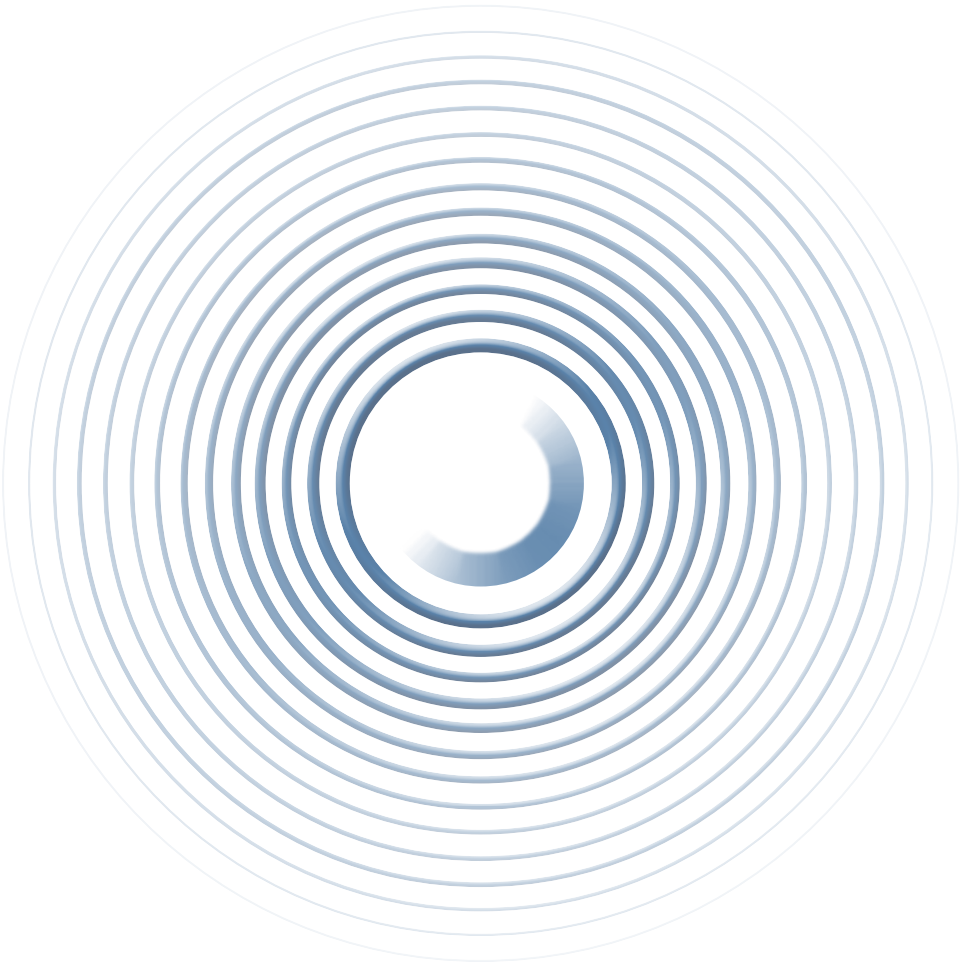


BF&M Limited

Six Month Report
30 June, 2022



2022 Highlights

For the six months ended 30 June 2022 and 2021

	30 Jun 2022	30 Jun 2021	% Change
Gross premiums written (in \$000's)	\$181,171	\$170,853	6.0%
Shareholders' net (loss) / income (in \$000's)	(\$12,309)	\$14,795	(183.2%)
Cash dividends (in \$000's)	\$4,260	\$4,263	(0.1%)
Net earnings per share	(\$1.39)	\$1.67	(183.2%)
Cash dividends per share	\$0.48	\$0.48	0.0%
Annualised return on general fund assets	(2.2%)	2.6%	(184.6%)
Annualised return on shareholders' equity	(8.3%)	9.7%	(185.6%)

Report to Shareholders

As I begin my tenure as the BF&M Group's new CEO, I am pleased to present the unaudited financial statements for BF&M Limited for the six months ended 30 June, 2022.

We are reporting a consolidated Shareholders' loss for the six months of \$12.3 million versus a profit of \$14.8 million in the comparable period in 2021. Net income from operations after excluding the negative fair value movements in investments was \$4.3 million versus \$13.3 million in the first six months of 2021. Shareholders' equity remains strong at \$297.2 million, only down 3% over the prior period, supported by our high-quality general fund asset portfolio totalling \$1.1 billion.

A challenging first six months

The economic environment has been challenging through the first half of 2022, with inflation, rising interest rates and stock market volatility continuing to negatively impact our fair value investment positions. Along with a volatile economic climate, the first six-month period has also experienced

a much higher frequency of claims than the abnormally low levels of claims that characterised the last two years of the pandemic. While on the property and casualty side, a very tight and increasingly costly reinsurance market is challenging us to ensure that our pricing and risk selection is as robust and thoughtful as possible.

Focused and prepared

A few weeks ago, we announced the launch of a strategic review, following discussions with our largest shareholder. This process does not change our focus to provide trusted insurance, benefits and retirement solutions for our customers, with the same passion and care as we always have. Nor does it change our commitment to being both an employer of choice and a community partner. Our strategic plan remains on course.

From strength to strength

We are entering this process with market-leading ratings and a strong capital base. Our management team and employees are ready to execute on our plan. I am energised about the future.

Thank you

As I take the helm, I would like to thank John Wight for his support over the years. Thank you also to our staff and to you, our Shareholders, for your ongoing support.



Abigail Clifford

Group President and
Chief Executive Officer,
BF&M Limited

A
(Excellent)

BF&M General
Insurance
Company Limited
Bermuda

A
(Excellent)

BF&M Life
Insurance
Company Limited
Bermuda

A
(Excellent)

Island Heritage
Insurance
Company, Ltd.
Cayman

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2022 (unaudited) and 31 December 2021 (audited)
(in thousands of Bermuda dollars)

	30 Jun 2022 \$	31 Dec 2021 \$
Assets		
Cash and cash equivalents	112,933	103,192
Regulatory assets	23,952	24,783
Investments	590,359	665,050
Insurance receivables and other assets	109,542	84,227
Deferred acquisition costs	12,498	12,080
Reinsurance assets	123,241	99,596
Investment properties	22,590	22,055
Property and equipment	15,077	15,281
Tax recoverable	1,045	1,005
Deferred tax asset	322	288
Intangible assets	20,428	22,537
Assets held for sale	63,035	79,170
Total general fund assets	1,095,022	1,129,264
Segregated funds assets	1,117,227	1,349,792
Total assets	2,212,249	2,479,056
Liabilities		
Other liabilities	148,088	123,606
Retirement benefit obligations	1,087	953
Investment contract liabilities	298,226	308,075
Insurance contract liabilities	281,479	298,669
Liabilities held for sale	62,624	78,232
Total general fund liabilities	791,504	809,535
Segregated funds liabilities	1,117,227	1,349,792
Total liabilities	1,908,731	2,159,327
Equity		
Share capital	9,188	9,073
Treasury shares	(5,230)	(4,998)
Contributed surplus	1,482	1,482
Share premium	67,420	66,240
Accumulated other comprehensive loss	(1,335)	(1,231)
Retained earnings	225,643	242,212
Total shareholders' equity	297,168	312,778
Non-controlling interests	6,350	6,951
Total equity	303,518	319,729
Total liabilities and equity	2,212,249	2,479,056

Condensed Consolidated Interim Statement of Income

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)

(in thousands of Bermuda dollars, except per share amounts)

	30 Jun 2022 \$	30 Jun 2021 \$
Income		
Gross premiums written	181,171	170,853
Reinsurance ceded	(126,729)	(111,067)
Net premiums written	54,442	59,786
Net change in unearned premiums	20,074	15,811
Net premiums earned	74,516	75,597
Investment result (core investment)	9,397	7,708
Investment result (fair value)	(67,891)	(6,444)
Commission and other income	23,651	24,584
Rental income	896	1,411
Total income	40,569	102,856
Expenses		
Insurance contract benefits and expenses		
Life and health policy benefits	10,083	35,396
Short term claim and adjustment expenses	7,758	6,927
Investment contract benefits	(12,748)	(2,160)
Participating policyholders' net (income) / loss	(234)	472
Commission and acquisition expense	15,101	14,289
Operating expenses	28,925	28,171
Amortisation expense	3,673	4,186
Interest expense	37	42
Total benefits and expenses	52,595	87,323
(Loss) / income before income taxes	(12,026)	15,533
Income taxes	(284)	(415)
Net (loss) / income for the period	(12,310)	15,118
Net (loss) / income attributable to:		
Shareholders	(12,309)	14,795
Non-controlling interests in subsidiaries	(1)	323
Net (loss) / income for the period	(12,310)	15,118
Earnings per share:		
Basic and fully diluted	(\$1.39)	\$1.67

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2022 \$	30 Jun 2021 \$
Net (loss) / income for the period	(12,310)	15,118
Other comprehensive (loss) / income		
Items that may be subsequently reclassified to the income statement		
Currency translation differences	(104)	143
Total other comprehensive (loss) / income after income taxes	(104)	143
Total other comprehensive (loss) / income attributable to:		
Shareholders	(104)	143
Non-controlling interests in subsidiaries	-	-
Total other comprehensive (loss) / income after income taxes	(104)	143
Comprehensive (loss) / income	(12,414)	15,261
Comprehensive (loss) / income attributable to:		
Shareholders	(12,413)	14,938
Non-controlling interests in subsidiaries	(1)	323
Comprehensive (loss) / income	(12,414)	15,261

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2022 \$	30 Jun 2021 \$
Share capital		
Balance – beginning of year	9,073	9,025
Shares issued under employee share purchase plan	1	5
Shares issued under equity incentive plan	8	9
Share grants issued under equity incentive plan	106	90
Share grants forfeited under equity incentive plan	–	(48)
Balance – end of period	9,188	9,081
Treasury shares		
Balance – beginning of year	(4,998)	(1,664)
Acquisition of shares	(232)	(2,166)
Balance – end of period	(5,230)	(3,830)
Contributed surplus – beginning and end of period	1,482	1,482
Share premium		
Balance – beginning of year	66,240	65,086
Shares issued under employee share purchase plan	29	101
Shares issued under equity incentive plan	164	162
Share grants issued under equity incentive plan	1,951	1,808
Share grants forfeited under equity incentive plan	67	(851)
Deferred share grant	(1,031)	(557)
Balance – end of period	67,420	65,749
Accumulated other comprehensive loss		
Balance – beginning of year	(1,231)	(2,186)
Other comprehensive (loss) / income for the period	(104)	143
Balance – end of period	(1,335)	(2,043)
Retained earnings		
Balance – beginning of year	242,212	223,358
Net (loss) / income for the period	(12,309)	14,795
Cash dividends	(4,260)	(4,263)
Acquisition of non-controlling interest, net of purchase price	–	2,186
Balance – end of period	225,643	236,076
Total equity attributable to shareholders of the company	297,168	306,515
Attributable to non-controlling interest		
Balance – beginning of year	6,951	10,723
Net (loss) / income for the period	(1)	323
Cash dividends	(600)	(800)
Balance – end of period	6,350	10,246
Total equity	303,518	313,268

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2022 \$	30 Jun 2021 \$
Cash flows from operating activities		
(Loss) / Income before income tax from continuing operations	(12,026)	15,533
<i>Adjustments for:</i>		
Investment income	(9,397)	(8,281)
Net realised gain / (loss) on investments	512	(2,959)
Change in fair value of investments	67,373	9,396
Impairment of investments	(11,968)	–
Amortisation of property and equipment	686	807
Amortisation of investment properties	493	437
Amortisation of intangible assets	2,472	2,942
Loss / (gain) on sale of intangibles and property and equipment	–	(21)
Interest on lease liabilities	37	42
Compensation expense related to shares and options	1,226	835
Changes in assets and liabilities:		
Fixed and regulatory deposits	831	(2,280)
Insurance receivable and other assets	(25,093)	(20,439)
Deferred policy acquisition costs	(418)	(876)
Reinsurance assets	(25,482)	(9,689)
Insurance contract liabilities	(31,524)	(11,473)
Investment contract liabilities	(9,849)	(4,331)
Other liabilities	25,045	45,777
Retirement benefit obligations	134	111
Cash (used for) generated from operations	(26,948)	15,531
Income taxes paid	(358)	(444)
Interest received	8,543	2,873
Dividends received	434	376
Net cash (used for) generated from operating activities	(18,329)	18,336
Cash flows from (used for) investing activities		
Purchase of investments	(67,109)	(166,229)
Proceeds from sales of investments	102,216	98,241
(Additions) / disposals of property and equipment	(482)	(486)
(Additions) / disposals of investment properties	(1,028)	(957)
(Additions) / disposals of intangible assets	(363)	(238)
Net cash generated (used for) from investing activities	33,234	(69,669)
Cash flows (used for) from financing activities		
Cash dividends paid	(4,260)	(4,263)
Interest paid	(37)	(42)
Acquisition of treasury shares	(232)	(2,166)
Net cash paid on acquisition of non-controlling interest	–	(1,307)
Cash dividends paid to non-controlling interest	(600)	(800)
Cash proceeds on issue of common shares	69	(116)
Net cash (used for) financing activities	(5,060)	(8,694)
Effect from changes in exchange rates	(104)	143
Increase (decrease) in cash and cash equivalents	9,741	(59,884)
Cash and cash equivalents – beginning of period	103,192	153,564
Cash and cash equivalents – end of period	112,933	93,680

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars except share and per share amounts)

1. Nature of operations and significant accounting policies

BF&M Limited (the "Group") is domiciled in Bermuda as a holding company. It has subsidiaries with operations in 15 countries, with principal offices in Bermuda and the Cayman Islands. The consolidated Group's principal business is insurance. The Group is involved in property, casualty, motor, marine, life, health and long-term disability insurance, annuities, the management and investment of pension plans, as well as the rental of office space in buildings owned by the Group.

The Group reports under International Financial Reporting Standards ("IFRS"). These unaudited interim consolidated financial statements should be read in conjunction with the Group's 2021 consolidated financial statements, as interim financial statements do not include all the information incorporated in annual consolidated financial statements prepared in accordance with IFRS. These condensed financial statements are presented in accordance with the requirements of Section IIA of the Bermuda Stock Exchange Listing Regulations and may not comply fully with the requirements of IAS 34 – Interim Financial Reporting.

The accounting policies used in the preparation of the unaudited interim consolidated financial statements are consistent with those adopted in the 2021 consolidated financial statements except as stated in Note 2 below.

All amounts in the unaudited interim consolidated financial statements and notes are shown in thousands of Bermuda dollars unless otherwise stated.

Impact of COVID-19 and the conflict between Russia and Ukraine on significant judgments, estimates and assumptions

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Group operates. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

Global financial markets continued to be volatile during 2022, in part due to Russia's military invasion on Ukraine and the related sanctions and economic fallout. The Group continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks, and risks related to the global supply chain.

The results of the Group reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, foreign exchange and inflation, as well as prevailing health and mortality experience.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these unaudited interim consolidated financial statements.

2. New and revised accounting standards

There are no new accounting standards applicable to the Group for its annual reporting period commencing 1 January 2022.

In March 2020, the IASB deferred the effective date of IFRS 17 – Insurance Contracts to 1 January 2023 along with the extension of the temporary exemption from applying IFRS 9 – Financial Instruments as provided for in the existing financial standard, IFRS 4 – Insurance Contracts.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars except share and per share amounts)

3. Acquisition of non-controlling interest

In June 2021, the Group acquired 40% of the issued share capital of Barr's Bay Properties Limited, a property company in Bermuda. As a result of this purchase, the Group is now the sole shareholder of Barr's Bay Properties Limited.

4. Assets and liabilities held for sale

Management has committed to hold for sale a block of business including the related assets and liabilities, in line with a shift in strategic focus. The line of business did not meet the criteria to be classified as a discontinued operation as at 30 June, 2022.

5. Segmental information

Management has determined the operating segments based on a combination of factors, including products, geographical areas and reports reviewed by the Group Chief Executive Officer (CEO) to make strategic decisions. All the operating segments meet the definition of a reportable segment.

a) Health, life, annuity and pension

This operating segment includes group and individual health and accident, life, disability, annuity and pension products offered in Bermuda, Bahamas, and Cayman. A block of business within this segment is now classified as held for sale.

b) Property and casualty (Bermuda)

This operating segment includes the following products: personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal auto-cycle, workmen's compensation and commercial vehicles.

c) Real estate (Bermuda)

This operating segment includes the Group's real estate operations in Bermuda. The Group currently holds ownership in three buildings, with full ownership of two buildings and a majority ownership in the other. The Group occupies one of the fully owned buildings and the other two are leased principally to non-related parties.

d) Cayman Islands and other Caribbean operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine and casualty business.

e) Corporate and other

Corporate operations consist of corporate level income and expenses and returns from investments not allocated to any operating segments. It also represents the combined operations of a management company, and an investment management company. The Group manages shared services centrally with most costs allocated based on either net assets, head count, expenses or revenues. Some central costs are not allocated and remain within the corporate Group.

Measurement basis

The accounting policies of the segments are generally the same as those for the Group as a whole, adjustments are made at the Group level where differences exist. The Group evaluates performance of operating segments on the basis of profit or loss from operations before tax.

Intersegment income is recorded at management's estimate of current market prices.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars except share and per share amounts)

The segmental information provided to the CEO for the reportable segments for the six months ended 30 June 2022 is as follows:

	Health, life, annuity, and pension 2022 \$	Property and casualty 2022 \$	Real estate 2022 \$	Cayman & Other Caribbean operations 2022 \$	Corporate and other 2022 \$	Total 2022 \$
Results by segment						
Income earned from external customers	58,857	12,868	882	25,259	1,197	99,063
Investment result (core investment)	8,300	311	–	576	210	9,397
Investment result (fair value)	(58,201)	(5,101)	–	(4,630)	41	(67,891)
Total income	8,956	8,078	882	21,205	1,448	40,569
Insurance contract benefits and expenses	10,083	3,585	–	4,173	–	17,841
Commission and acquisition expense	615	1,194	–	13,292	–	15,101
Operating expenses	12,985	8,184	502	7,736	(482)	28,925
Amortisation expense	708	1,508	612	178	667	3,673
Interest on lease liabilities	–	–	–	8	29	37
Income tax expense	–	–	–	161	123	284
Non-controlling interests in subsidiaries	–	–	(1)	–	–	(1)
Shareholders' net (loss) / income	(2,936)	(6,385)	163	(4,518)	1,367	(12,309)
Impairment recoveries recognised in net income on mortgages	(1,491)	–	–	–	–	(1,491)
Assets and liabilities disclosures						
Total assets	1,748,751	147,259	28,707	254,249	33,283	2,212,249
Fixed asset and intangible expenditures	13	107	1,136	70	595	1,921
Total liabilities	1,633,960	83,010	975	181,782	9,004	1,908,731

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022 (unaudited) and 2021 (unaudited)
(in thousands of Bermuda dollars except share and per share amounts)

The segmental information provided to the CEO for the reportable segments for the six months ended 30 June 2021 is as follows:

	Health, life, annuity, and pension 2021 \$	Property and casualty 2021 \$	Real estate 2021 \$	Cayman & Other Caribbean operations 2021 \$	Corporate and other 2021 \$	Total 2021 \$
Results by segment						
Income earned from external customers	61,900	18,286	1,397	25,811	(5,802)	101,592
Investment result (core investment)	6,547	291	–	656	214	7,708
Investment result (fair value)	(9,228)	2,249	–	212	323	(6,444)
Total income	59,219	20,826	1,397	26,679	(5,265)	102,856
Insurance contract benefits and expenses	35,396	3,062	–	3,865	–	42,323
Commission and acquisition expense	517	1,494	–	12,278	–	14,289
Operating expenses	12,007	7,871	564	6,337	1,392	28,171
Amortisation expense	1,022	1,970	553	192	449	4,186
Interest on lease liabilities	–	1	–	9	32	42
Income tax expense	–	–	–	218	197	415
Non-controlling interests in subsidiaries	–	–	323	–	–	323
Shareholders' net income	10,752	1,564	456	1,893	130	14,795
Assets and liabilities disclosures						
Total assets	1,963,750	156,451	30,507	251,694	37,580	2,439,982
Fixed asset and intangible expenditures	16	50	70	15	581	732
Total liabilities	1,853,263	80,830	2,258	179,934	10,429	2,126,714

Board of Directors

John Wight, FCPA, FCA, CPCU, Group Chairman
L. Anthony Joaquin, FCA, J.P., Deputy Chairman
Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
Nancy L. Gosling, B.Comm., LL.D., C.G.A.
Christopher L. Harris, B.Sc. (Hons.), MBA, CFA
Gordon J. Henderson, B.A. (Hons), LL.B.
Andrew Lo, BAsC, P.Eng.
Paul C. J. Markey
Conor O'Dea, FCA
Jennifer Reynolds, MBA, ICD.D

Group Executive Committee

Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
Bruce Walker, CPA, CA, EVP, Group Chief Financial Officer
Stephanie Hanson, LL.B. (Hons), EVP, Group Chief Operating Officer
Michelle Jackson, EVP, Group Head of Life, Health and Pensions
Caroline Mills-White, M.Sc., FCIP, EVP, Group Head of P&C

Directors and Officers Share Interests

The total shares held by Directors and Officers at 30 June 2022 were 288,482 (30 June 2021 – 271,657)

Head Office

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F: +1 441 292 8831
bfm.bm

Subsidiary Companies

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
Island Heritage Insurance Company, Ltd.
Island Heritage Retirement Trust Company Ltd.
BF&M Investment Services Limited
BF&M (Canada) Limited
BF&M Properties Limited
Barr's Bay Properties Limited
Scarborough Property Holdings Limited (60% ownership)
BF&M Brokers Limited
Island Heritage Insurance Company N.V.
Lawrence Boulevard Holdings Ltd.



BF&M Life | BF&M General



Island Heritage



BF&M Limited

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