability depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about the ultimate settlement amounts. If the data used in calculating the unpaid claims liability, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of the unpaid claims liability may arise.</p> <p>As a result of the factors discussed in this key audit matter, as part of our risk assessment, we determined that the valuation of the unpaid claims liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole.</p>	<p>In assessing the unpaid claims liability, as part of our procedures, we performed the following:</p> <ul style="list-style-type: none"> <li>• We gained an understanding of the Group's methodology for recording the unpaid claims liability to identify any changes in methodology or approach and considered the appropriateness of any modifications and any impacts on disclosures.</li> <li>• We compared the claims data recorded in the claims administration systems to the data used in the actuarial reserving calculations to assess the integrity of the data used by the Group's external actuaries in the actuarial reserving process.</li> <li>• We compared the output of the Group's external actuarial report with the amounts recorded in the consolidated financial statements.</li> <li>• Using our own actuarial specialists, we evaluated the findings in the Group's external actuarial report which calculated the required unpaid claims liability at December 31, 2020. Through critical assessment of this report, discussion and examining supporting documentation, we assessed whether the reserve estimation approach is in accordance with actuarial standards of practice and assessed the appropriateness of the methodology and underlying assumptions used, for reasonableness.</li> <li>• We compared the prior year's unpaid claims liability to actual outcomes to assess whether the Group has set adequate reserves.</li> <li>• Using computer assisted audit techniques, we compared individual case reserves as at December 31, 2020 with those at December 31, 2019 to identify those with significant or no deviation. For a sample of individual case reserves, we assessed the reasonableness of the movement in reserves by evaluating supporting documentation.</li> <li>• We sent confirmation requests to the Group's attorneys and based on replies received, we assessed whether the open litigation and claims reported in the attorneys' responses were adequately provided for on select claims.</li> </ul>



<i>Gross premiums written (See Notes 3 and 5)</i>	
<i>The risk</i>	<i>Our response</i>
<p>Gross premiums written is the Group's primary source of income, which amounted to \$159,097,251 for the year ended December 31, 2020.</p> <p>The existence and accuracy of premiums written is considered to be a key audit area due to the material financial impact of premium income on the Group's consolidated financial statements and, as per ISAs, the presumption that there are risks of fraud in revenue recognition.</p> <p>Premiums are written by the Group and underwriting agents primarily utilising the Group's underwriting technology platforms. Due to the fact that certain third-party agents manage policyholder interactions, insurance contract binding and adjustments to already incepted policies, this inherently increases the risks associated with the financial reporting for the existence and accuracy of premiums written.</p>	<p>In this area, as part of our procedures, we performed the following:</p> <ul style="list-style-type: none"> <li>• We gained an understanding of the Group's process for writing premiums to identify any changes in methodology or approach and considered the appropriateness of any modifications and any impacts on disclosures.</li> <li>• We analyzed the reconciliation of the listing of gross premiums written during the year, with the amount reported in the consolidated financial statements.</li> <li>• We requested confirmation of the gross premiums written during the year from a sample of the Group's agents and reconciled responses to the Group's records.</li> <li>• We tested a sample of policies issued during the year, by tracing relevant information to the policy issued.</li> <li>• Using computer assisted audit techniques, we searched for duplicate policies.</li> <li>• We performed procedures to test whether gross premiums written were recorded in the appropriate period.</li> </ul>

### *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 the 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 ISAs, we exercise professional judgment and maintain professional scepticism 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditors' report is John M. Lopez.

Nassau, Bahamas  
May 17, 2021

## BAHAMAS FIRST HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
<b>ASSETS</b>			
Cash and cash equivalents		\$ 39,808,907	\$ 76,298,279
Trade accounts receivable, net	4,8,22	30,496,304	27,982,506
Sundry receivables and prepayments	22	6,189,285	6,625,155
Deferred commission costs	9	4,464,438	5,061,150
Deferred reinsurance premiums	9	36,825,812	36,186,510
Unpaid claims recoverable from reinsurers	4,10	38,795,245	223,262,062
Investments	6	37,415,048	42,834,135
Investment in associate	7	-	727,980
Property and equipment	4,11,19	22,748,681	23,019,642
Right-of-use assets	12	777,164	1,071,207
Intangible assets and goodwill	4,13,19	9,125,678	7,163,650
<b>TOTAL ASSETS</b>		<b><u>\$226,646,562</u></b>	<b><u>\$450,232,276</u></b>

(Continued)

See notes to consolidated financial statements.



## BAHAMAS FIRST HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Accrued expenses and other liabilities		\$ 3,332,487	\$ 1,746,857
Reinsurance balances payable		32,968,848	72,534,806
Unearned commission income	9	9,320,623	9,300,933
Unearned premiums	9	50,273,186	51,304,050
Unpaid claims	4,10	57,774,921	244,237,144
Lease liabilities	12	838,858	1,164,586
Bonds payable	14	7,616,866	7,616,866
Total liabilities		<u>162,125,789</u>	<u>387,905,242</u>
<b>EQUITY:</b>			
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	6,546,825	6,194,064
Retained earnings		29,175,407	27,484,448
Total equity attributable to owners of the company		<u>60,013,507</u>	<u>57,969,787</u>
Non-controlling interest	18	4,507,266	4,357,247
Total equity		<u>64,520,773</u>	<u>62,327,034</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 226,646,562</u>	<u>\$ 450,232,276</u>

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on May 14, 2021 and are signed on its behalf by:

Alison Treco, Chairman

Patrick G. Ward, Director

## BAHAMAS FIRST HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
<b>UNDERWRITING INCOME:</b>			
Gross premiums written	5,22	\$ 159,097,251	\$ 160,629,101
Movement in unearned premiums	9	1,030,864	(2,287,975)
		160,128,115	158,341,126
Premiums ceded to reinsurers		(96,156,369)	(93,383,253)
Movement in deferred reinsurance premiums	9	639,302	1,719,436
Net premiums earned		64,611,048	66,677,309
Commission income		24,462,316	20,283,099
Total underwriting income		<u>89,073,364</u>	<u>86,960,408</u>
<b>UNDERWRITING EXPENSES:</b>			
Net claims incurred	10	28,694,909	39,891,805
Commission expense	22	14,444,956	13,402,908
Cost of excess of loss reinsurance		10,052,456	10,058,609
Premium tax		2,814,004	2,989,583
Total underwriting expenses		<u>56,006,325</u>	<u>66,342,905</u>
Net underwriting income		<u>33,067,039</u>	<u>20,617,503</u>
<b>OTHER EXPENSES:</b>			
Salaries, benefits and bonuses	21,22	14,348,197	14,171,865
General and administrative expenses		8,610,158	8,441,228
Interest expense		1,479,260	1,478,977
Depreciation and amortization of intangible assets	11,12,13	2,115,951	1,896,667
Total other expenses		<u>26,553,566</u>	<u>25,988,737</u>
UNREALIZED (LOSS) ON INVESTMENT	6	(2,881,437)	-
OTHER INCOME, NET	20	1,321,413	290,828
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u>\$ 4,953,449</u>	<u>\$ (5,080,406)</u>
<b>ATTRIBUTABLE TO:</b>			
OWNERS OF THE COMPANY		\$ 4,626,907	\$ (5,549,923)
NON-CONTROLLING INTEREST	18	326,542	469,517
		<u>\$ 4,953,449</u>	<u>\$ (5,080,406)</u>
<b>BASIC AND DILUTED EARNINGS/(LOSS) PER COMMON SHARE</b>			
	15	\$ 0.12	\$ (0.16)

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, 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
PROFIT/(LOSS) FOR THE YEAR		\$ 4,953,449	\$ (5,080,406)
OTHER COMPREHENSIVE INCOME:			
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:			
Unrealized gain on available-for-sale investments	6,17	352,761	799,433
		352,761	799,433
OTHER COMPREHENSIVE INCOME FOR THE YEAR		352,761	2,704,786
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		\$ 5,306,210	\$ (2,375,620)
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		\$ 4,949,530	\$ (2,992,984)
NON-CONTROLLING INTEREST	18	356,680	617,364
		\$ 5,306,210	\$ (2,375,620)

See notes to consolidated financial statements.

## BAHAMAS FIRST HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bahamian dollars)

	Attributable to owners of the group						Non-Controlling Interest	Total
	Common Shares	Preference Shares	Contributed Surplus	General Reserve	Revaluation Reserve	Retained Earnings		
Balance at December 31, 2018	\$ 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/(loss) (Note 17)	-	-	-	-	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)
<u>Transactions with shareholders</u>								
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
Profit for the year	-	-	-	-	-	4,626,907	326,542	4,953,449
Other comprehensive income/(loss) (Note 17)	-	-	-	-	352,761	(30,138)	30,138	352,761
Total comprehensive income	-	-	-	-	352,761	4,596,769	356,680	5,306,210
<u>Transactions with shareholders</u>								
Dividends paid by CFI	-	-	-	-	-	-	(206,661)	(206,661)
Preference shares dividend paid (Note 15)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid (\$0.07 per common share) (Note 15)	-	-	-	-	-	(2,555,810)	-	(2,555,810)
Balance at December 31, 2020	\$ 365,116	\$ 5,000,000	\$ 14,926,159	\$ 4,000,000	\$ 6,546,825	\$ 29,175,407	\$ 4,507,266	\$ 64,520,773

See notes to consolidated financial statements.



## BAHAMAS FIRST HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) for the year		\$ 4,953,449	\$ (5,080,406)
Adjustments for:			
Depreciation	11,12	1,152,979	1,533,179
Loss on building revaluation	20	-	1,409,736
Building contract sum adjustment	11	-	180,000
Interest on leases		59,856	59,326
Amortization of intangible assets	13	962,972	363,488
Amortization of premiums and discounts on bonds	6,20	73,778	94,086
Share of net earnings of associate	7,20	(140,180)	(38,932)
Loss on sale of investment in associate	7,20	218,160	-
Realized gain on sales of investments	6,20	(49,270)	-
Unrealized loss on FVTPL investments	6	2,881,437	-
Gain on disposal of property and equipment	20	(4,000)	(2,840)
Increase in trade accounts receivable, net		(2,513,798)	(1,411,151)
Decrease/(increase) in sundry receivables and prepayments	7	760,870	(4,097,270)
Decrease in right of use asset	12	137,000	-
Decrease in deferred commission costs	9	596,712	43,438
Increase in deferred reinsurance premiums	9	(639,302)	(1,719,436)
Increase/(decrease) in accrued expenses and other liabilities		1,585,630	(4,652,059)
(Decrease)/increase in reinsurance balances payable		(39,565,958)	68,750,907
Increase in unearned commission income	9	19,690	420,509
(Decrease)/increase in unearned premiums	9	(1,030,864)	2,287,975
(Decrease)/increase in net unpaid claims	10	(1,995,406)	2,645,070
Decrease in lease liability		(68,230)	-
Net cash (used in)/from operating activities		\$ (32,604,475)	\$ 60,785,620

(Continued)

See notes to consolidated financial statements.

## BAHAMAS FIRST HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	11	\$ (724,975)	\$ (428,777)
Purchase of intangible assets	13	(2,925,000)	-
Proceeds from disposal of property and equipment	11,20	4,000	10,910
Proceeds from disposal of investment in associate	7	325,000	-
Proceeds from sale and maturity of investments	6	3,463,903	5,282,561
Purchase of investments	6	(598,000)	(2,599,501)
Net cash (used)/from investing activities		\$ (455,072)	\$ 2,265,193
CASH FLOWS FROM FINANCING ACTIVITIES:			
Preference shares dividend paid	15	\$ (350,000)	\$ (350,000)
Changes in non-controlling interest		(206,661)	(364,895)
Common shares dividend paid	15	(2,555,810)	(2,920,927)
Lease liability cash payments		(317,354)	(316,922)
Net cash (used in) financing activities		\$ (3,429,825)	\$ (3,952,744)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(36,489,372)	59,098,069
CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR			
		76,298,279	17,200,210
END OF YEAR			
		\$ 39,808,907	\$ 76,298,279
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest received		\$ 1,124,227	\$ 1,316,637
Dividends received		\$ 250,313	\$ 316,641
Premium taxes paid		\$ 2,814,004	\$ 2,989,583
Interest expense paid		\$ 1,539,116	\$ 1,538,303

(Concluded)

See notes to consolidated financial statements.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in Bahamian dollars)

#### 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 ordinary and preference shares along with the corporate bonds are listed and traded on the Bahamas International Securities Exchange (“BISX”). The registered office of the Company is located at 32 Collins Avenue, Nassau, The Bahamas.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

(CONTINUED)

(Expressed in Bahamian dollars)

#### 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, 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.

*Amendments to IFRS 3, Business combinations – Definition of a business*

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

These amendments did not have a material impact on these financial statements.

A number of other new standards are also effective from January 1, 2020 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 on the basis that the Group elected for the temporary exemption

*IFRS 9 – Financial Instruments*

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. IFRS 9 also replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ model. Under IFRS 9 credit losses are recognized earlier than under IAS 39.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

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

##### b. Standards and Interpretations effective but not affecting the reported results or financial position on the basis that the Group elected for the temporary exemption (continued)

*IFRS 9 – Financial Instruments (continued)*

During 2020, 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, 2020, the Group met these qualifying criteria of i) not applying any previous version 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, 2023*

*IFRS 17 – Insurance contracts*

IFRS 17 was issued in May 2017 as a replacement for IFRS 4, Insurance Contracts. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

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

##### c. Standards and Interpretations in issue but not yet effective (continued)

*Effective for annual periods beginning on or after January 1, 2023 (continued)*

*IFRS 17 – Insurance contracts (continued)*

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 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 IFRS. They have been prepared 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.

The accounting policies are consistent with those used in previous years.

- b. **Basis of consolidation** - Subsidiaries are those entities controlled by BFH. Control exists when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of 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** - The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. **Business combinations (continued)**

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 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 change 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.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### e. *Financial instruments (continued)*

##### (iii) Held-to-maturity investments (continued)

Investment income is recorded in interest income in the consolidated statement of profit or loss and other comprehensive income. As at December 31, 2020 the Group does not hold any investments within this classification.

##### (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 and 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### e. *Financial instruments (continued)*

**Recognition and derecognition** - Regular way purchases and sales of financial assets are recognized on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company 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
Motor Vehicles	5 years

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### g. *Property and equipment (continued)*

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.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### h. *Intangible assets and goodwill* (continued)

Also included in this caption are acquired software licenses. The software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, an intangible asset with a finite useful life is amortized using the straight-line method over the estimated useful life of 3-20 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 event 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).

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### j. **Insurance contracts (continued)**

**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 written 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 using the eights method with some catastrophe based seasonality adjustments. This method is based on the general assumption that the premiums are spread uniformly over the quarter. For property business exposed to catastrophes, the apportionment is adjusted accordingly to better align the recognition of premium income with the exposure of the hurricane season.

**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 using the eights method, adjusting accordingly for seasonality to align with the exposure of the hurricane season.

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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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 using the eights method, adjusting accordingly for seasonality to align with the exposure of the hurricane season.

**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.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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).

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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, Leases.

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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### w. Leases (continued)

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.

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

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### w. Leases (continued)

###### *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% (2019: 3%) for premium tax; and at 12% (2019: 12%), 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 includes 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.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 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.

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 labour 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

a. ***The ultimate liability arising from claims made under insurance contracts (continued)***

The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques. The Group actuary has used a combination of actuarial methodologies to determine the estimate of ultimate liabilities on an undiscounted basis.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

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 \$57,774,921 (2019: \$244,237,144). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is \$38,795,245 (2019: \$223,262,062).

Refer to Note 10 for further information on the provision for unpaid claims.

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 recognised 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

##### 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 \$9,125,678 (2019: \$7,163,650).

##### 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 gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the trade accounts receivable in its entirety or a portion thereof. The carrying value at the consolidated statement of financial position date for trade accounts receivable, net was \$30,496,304 (2019: \$27,982,506).

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

##### 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, secondary markets 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 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 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.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Insurance risk (continued)

###### 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Insurance risk (continued)

###### *Property and casualty insurance risks (continued)*

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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Financial risk (continued)

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

	2020	2019
<b>Financial assets:</b>		
Cash	\$ 39,808,907	\$ 76,298,279
Investments:		
Fair value through profit or loss	11,372,983	14,254,420
Available-for-sale	19,978,347	22,608,952
Loans and receivables:		
Debt securities	6,063,718	5,970,763
Trade accounts receivable, net	30,496,304	27,982,506
Sundry receivables*	<u>5,780,271</u>	<u>5,746,789</u>
Total financial assets	<u>113,500,530</u>	<u>152,861,709</u>
Non - financial assets	<u>113,146,032</u>	<u>297,370,567</u>
Total assets	<u>\$ 226,646,562</u>	<u>\$ 450,232,276</u>
<b>Financial liabilities:</b>		
Payables at amortized cost:		
Reinsurance balances payable, accrued expenses and other liabilities	\$ 36,301,335	\$ 74,281,663
Bonds payable at amortised cost (Fair Value: 7,616,866)	<u>7,616,866</u>	<u>7,616,866</u>
Total financial liabilities	<u>43,918,201</u>	<u>81,898,529</u>
Non - financial liabilities	<u>118,207,588</u>	<u>306,006,713</u>
Total liabilities	<u>\$ 162,125,789</u>	<u>\$ 387,905,242</u>

\* excludes prepaid expenses of \$ 409,014 (2019: \$878,366)



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### 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 and 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 A.M. 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:

	2020	2019
Available-for-sale securities:		
Fixed income debt securities	\$ 15,792,310	\$ 18,628,675
Mutual funds	2,386,037	2,180,277
Preference shares	1,800,000	1,800,000
Loans and receivables:		
Debt securities	6,063,718	5,970,763
Trade accounts receivable	31,646,880	28,931,917
Sundry receivables	5,780,271	5,746,789
Reinsurers' share of provision for unpaid claims	38,795,245	223,262,062
Cash	<u>39,808,907</u>	<u>76,298,279</u>
<b>Total</b>	<b>\$ 142,073,368</b>	<b>\$ 362,818,762</b>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Credit risk (continued)

Debt securities are analysed in the table below using Standard & Poor's ("S&P") ratings.

	2020	2019
AA	\$ 540,655	\$ 1,045,120
A	6,350,775	7,800,615
BBB	9,578,610	11,152,840
Below BBB or Not rated	<u>5,385,988</u>	<u>4,600,863</u>
<b>Total debt securities</b>	<b>\$ 21,856,028</b>	<b>\$ 24,599,438</b>

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:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
<b>At December 31, 2020</b>				
Available-for-sale debt securities	\$ 19,978,347	\$ -	\$ -	\$ 19,978,347
Loans and receivables:				
Debt securities	6,063,718	-	-	6,063,718
Trade accounts receivable	21,385,717	9,110,587	1,150,576	31,646,880
Sundry receivables	5,780,271	-	-	5,780,271
Reinsurers' share of provision for unpaid claims	38,795,245	-	-	38,795,245
Cash	<u>39,808,907</u>	-	-	<u>39,808,907</u>
<b>Total assets exposed to credit risk</b>	<b>\$ 131,812,205</b>	<b>\$ 9,110,587</b>	<b>\$ 1,150,576</b>	<b>\$ 142,073,368</b>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Credit risk (continued)

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	<u>\$ 355,864,111</u>	<u>\$6,005,240</u>	<u>\$ 949,411</u>	<u>\$ 362,818,762</u>

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.

##### Concentration of exposure

The concentration of the Group's gross written premium are as follows:

	2020	2019
Group agents and insurers	\$ 102,541,636	\$ 103,195,843
Non-Group agents	51,292,336	51,933,301
Associate	<u>5,263,279</u>	<u>5,499,957</u>
Total	<u>\$ 159,097,251</u>	<u>\$ 160,629,101</u>

The concentration of credit risk is regularly monitored and evaluated. Specifically for non-group agents, the Group evaluates payment history as well as its financial position on a periodic basis.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Concentration of exposure (continued)

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

	2020	%	2019	%
Bahamas	\$ 23,592,738	63%	\$ 26,175,461	61%
USA	5,790,295	15%	7,218,439	17%
Europe	2,180,060	6%	2,659,860	6%
United Kingdom	2,114,770	6%	2,095,130	5%
Asia	2,096,480	6%	2,568,235	6%
Caribbean	579,040	2%	567,360	1%
Australia	550,295	1%	1,032,750	3%
South Africa	511,370	1%	516,900	1%
Total	<u>\$ 37,415,048</u>	<u>100%</u>	<u>\$ 42,834,135</u>	<u>100%</u>

##### 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 8.00% (2019: 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 is at B\$ prime rate plus 2.00% [effective rate 6.25% (2019: 6.25%)] per annum.

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

Debt securities	4.50% (2019: 4.85%)
Cash and cash equivalents	0.01% (2019: 0.01%)



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### 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 investments due to fluctuations in fair value as a result changes in market prices. 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 and debt securities in the event that these are required to be sold to meet liquidity needs.

Trading levels in The Bahamas, whether on BISX or over-the-counter markets, are generally low and therefore, the ability of the Group to liquidate large positions may be difficult and prices received may be severely impacted. The Central Bank has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. RISK MANAGEMENT (CONTINUED)

##### Price risk (continued)

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 (2019: 10%) and a 10% decrease (2019: 10%) in prices at the date of the consolidated statement of financial position are set out below:

	Carrying value	Effect on profit and equity +10%	Effect on profit and equity -10%
<b>At December 31, 2020</b>			
Listed on stock exchanges / markets	\$ 11,367,426	\$ 1,136,743	\$ (1,136,743)
Fixed income debt securities	21,856,028	2,185,603	(2,185,603)
Preference shares	1,800,000	180,000	(180,000)
Listed / unlisted mutual funds	2,386,037	238,604	(238,604)
Unlisted equity securities	5,557	556	(556)
<b>Total</b>	<b>\$ 37,415,048</b>	<b>\$ 3,741,506</b>	<b>\$ (3,741,506)</b>
<b>At December 31, 2019</b>			
Listed on stock exchanges / markets	\$ 14,248,863	\$ 1,424,886	\$ (1,424,886)
Fixed income debt securities	24,599,438	2,459,944	(2,459,944)
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)
<b>Total</b>	<b>\$ 42,834,135</b>	<b>\$ 4,283,414</b>	<b>\$ (4,283,414)</b>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### 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 do 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 in over one year in Note 6 and 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 following tables indicate the timing of undiscounted cash flows arising from liabilities as at December 31, 2020 and 2019:

2020 Liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Accrued expenses and other liabilities	\$ 3,332,487	\$ 3,332,487	\$ -	\$ -
Reinsurance balances payable	32,968,848	32,968,848	-	-
Unpaid claims	57,774,921	31,842,626	21,472,092	4,460,203
Less: unpaid claims recoverable from reinsurers	(38,795,245)	(20,638,186)	(15,040,301)	(3,116,758)
Bonds payable	7,616,866	116,866	7,500,000	-
<b>Total undiscounted cash flows</b>	<b>\$ 62,897,877</b>	<b>\$ 47,622,641</b>	<b>\$ 13,931,791</b>	<b>\$ 1,343,445</b>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Liquidity risk (continued)

2019 Liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Accrued expenses and other liabilities	\$ 1,746,857	\$ 1,746,857	\$ -	\$ -
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)	(184,766,565)	(21,852,222)	(16,643,275)
Bonds payable	7,616,866	116,866	3,750,000	3,750,000
<b>Total undiscounted cash flows</b>	<b>\$ 102,873,611</b>	<b>\$ 77,546,844</b>	<b>\$ 14,008,975</b>	<b>\$ 11,317,792</b>

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 claims 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.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 5. RISK MANAGEMENT (CONTINUED)

##### Sensitivity analysis (continued)

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, 2020 in \$	Interest rates		Underwriting expenses		Loss ratio		
	+1%	-1%	+5%	-5%	+5%	-5%	
	Impact on profit	583,565	(583,565)	(1,365,571)	1,365,571	(3,230,552)	3,230,552
Impact on equity	583,565	(583,565)	(1,365,571)	1,365,571	(3,230,552)	3,230,552	
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	

##### 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 A.M. 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.

In each country in which the Group operates, the insurance regulator specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained, based on the applicable laws and regulations governing the country's insurance industry. The minimum capital requirements applicable to the Group range from \$50,000 to \$6,600,000. Minimum solvency ratios for insurers range from 125% to 150%. The Group has complied with all of the externally imposed capital requirements to which it is subject.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. INVESTMENTS

	2020	2019
Loans and receivable:		
Debt securities:		
Bahamas Government Registered Stocks - at cost		
Unrestricted - Fair value: \$2,179,100 (2019: 2,359,900)	\$ 2,179,100	\$ 2,359,900
Restricted - Fair value: \$1,000,000 (2019: 1,000,000)	1,000,000	1,000,000
Other fixed income debt securities, at cost - Fair value : \$2,884,618 (2019: 2,610,863)	2,884,618	2,610,863
Total loans and receivable	<u>6,063,718</u>	<u>5,970,763</u>
Fair value through profit or loss:		
Bahamas International Securities Exchange Limited (BISX) 12 (2019: 12) common shares - at cost \$130,556 (2019: \$130,556)	5,557	5,557
Commonwealth Bank Limited 3,166,414 (2019: 3,166,414) common shares - Cost \$1,306,277 (2019: \$1,306,277)	11,367,426	14,248,863
Total at fair value through profit or loss	<u>11,372,983</u>	<u>14,254,420</u>
Available-for-sale:		
Fixed income debt securities, at fair value; amortised cost \$15,091,363 (2019: \$18,172,729)	15,792,310	18,628,675
Mutual funds, at fair value; cost \$1,918,939 (2019: \$1,820,939)	2,386,037	2,180,277
Preference shares, at fair value; cost \$1,800,000 (2019: \$1,800,000)	1,800,000	1,800,000
Total available-for-sale	<u>19,978,347</u>	<u>22,608,952</u>
Total investments	<u>\$ 37,415,048</u>	<u>\$ 42,834,135</u>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. INVESTMENTS (CONTINUED)

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 4.41% to 4.50% (2019: 3.37% to 4.44%) per annum and scheduled maturities between 2022 and 2030 (2019: 2020 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, 2020, the investment in Commonwealth Bank Limited (the "Bank") was valued at \$3.59 (2019: \$4.50) per share, which was the quoted price by the Bahamas International Securities Exchange ("BISX"). As a result, the Group recorded an unrealized loss of \$2,881,437 (2019: \$Nil) for the year then ended.

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2020, 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% (2019: 2.95% to 6.50%) per annum at the date of the consolidated statement of financial position.

	2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Due in less than 1 year	\$ 3,011,495	\$ 3,052,790	\$ 2,508,428	\$ 2,522,590
Due from 1 through 5 years	12,059,868	12,719,520	13,674,300	14,116,085
Due after 5 years	20,000	20,000	1,990,000	1,990,000
Total available-for-sale:	<u>\$ 15,091,363</u>	<u>\$ 15,792,310</u>	<u>\$ 18,172,728</u>	<u>\$ 18,628,675</u>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. INVESTMENTS (CONTINUED)

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

	2020	2019
Corporate debt securities	\$ 16,606,103	\$ 18,989,871
Government debt securities	2,050,825	2,224,667
Other debt securities	20,000	25,000
Total	<u>\$ 18,676,928</u>	<u>\$ 21,239,538</u>

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, 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
Sales and maturities	(3,699,545)	-	(1,583,016)	(5,282,561)
Amortization of premiums / (discounts) on bonds (Note 20)	-	-	(94,086)	(94,086)
Unrealised gain on investments	-	-	799,433	799,433
At December 31, 2019	5,970,763	14,254,420	22,608,952	42,834,135
Cost of investments purchased	500,000	-	98,000	598,000
Sales and maturities	(407,045)	-	(3,056,858)	(3,463,903)
Amortization of premiums / (discounts) on bonds (Note 20)	-	-	(73,778)	(73,778)
Realized gains on sale of investments (Note 20)	-	-	49,270	49,270
Unrealised (loss)/gain on investments	-	(2,881,437)	352,761	(2,528,676)
At December 31, 2020	<u>\$ 6,063,718</u>	<u>\$ 11,372,983</u>	<u>\$ 19,978,347</u>	<u>\$ 37,415,048</u>

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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. INVESTMENTS (CONTINUED)

##### 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); and
- 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 Loans and receivable are measured at amortized and the fair value of these instruments were disclosed earlier in the note. These approximate fair values were derived from secondary market prices and accordingly would be classified as Level 2 in the fair value hierarchy.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. INVESTMENTS (CONTINUED)

##### Fair value measurement (Continued)

The following table presents the Group's financial assets measured at fair value at December 31, 2020, by the level in the fair value hierarchy into which the fair value measurement is categorized:

##### 2020

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	\$ 11,372,983	\$ -	\$ -	\$ 11,372,983
Total	11,372,983	-	-	11,372,983
Available-for-sale financial assets:				
Fixed income debt securities	1,970,000	13,802,310	20,000	15,792,310
Mutual funds	-	2,386,037	-	2,386,037
Preference shares	1,550,000	250,000	-	1,800,000
Total	3,520,000	16,438,347	20,000	19,978,347
Total financial assets measured at fair value	\$ 14,892,983	\$ 16,438,347	\$ 20,000	\$ 31,351,330

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, 2019, by the level in the fair value hierarchy into which the fair value measurement is categorized:

##### 2019

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
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 financial 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 2019.

There were no changes in the carrying value of Level 3 instruments during 2020 and 2019.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 6. INVESTMENTS (CONTINUED)

##### Fair value measurement (Continued)

As set out in Note 2(b), the Group has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below splits the Group's financial instruments as at the reporting date between those which are considered to have contractual terms which are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"). The following table presents the fair value and the amount of change in the fair value:

	2020	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
			Fair value	Change in Fair value	Fair value	Change in Fair Value
Loans and receivable	\$	6,063,718	\$ 6,063,718	\$ -	\$ -	\$ -
Available-for-sale		19,978,347	15,792,310	245,000	4,186,037	107,761
Fair Value Through Profit or Loss		11,372,983	-	-	11,372,983	(2,881,437)
	\$	<u>37,415,048</u>	<u>\$ 21,856,028</u>	<u>\$ 245,000</u>	<u>\$ 15,559,020</u>	<u>\$(2,773,676)</u>
	2019	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
			Fair value	Change in Fair value	Fair value	Change in Fair Value
Loans and receivable	\$	5,970,763	\$ 5,970,763	\$ -	\$ -	\$ -
Available-for-sale		22,608,952	18,628,675	723,410	3,980,277	76,023
Fair Value Through Profit or Loss		14,254,420	-	-	14,254,420	-
	\$	<u>42,834,135</u>	<u>\$24,599,438</u>	<u>\$ 723,410</u>	<u>\$ 18,234,697</u>	<u>\$ 76,023</u>

Credit ratings of the SPPI financial assets are disclosed within Note 5.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 7. INVESTMENT IN ASSOCIATE

Effective September 7, 2020, BFH sold its 20% equity interest in Star General Insurance Agents & Brokers (Grand Bahama) Limited ("Star General") through a Share Purchase Agreement with Star General for consideration of \$650,000. As at the balance sheet date \$325,000 of the consideration was received, with the outstanding balance to be received no later than June 30, 2021. The outstanding balance was presented within the caption sundry receivables and prepayments within the balance sheet.

Upon execution of the agreement, BFH recognized a loss on sale of investment of \$218,160.

	2020	2019
Balance at January 1	\$ 727,980	\$ 689,048
Share of net earnings for the year (Note 20)	140,180	38,932
Sale of investment in associate	(650,000)	-
Loss on sale of investment in associate	(218,160)	-
Balance at December 31	<u>\$ -</u>	<u>\$ 727,980</u>
Share of associate's unaudited statement of financial position:		
Total assets	\$ -	\$ 1,598,584
Total liabilities	-	(978,604)
Net assets	-	619,980
Goodwill	-	108,000
Carrying value of investment in associate	<u>\$ -</u>	<u>\$ 727,980</u>
Share of associate's unaudited statement of comprehensive income:		
Revenues	<u>\$ 503,467</u>	<u>\$ 811,673</u>
Net income	<u>\$ 140,180</u>	<u>\$ 38,932</u>

Investment in associate includes \$ Nil (2019: \$108,000) in goodwill.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 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”), and
- amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held (“reinsurers’ receivables”).

	2020	2019
Insurer trade receivables	\$ 16,593,514	\$ 16,945,293
Policyholders' receivables	13,468,198	11,293,723
Reinsurers' receivables	<u>1,585,168</u>	<u>692,901</u>
	<u>31,646,880</u>	<u>28,931,917</u>
Provision for bad debts:		
Balance at January 1	949,411	1,094,537
Increase in provision for the year	325,066	144,347
Bad debt written off during the year	<u>(123,901)</u>	<u>(289,473)</u>
Balance at December 31	<u>1,150,576</u>	<u>949,411</u>
Trade accounts receivable, net	<u>\$ 30,496,304</u>	<u>\$ 27,982,506</u>

Ageing of trade accounts receivable, net is as follows:

	2020	2019
Less than 3 months	\$ 21,385,717	\$ 22,158,863
3-6 months	4,907,232	3,774,601
6-9 months	3,410,289	1,531,751
9 months - 1 year	<u>793,066</u>	<u>517,291</u>
	<u>\$ 30,496,304</u>	<u>\$ 27,982,506</u>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 9. DEFERRED/UNEARNED PREMIUMS AND COMMISSIONS

	<u>Insurance Assets</u>		<u>Insurance Liabilities</u>	
	<u>Deferred Reinsurance Premiums</u>	<u>Deferred Commission Costs</u>	<u>Unearned Premiums</u>	<u>Unearned Commission Income</u>
Balance at December 31, 2018	\$ 34,467,074	\$ 5,104,588	\$ (49,016,075)	\$ (8,880,424)
Movement during the year	<u>1,719,436</u>	<u>(43,438)</u>	<u>(2,287,975)</u>	<u>(420,509)</u>
Balance at December 31, 2019	36,186,510	5,061,150	(51,304,050)	(9,300,933)
Movement during the year	<u>639,302</u>	<u>(596,712)</u>	<u>1,030,864</u>	<u>(19,690)</u>
Balance at December 31, 2020	<u>\$ 36,825,812</u>	<u>\$ 4,464,438</u>	<u>\$ (50,273,186)</u>	<u>\$ (9,320,623)</u>

#### 10. UNPAID CLAIMS AND CLAIMS INCURRED

	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
Unpaid claims at December 31, 2018	\$ 51,917,644	\$ (33,587,632)	\$ 18,330,012
Claims incurred, arising from current year claims	407,034,225	(368,084,705)	38,949,520
Claims incurred, arising from prior year claims	6,790,098	(5,847,813)	942,285
Claims paid, current year	(208,795,873)	176,663,091	(32,132,782)
Claims paid, prior years	<u>(12,708,950)</u>	<u>7,594,997</u>	<u>(5,113,953)</u>
Unpaid claims at December 31, 2019	244,237,144	(223,262,062)	20,975,082
Claims incurred, arising from current year claims	45,071,663	(14,933,323)	30,138,340
Claims incurred, arising from prior year claims	(18,114,511)	16,671,080	(1,443,431)
Claims paid, current year	(32,064,809)	7,809,006	(24,255,803)
Claims paid, prior years	<u>(181,354,566)</u>	<u>174,920,054</u>	<u>(6,434,512)</u>
Unpaid claims at December 31, 2020	<u>\$ 57,774,921</u>	<u>\$ (38,795,245)</u>	<u>\$ 18,979,676</u>

The tables on the following page shows 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 10. UNPAID CLAIMS AND CLAIMS INCURRED (CONTINUED)

	2014	2015	2016	P&C 2017	2018	2019	2020	Total
Gross ultimate claims incurred at end of reporting year	\$ 23,695,599	\$ 30,382,165	\$ 113,514,913	\$ 22,918,793	\$ 32,646,833	\$ 387,033,518	\$ 21,010,694	
One year later	23,168,363	29,418,761	107,507,658	28,187,490	35,949,789	371,918,953	-	
Two years later	23,851,734	27,598,709	107,348,016	31,078,344	32,797,630	-	-	
Three years later	22,275,874	28,352,746	107,137,970	30,769,721	-	-	-	
Four years later	22,784,680	28,011,825	106,803,189	-	-	-	-	
Five years later	23,512,205	28,269,702	-	-	-	-	-	
Six years later	23,678,982	-	-	-	-	-	-	
Total incurred to date	23,678,982	28,269,702	106,803,189	30,769,721	32,797,630	371,918,953	21,010,694	
Cumulative payments to date	(21,353,151)	(25,345,575)	(102,128,117)	(25,201,018)	(24,496,188)	(360,017,185)	(10,911,977)	
Liability included in the consolidated statement of financial position	2,325,831	2,924,127	4,675,072	5,568,703	8,301,442	11,901,768	10,098,717	45,795,659
Reserves for prior years								8,775,524
Total unpaid claims for P&C business including amount recoverable from reinsurer								\$ 54,571,183

	2014	2015	2016	H&L 2017	2018	2019	2020	Total
Gross ultimate claims incurred at end of reporting year	\$ 16,369,190	\$ 17,853,743	\$ 18,638,992	\$ 19,645,726	\$ 19,747,056	\$ 21,295,643	\$ 24,060,971	
One year later	15,957,295	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	-	
Total incurred to date	15,957,295	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	24,060,971	
Cumulative payments to date	(15,957,295)	(18,164,801)	(17,974,956)	(18,529,456)	(19,388,453)	(20,888,892)	(21,152,832)	
Liability included in the consolidated statement of financial position	-	-	-	-	-	-	2,908,139	2,908,139
Reserves for prior years								295,599
Total unpaid claims for H&L business including amount recoverable from reinsurer								\$ 3,203,738
Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position								\$ 57,774,921
Comprises:								
Specific claim reserves								\$ 41,648,407
Claims incurred but not reported								16,126,514
								\$ 57,774,921

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 11. PROPERTY AND EQUIPMENT

2020	Land & Buildings	Furniture and Equipment	Leasehold Improvements and Others	Motor Vehicles	Total
COST/VALUATION:					
At January 1, 2020	\$ 23,817,387	\$ 2,783,287	\$ 1,485,887	\$ 282,265	\$ 28,368,826
Additions	262,216	410,943	41,227	10,589	724,975
Disposals/Transfers	-	-	-	(38,215)	(38,215)
At December 31, 2020	24,079,603	3,194,230	1,527,114	254,639	29,055,586
ACCUMULATED DEPRECIATION:					
At January 1, 2020	2,380,658	1,994,993	738,558	234,975	5,349,184
Charge for the year	487,437	407,207	86,751	14,541	995,936
Disposals	-	-	-	(38,215)	(38,215)
At December 31, 2020	2,868,095	2,402,200	825,309	211,301	6,306,905
Carrying amount 2020	\$ 21,211,508	\$ 792,030	\$ 701,805	\$ 43,338	\$ 22,748,681
2019	Land & Buildings	Furniture and Equipment	Leasehold Improvements and Others	Motor Vehicles	Total
COST/VALUATION:					
At January 1, 2019	\$ 23,345,850	\$ 2,523,809	\$ 1,480,578	\$ 282,265	\$ 27,632,502
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	2,783,287	1,485,887	282,265	28,368,826
ACCUMULATED DEPRECIATION:					
At January 1, 2019	1,858,025	1,634,256	651,484	221,669	4,365,434
Charge for the year	522,633	360,737	87,074	13,306	983,750
Disposals	-	-	-	-	-
At December 31, 2019	2,380,658	1,994,993	738,558	234,975	5,349,184
Carrying amount 2019	\$ 21,436,729	\$ 788,294	\$ 747,329	\$ 47,290	\$ 23,019,642

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 above.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 11. PROPERTY AND EQUIPMENT (CONTINUED)

During the year, management revisited the classification of its computer software. Based on management's assessment, computer software should be presented as intangible assets and not property and equipment, as previously presented, as this represents acquired software licenses that are not integral part of the computer hardware. In 2019, the carrying amount of computer software included under 'Property and Equipment' was \$899,642. Refer to Note 19.

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 or market inputs and assumptions 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 the determination of fair values of land and buildings.

<u>Estimate/Assumption</u>	<u>Change</u>	<u>Impact on fair value</u>
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, excluding effects of revaluations, would have been \$4,673,487 (2019: \$4,673,487) and \$14,580,067 (2019: \$15,217,516) respectively. The net revaluation of land and buildings of \$495,617 reported in 2019 comprised revaluation gains of \$1,905,353 (Note 17) and losses of \$1,409,736 (Note 20).

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 12. LEASES

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.

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

##### Right-of-use asset

	<u>Office premises</u>	<u>Vehicles</u>	<u>Total</u>
Balance at January 1, 2019	\$ 1,263,219	\$ 76,863	\$ 1,340,082
Depreciation charge for the year	(249,659)	(19,216)	(268,875)
<b>Balance at December 31, 2019</b>	<b>1,013,560</b>	<b>57,647</b>	<b>1,071,207</b>
Depreciation charge for the year	(137,827)	(19,216)	(157,043)
Additions	245,941	-	245,941
Disposals	(382,941)	-	(382,941)
<b>Balance at December 31, 2020</b>	<b>\$ 738,733</b>	<b>\$ 38,431</b>	<b>\$ 777,164</b>

The depreciation charge attributable to the right-of-use asset is presented within 'Depreciation and amortization of intangible assets' within the Statement of Profit or Loss.

At December 31, 2020, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	<u>2020</u>	<u>2019</u>
<b>Maturity analysis – Contractual undiscounted cash flows</b>		
Less than one year	\$ 246,145	\$ 267,010
Between one and five years	663,297	929,239
<b>Total undiscounted lease liabilities at December 31</b>	<b>\$ 909,442</b>	<b>\$ 1,196,249</b>

Lease payments are presented with the financing section of the Statement of Cash Flows. Interest expense on the lease liability for the year ended December 31, 2020 amounted to \$59,856 (2019: \$59,326).

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 12. LEASES (CONTINUED)

##### 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. These extensions have been factored in the lease term in determining the lease liability in the statement of financial position.

#### 13. INTANGIBLE ASSETS AND GOODWILL

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

	<u>Goodwill</u>	<u>Customer relationships</u>	<u>Non-compete agreements</u>	<u>Computer Software</u>	<u>Total</u>
<b>2020</b>					
COST					
At January 1, 2020	\$2,650,810	\$ 5,228,199	\$ 39,590	\$ 6,105,101	\$14,023,700
Additions	-	-	-	2,925,000	2,925,000
Balance at December 31, 2020	2,650,810	5,228,199	39,590	9,030,101	16,948,700
ACCUMULATED AMORTISATION:					
At January 1, 2020	-	1,634,077	7,918	5,218,055	6,860,050
Amortization	-	462,018	7,918	493,036	962,972
Balance at December 31, 2020	-	2,096,095	15,836	5,711,091	7,823,022
Carrying amount 2020	<u>\$2,650,810</u>	<u>\$ 3,132,104</u>	<u>\$ 23,754</u>	<u>\$ 3,319,010</u>	<u>\$ 9,125,678</u>
<b>2019</b>					
COST					
At January 1, 2019	\$2,650,810	\$ 5,228,199	\$ 39,590	\$ 6,105,101	\$14,023,700
Additions	-	-	-	-	-
Balance at December 31, 2019	2,650,810	5,228,199	39,590	6,105,101	14,023,700
ACCUMULATED AMORTISATION:					
At January 1, 2019	-	1,278,507	-	4,937,501	6,216,008
Amortization	-	355,570	7,918	280,554	644,042
Balance at December 31, 2019	-	1,634,077	7,918	5,218,055	6,860,050
Carrying amount 2019	<u>\$2,650,810</u>	<u>\$ 3,594,122</u>	<u>\$ 31,672</u>	<u>\$ 887,046</u>	<u>\$ 7,163,650</u>

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

In prior years, the intangible assets table above included a separate column for workforce of \$400,000, which should have been included in the goodwill column. The figures as at January 1, 2020 and 2019 in the above tables have been amended to reflect this revision by increasing goodwill from \$2,250,810 to \$2,650,810.

Refer to Note 19 for the revisions made to the 2019 comparative figures for the classification of computer software costs to conform with the presentation adopted in the current year.

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:

	<u>2020</u>	<u>2019</u>
Cayman's cash-generating unit	2,650,810	2,650,810
	<u>\$ 2,650,810</u>	<u>\$ 2,650,810</u>

The Group performed its annual impairment test as at December 31, 2020. The recoverable amounts of Cayman's cash-generating unit has 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 12.5% (2019: 10.8%) and 3% (2019: 2.6%) respectively. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for the cash-generating unit.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 14. BONDS PAYABLE

On October 15, 2010, the Group effected a private offering of Series II Redeemable Cumulative Variable Rate Corporate Bonds (“the bonds”), which bear interest at a rate of B\$ prime plus 2.00% per annum. 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. The carrying value of bonds payable is estimated to approximate its fair value which is derived from secondary market prices and accordingly is classified in the fair value hierarchy as Level 2.

Series II Corporate Bonds	2020	2019
\$7,500,000 at B\$ prime rate + 2.00%, presently 6.25% (2019: 6.25%) per annum - Due 2025	\$ 7,500,000	\$ 7,500,000
Accrued interest	<u>116,866</u>	<u>116,866</u>
Total	<u>\$ 7,616,866</u>	<u>\$ 7,616,866</u>

#### 15. SHARE CAPITAL

The Company’s share capital is comprised as follows:

	2020	2019
Common shares		
Authorized: 45,000,000 (2019: 45,000,000) at \$0.01 each		
Issued and fully paid: 36,511,589 (2019: 36,511,589) par value \$0.01 per share	<u>\$ 365,116</u>	<u>\$ 365,116</u>
Preference shares		
Authorized: 5,000,000 (2019: 5,000,000) at \$1.00 each		
Issued and fully paid: 5,000,000 (2019: 5,000,000) par value \$1.00 per share	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

The calculation of basic earnings per share is as follows:

	2020	2019
Profit/(loss) for the year attributable to owners of the Company	\$ 4,626,907	\$ (5,549,923)
Preference shares dividend paid	<u>(350,000)</u>	<u>(350,000)</u>
Profit/(loss) for the year attributable to common shareholders	<u>4,276,907</u>	<u>(5,899,923)</u>
Weighted average number of common shares outstanding	<u>36,511,589</u>	<u>36,511,589</u>
Basic and diluted earnings/(loss) per common share	<u>\$ 0.12</u>	<u>\$ (0.16)</u>

There were no transactions that would dilute earnings per share.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 15. SHARE CAPITAL (CONTINUED)

Dividends are accounted for in the period in which they are declared by the Group’s Board of Directors. During the year, dividends of \$0.07 (2019: \$0.08) per common share [total dividends \$2,555,810 (2019: \$2,920,927)] 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. The preference shares rank, as to payment of a dividend and capital, ahead of the Company’s ordinary share capital. On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares. The Company does not have a contractual obligation to deliver cash or other financial assets to the preference shareholders, and therefore the directors may make dividend payments at their discretion.

During 2019 & 2020, 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 (2019: \$4,000,000), which the Board of Directors have determined is not available for distribution.

#### 17. REVALUATION RESERVE

	Land & Buildings	AFS Investments	Total
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	<u>-</u>	<u>799,433</u>	<u>799,433</u>
Other comprehensive loss	<u>1,905,353</u>	<u>799,433</u>	<u>2,704,786</u>
Balance at December 31, 2019	5,420,096	773,968	6,194,064
Net increase in fair value of AFS investments	<u>-</u>	<u>352,761</u>	<u>352,761</u>
Other comprehensive income	<u>-</u>	<u>352,761</u>	<u>352,761</u>
Balance at December 31, 2020	<u>\$ 5,420,096</u>	<u>\$ 1,126,729</u>	<u>\$ 6,546,825</u>

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 current economic condition, whichever is earlier.



## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 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.

	2020	2019
NCI percentage	12.30%	12.30%
Total assets	\$ 69,687,601	\$ 65,331,332
Total liabilities	33,046,885	29,910,158
Net assets	36,640,716	35,421,174
Gross Premiums Written	\$ 58,984,937	\$ 57,986,768
Net underwriting income	11,382,676	13,361,120
Total comprehensive income	2,899,542	5,018,768
Cashflows from operating activities	\$ 2,534,360	\$ 7,791,271
Cashflows from investment activities	2,926,802	1,616,874
Cashflows (used in) financing activities	(1,725,115)	(3,044,670)

#### 19. REVISION OF CLASSIFICATION OF COMPUTER SOFTWARE

During the year, management revisited the classification of its computer software. Based on management's assessment, computer software should be presented as intangible assets and not property and equipment, as previously presented, as this represents acquired software licenses that are not an integral part of the computer hardware.

As a result, management reclassified the computer software with a carrying amount of \$5,485,139 and accumulated amortisation of \$4,304,942, as of January 1, 2019, to intangible assets. The corresponding figures for 2019 have been reclassified to conform to current year presentation. See Notes 11 and 13.

The adjustment to revise the classification is outlined below:

	<u>As at December 31, 2019</u>	<u>Adjustment</u>	<u>As at December 31, 2019</u>
<u>Statement of financial position items:</u>	As previously reported		Revised
Property and equipment	\$23,906,688	(\$887,046)	\$23,019,642
Intangible assets and goodwill	\$6,276,604	887,046	\$7,163,650

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 20. OTHER INCOME, NET

	2020	2019
Interest income - loans and receivables	\$ 316,451	\$ 372,702
Interest income - available for sale	803,670	912,424
Interest income - bank deposit	4,106	6,659
Dividend income - equity securities	250,313	316,641
Realized gains on sales of investments (Note 6)	49,270	-
Revaluation of land and buildings (Note 11)	-	(1,409,736)
Share of net earnings from associate (Note 7)	140,180	38,932
Loss on sale of investment in associate	(218,160)	-
Sub-lease income	33,600	33,600
Amortization of premiums and discounts on bonds (Note 6)	(73,778)	(94,086)
Gain on disposal of property and equipment	4,000	2,840
Other income	11,761	110,852
Total	<u>\$ 1,321,413</u>	<u>\$ 290,828</u>

#### 21. 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 \$451,335 (2019: \$500,079) and are included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 22. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

	2020	2019
Gross premiums written - associate	\$ 5,263,279	\$ 5,499,957
Commission expense - associate	\$ 918,517	\$ 809,413
Trade accounts receivable - associate	\$ -	\$ 1,162,198

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 and compensation to directors is included in the consolidated statement of profit or loss. The receivables from directors and key management personnel are included in sundry receivables and prepayments in the consolidated statement of financial position and are as follows:

	2020	2019
Short-term benefits	\$ 2,038,449	\$ 2,338,866
Post employment benefits	81,772	80,983
Total	\$ 2,120,221	\$ 2,419,849
Commission expense	\$ 206,319	\$ 214,174
Receivables from key management personnel	\$ 16,234	\$ 32,062

#### 23. 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.

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

(Expressed in Bahamian dollars)

#### 24. 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, 2020 and 2019 are as follows:

	Bahamas	Cayman		Total
	P&C \$	P&C \$	H&L \$	
<b>2020</b>				
Net underwriting income	21,684,362	6,576,508	4,806,169	33,067,039
Depreciation of property & equipment	589,077	233,944	172,915	995,936
Depreciation of right-of-use asset	113,646	24,953	18,444	157,043
Amortization of intangible assets	904,994	16,560	41,418	962,972
Segment profit for the year	2,298,908	1,556,488	1,098,053	4,953,449
Total segment assets	156,958,960	48,505,474	21,182,128	226,646,562
Total segment liabilities	129,078,904	28,945,747	4,101,138	162,125,789
Capital expenditure	3,519,920	60,407	69,648	3,649,975
	Bahamas	Cayman		Total
	P&C \$	P&C \$	H&L \$	\$
<b>2019</b>				
Net underwriting income	7,256,382	5,086,488	8,274,633	20,617,503
Depreciation of property & 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

## BAHAMAS FIRST HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)


(Expressed in Bahamian dollars)

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#### 25. IMPACT OF COVID-19

The spread of coronavirus (“COVID-19”) continues to cause 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 increased restrictions on businesses, presents new challenges to the economic environment of the Group. Some uncertainty remains as to when the economic environment will improve and so it is difficult to measure the precise impact on the Group. However, the expectation is that there could be a negative impact on premiums, health business loss ratios and the related timing of receipt of cashflows and valuation of equity securities. Note 5 provides sensitivity analyses around price risk, interest rates, loss ratios and underwriting results for consideration.

The Group has however prepared an assessment of its operating and cash flow forecasts for calendar year 2021 and has concluded that it has sufficient equity and liquidity to meet its regulatory capital requirement and obligations as they become due.



**“Speed is the new  
currency of business.”**

– Marc Benioff, Chairman & CEO, Salesforce



Bahamas **FIRST** 

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