



Six Month Report
30 June 2019

The BF&M difference

2019 Highlights

For the six months ended 30 June 2019 and 2018

	30 Jun 2019	30 Jun 2018	% Change
Gross premiums written (in \$000's)	\$198,766	\$179,732	10.6%
Shareholders' net income (in \$000's)	\$11,368	\$6,731	68.9%
Cash dividends (in \$000's)	\$4,058	\$3,872	4.8%
Net earnings per share	\$1.29	\$0.77	67.5%
Cash dividends per share	\$0.46	\$0.44	4.5%
Annualised return on general fund assets	1.8%	1.0%	80.0%
Annualised return on shareholders' equity	8.0%	5.1%	56.9%

Report to Shareholders

I am pleased to present the unaudited financial statements for BF&M Limited (“BF&M” or “BF&M Group”) for the half year ending 30 June 2019. Consolidated shareholders’ net income for the six months was \$11.4 million. Shareholders’ net income for the comparable period in 2018 was \$6.7 million. The 2019 results represent an annualised return on shareholders’ equity of 8.0%. At 30 June 2019, equity attributable to shareholders was \$284.7 million and general fund assets totaled \$1.3 billion.

We are reporting solid earnings and strong operating results for the first half of 2019. Our earnings were driven by the strong performance of both the Property & Casualty operations and our Life & Health business. This, combined with solid investment results, helped drive performance in the first half of the year.

At this time our thoughts are with all those affected by the devastation caused by Hurricane Dorian. This hurricane was unprecedented in the Bahamas in its strength and in the length of time over which it wielded destruction. The full impact of loss will take some time to estimate however we expect it to be contained within the Company’s reinsurance programme. We have begun to do our part, promptly assessing and processing claims.

Ratings

We are pleased to confirm that, at the time of going to press, our financial strength ratings by A.M. Best are as follows:

BF&M General Insurance Company Limited	Bermuda	A (Excellent)
BF&M Life Insurance Company Limited	Bermuda	A (Excellent)
Island Heritage Insurance Company Ltd.	Cayman	A (Excellent)
Insurance Corporation of Barbados Limited	Barbados	A- (Excellent)

These ratings reflect the financial strength of the BF&M Group, as well as our robust risk management and track record of performance. Our financial strength is the cornerstone of our promise to pay and to be there for our policyholders over the long term.

Corporate Social Responsibility

Finally, we continue to hold community engagement as a key tenet of BF&M culture. In the middle of Dorian’s assault of the Bahamas, we made a substantial donation towards the invaluable work of the Red Cross. We will shortly be holding our 23rd annual BF&M Breast Cancer Awareness Walk in Bermuda. Events like this, along with Island Heritage’s CharityDrive in Cayman, have become staples in the calendars of our local communities. The hard work, dedication and heart of BF&M Group employees are what make the organisation special. They are also the greatest contributing factors to our success.



R. John Wight, FCPA, FCA, CPCU
Group Chairman and Chief Executive Officer

Consolidated Statement of Financial Position

As at 30 June 2019 (unaudited) and 31 December 2018 (audited)
(in thousands of Bermuda dollars)

	30 Jun 2019 \$	31 Dec 2018 \$
Assets		
Cash and cash equivalents	143,440	160,712
Fixed deposits	6,053	4,102
Regulatory deposits	23,461	22,457
Investments	693,954	633,580
Insurance receivables and other assets	105,090	78,466
Deferred acquisition costs	11,671	10,922
Reinsurance assets	143,078	153,592
Investment properties	34,848	34,560
Property and equipment	26,709	24,018
Tax recoverable	1,718	1,436
Deferred tax asset	824	825
Intangible assets	48,842	51,819
Restricted cash	13,270	19,926
Total general fund assets	1,252,958	1,196,415
Segregated funds assets	944,198	822,613
Total assets	2,197,156	2,019,028
Liabilities		
Other liabilities	161,168	124,231
Retirement benefit obligations	1,696	1,850
Investment contract liabilities	339,561	327,266
Insurance contract liabilities	427,689	427,725
Total general fund liabilities	930,114	881,072
Segregated funds liabilities	944,198	822,613
Total liabilities	1,874,312	1,703,685
Equity		
Share capital	8,929	8,827
Treasury shares	(998)	(325)
Contributed surplus	1,482	1,482
Share premium	63,240	62,167
Accumulated other comprehensive loss	(5,255)	(5,468)
Retained earnings	217,294	209,984
Total shareholders' equity	284,692	276,667
Non-controlling interests	38,152	38,676
Total equity	322,844	315,343
Total liabilities and equity	2,197,156	2,019,028

Consolidated Statement of Income

For the six months ended 30 June 2019 and 2018 (unaudited)
(in thousands of Bermuda dollars except per share amounts)

	30 Jun 2019 \$	30 Jun 2018 \$
Income		
Gross premiums written	198,766	179,732
Reinsurance ceded	(111,541)	(101,054)
Net premiums written	87,225	78,678
Net change in unearned premiums	9,338	11,187
Net premiums earned	96,563	89,865
Investment income / (loss)	35,940	(5,064)
Commission and other income	25,618	23,062
Rental income	2,009	2,016
Total income	160,130	109,879
Expenses		
Insurance contract benefits and expenses		
Life and health policy benefits	73,648	41,788
Short term claim & adjustment expenses	12,338	13,121
Investment contract benefits	7,026	(3,877)
Participating policyholders' net income	83	284
Commission and acquisition expense	17,180	14,916
Operating expenses	32,479	31,063
Amortisation expense	5,801	4,621
Interest expense	64	-
Total benefits and expenses	148,619	101,916
Income before income taxes	11,511	7,963
Income taxes	(137)	(564)
Net income for the period	11,374	7,399
Net income attributable to:		
Shareholders	11,368	6,731
Non-controlling interests in subsidiaries	6	668
Net income for the period	11,374	7,399
Earnings Per Share:		
Basic and Fully diluted	\$1.29	\$0.77

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019 and 2018 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2019 \$	30 Jun 2018 \$
Net income for the period	11,374	7,399
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to the income statement		
Investments classified as available for sale		
Fair value gains / (losses)	94	(90)
Currency translation differences	165	(156)
Total other comprehensive income / (loss) after income taxes	259	(246)
Other comprehensive income attributable to:		
Shareholders	213	(202)
Non-controlling interests in subsidiaries	46	(44)
Total other comprehensive income / (loss) after income taxes	259	(246)
Comprehensive income	11,633	7,153
Comprehensive income attributable to:		
Shareholders	11,581	6,529
Non-controlling interests in subsidiaries	52	624
Comprehensive income	11,633	7,153

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 and 2018 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2019 \$	30 Jun 2018 \$
Share capital		
Balance - beginning of year	8,827	8,847
Shares issued under employee share purchase plan	26	-
Shares issued under equity incentive plan	13	1
Share grants issued under equity incentive plan	79	-
Share grants forfeited under equity incentive plan	(16)	(7)
Balance - end of period	8,929	8,841
Treasury shares		
Balance - beginning of year	(325)	(2,031)
Acquisition of shares	(673)	-
Shares issued under employee share purchase plan	-	275
Shares issued under equity incentive plan	-	1,604
Balance - end of period	(998)	(152)
Contributed surplus - beginning and end of period	1,482	1,482
Share premium		
Balance - beginning of year	62,167	63,249
Shares issued under employee share purchase plan	374	-
Shares issued under equity incentive plan	197	12
Share grants issued under equity incentive plan	1,185	(232)
Share grants forfeited under equity incentive plan	2	(129)
Treasury shares allocated	-	(70)
Deferred share grant	(685)	(599)
Balance - end of period	63,240	62,231
Accumulated other comprehensive loss		
Balance - beginning of year	(5,468)	(6,959)
Other comprehensive income for the period	213	(202)
Balance - end of period	(5,255)	(7,161)
Retained earnings		
Balance - beginning of year	209,984	196,558
Net income for the period	11,368	6,731
Cash dividends	(4,058)	(3,872)
Balance - end of period	217,294	199,417
Total equity attributable to shareholders of the company	284,692	264,658
Attributable to non-controlling interests		
Balance - beginning of period	38,676	43,582
Net income for the period	6	668
Other comprehensive income for the period	46	(44)
Cumulative foreign exchange adjustment	-	4
Cash dividends	(576)	(1,082)
Balance - end of period	38,152	43,128
Total equity	322,844	307,786

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019 and 2018 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2019 \$	30 Jun 2018 \$
Cash flows from operating activities		
Income before income taxes	11,511	7,963
Adjustments for:		
Investment income	(11,755)	(10,445)
Net realised (gain) loss on investments	(181)	126
Change in fair value of investments	(25,367)	12,235
Impairment of investments	-	1,240
Amortisation of property and equipment	1,136	975
Amortisation of investment properties	510	526
Amortisation of intangible assets	4,157	3,121
Gain on sale of intangibles & property and equipment	(55)	(29)
Interest on lease liabilities	64	-
Compensation expense related to shares and options	552	819
Changes in assets and liabilities:		
Restricted cash	6,656	(1,770)
Fixed and regulatory deposits	(2,955)	970
Insurance receivables and other assets	(25,998)	13,757
Deferred acquisition costs	(749)	(758)
Reinsurance assets	10,514	333,545
Insurance contract liabilities	(36)	(357,913)
Investment contract liabilities	12,295	1,301
Other liabilities	36,937	(28,370)
Retirement benefit obligations	(154)	(459)
Cash generated from (used for) operations	17,082	(23,166)
Income taxes paid	(418)	(392)
Interest received	10,342	10,088
Dividends received	818	422
Net cash generated from (used for) operating activities	27,824	(13,048)
Cash flows from investing activities		
Purchase of investments	(117,236)	(120,956)
Proceeds from sales of investments	82,473	122,844
Acquisition of property and equipment	(3,893)	(361)
Maturity of fixed deposits	-	(419)
Proceeds from sales of intangibles & property and equipment	129	7
Additions to investment properties	(797)	(52)
Acquisition of intangible assets	(1,182)	(3,433)
Net cash (used for) investing activities	(40,506)	(2,370)
Cash flows from financing activities		
Cash dividends paid	(4,058)	(3,872)
Interest paid	(64)	-
Acquisition of treasury shares	(673)	-
Cash dividends paid to non-controlling interest	(576)	(1,082)
Cash proceeds on issue of common shares	623	40
Net cash (used for) financing activities	(4,748)	(4,914)
Effect from changes in exchange rates	158	(156)
(Decrease) in cash and cash equivalents	(17,272)	(20,488)
Cash and cash equivalents - beginning of period	160,712	205,072
Cash and cash equivalents - end of period	143,440	184,584

Notes to Consolidated Financial Statements

For the six months ended 30 June 2019 and 2018 (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, Barbados, 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 2018 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 2018 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.

2. New and revised accounting standards

A. New and revised accounting standards adopted in 2019

The Group has applied the following standards, interpretations and amendments for the first time for its annual reporting period commencing 1 January 2019:

- IFRS 16 *Leases*
- Amendments to IAS 19 *Employee Benefits*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Annual Improvements to IFRSs 2015-2017 Cycle*

The Group adopted IFRS 16 on a modified retrospective basis with no restatement of comparative information. As a result of the adoption, the Group recognised lease liabilities of \$2,596 in 'Other liabilities', measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group also recognized the associated right-of-use assets of \$2,596 in 'Property and equipment', measured at the amount equal to the lease liability as of 1 January 2019. There was no net impact on retained earnings at 1 January 2019. The adoption of the remaining standards and amendments above did not have a significant impact on our Interim Consolidated Financial Statements.

In September 2016, the IASB issued Amendments to IFRS 4 to allow insurance entities whose predominant activities are to issue contracts within the scope of IFRS 4 *Insurance Contracts* an optional temporary exemption from applying IFRS 9 *Financial Instruments* until 1 January 2021. In November 2018, the IASB deferred the effective date of IFRS 9 by one year to 1 January 2022 in line with the deferral of IFRS 17 *Insurance Contracts*. The Group qualified and intend to continue to apply IAS 39 *Financial Instruments: Recognition and Measurements*, the existing financial standard, until 1 January 2022.

Notes to Consolidated Financial Statements

For the six months ended 30 June 2019 and 2018 (unaudited)
(in thousands of Bermuda dollars except share and per share amounts)

In October 2017, the IASB issued Amendments to IAS 28 to clarify that an entity applies IFRS 9 to financial interests in an associate or joint venture to which the equity method is not applied, effective starting 1 January 2019 and are to be applied retrospectively or prospectively. As the Group has deferred the adoption of IFRS 9, the Group will continue to apply IAS 39 to the long-term investments in associates and joint ventures until IFRS 9 is implemented. Adoption of these amendments are not expected to have a significant impact to the Group.

3. Segmental information

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

3.1. 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.

3.2. Property and casualty (Bermuda)

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

3.3. Real estate (Bermuda)

This operating segment includes the Group’s real estate operations in Bermuda. The Group currently owns and occupies one building and is a majority owner in two buildings that are leased principally to non-related parties.

3.4. Barbados operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, miscellaneous accident, group and individual health, group and individual life, and pension business.

3.5. Cayman Islands and other Caribbean operations

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

3.6. 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 two holding companies, 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 the same as those for the Group as a whole. 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 Consolidated Financial Statements

For the six months ended 30 June 2019 and 2018 (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 2019 is as follows:

Segments	Health, life, annuity, and pension 2019 \$	Property and casualty 2019 \$	Real estate 2019 \$	Barbados operations 2019 \$	Cayman and other Caribbean operations 2019 \$	Corporate and other 2019 \$	Total 2019 \$
Income earned from external customers	68,141	14,568	1,448	19,719	20,355	(41)	124,190
Investment income (loss)	32,639	1,791	-	897	2,611	(1,998)	35,940
Total income	100,780	16,359	1,448	20,616	22,966	(2,039)	160,130
Insurance contract benefits and expenses	69,371	3,763	-	10,063	2,789	-	85,986
Commission and acquisition expense	1,380	2,257	-	2,411	11,132	-	17,180
Operating expenses	9,986	6,127	54	8,133	4,235	3,944	32,479
Amortisation expense	1,447	2,595	465	539	281	474	5,801
Interest on lease liabilities	-	-	-	-	-	64	64
Income tax expense	-	-	-	-	94	43	137
Non-controlling interest	-	-	462	88	-	(544)	6
Shareholders' net income	8,262	2,351	715	(1,026)	2,294	(1,228)	11,368
Impairment losses recognised in income	-	-	-	-	-	-	-
Assets and liabilities disclosures							
Total assets	1,578,924	146,347	29,881	197,480	228,863	15,661	2,197,156
Fixed asset & intangible expenditures	355	3,230	1,382	1,946	382	(2,220)	5,075
Total liabilities	1,472,496	71,909	784	143,551	176,651	8,921	1,874,312

Notes to Consolidated Financial Statements

For the six months ended 30 June 2019 and 2018 (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 2018 is as follows:

Segments	Health, life, annuity, and pension 2018 \$	Property and casualty 2018 \$	Real estate 2018 \$	Barbados operations 2018 \$	Cayman and other Caribbean operations 2018 \$	Corporate and other 2018 \$	Total 2018 \$
Income earned from external customers	63,095	14,108	1,453	20,003	16,458	(174)	114,943
Investment (loss) income	(6,679)	1,015	-	1,631	(152)	(879)	(5,064)
Total income	56,416	15,123	1,453	21,634	16,306	(1,053)	109,879
Insurance contract benefits and expenses	37,809	3,615	-	9,644	3,841	-	54,909
Commission and acquisition expense	1,353	2,506	-	2,361	8,696	-	14,916
Operating expenses	9,622	5,903	322	7,950	4,251	3,015	31,063
Amortisation expense	1,423	1,625	480	536	337	220	4,621
Income tax expense	-	-	-	383	74	107	564
Non-controlling interest	-	-	453	77	-	138	668
Shareholders' net income	7,152	2,113	698	362	(3,004)	(590)	6,731
Impairment losses recognised in income	(102)	-	-	-	-	1,000	898
Assets and liabilities disclosures							
Total assets	1,455,886	141,168	26,578	219,985	415,507	12,548	2,271,672
Fixed asset & intangible expenditures	982	1,905	14	858	-	35	3,794
Total liabilities	1,361,453	78,966	890	153,056	363,000	6,521	1,963,886

Board of Directors

R. John Wight, FCPA, FCA, CPCU, Group Chairman and Chief Executive Officer
L. Anthony Joaquin, FCA, J.P., Deputy Chairman
Nancy L. Gosling, B.Comm., LL.D., C.G.A.
Christopher Harris, FCAS, CFA, CPCU
Gregory D. Haycock, FCA, J.P.
Gordon J. Henderson, B.A. (Hons.), LL.B.
Catherine S. Lord, B.Sc., J.P.
Paul C. J. Markey
Conor O'Dea, FCA
Richard D. Spurling

Group Executive Committee

R. John Wight, FCPA, FCA, CPCU, Group Chairman and Chief Executive Officer
Abigail Clifford, B.A., M.Sc., Group Chief Operating Officer
Lily Chen, CPA, CA, Group Chief Financial Officer
Andrew Soares, ALMI, ARE, CPCU, Executive Vice President, Life and Health Insurance
Ian G. Campbell, B.Sc. ACA, Executive Vice President, Property and Casualty

Directors and Officers Share Interests

The total shares held by Directors and Officers at 30 June 2019 were 284,517 (30 June 2018 - 363,401).

Head Office

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Subsidiary Companies

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
Insurance Corporation of Barbados Limited (51.2% ownership)
Island Heritage Insurance Company Ltd.
Island Heritage Retirement Trust Company Limited
BF&M Investment Services Limited
BF&M (Canada) Limited
BF&M Properties Limited
Barr's Bay Properties Limited (60% ownership)
Hamilton Reinsurance Company Limited
Scarborough Property Holdings Limited (60% ownership)
Hamilton Financial Limited
BF&M Brokers Limited
Island Heritage Insurance Company N.V.
Lawrence Boulevard Holdings Ltd.



BF&M Life | BF&M General



Island Heritage



ICBL



BF&M Limited

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