



Press Release

Hamilton, Bermuda
6th December, 2012

STARTS

BF&M Announces Earnings of \$13.7 Million for 9 Month Period Ended 30th September 2012

BF&M Limited today announced shareholders' net income for the nine month period ended 30th September 2012 of \$13.7 million, resulting in an annualized return on shareholders' equity of 9.7%. Shareholders' net income for the comparative nine month period of 2011 was \$16.7 million. President & CEO, John Wight stated that "we were pleased with the operating performance of the company against the backdrop of continuing recessionary pressures on our customers in Bermuda and the Caribbean where BF&M operates its businesses. The results for the nine month period include, from 1st April 2012, those of Island Heritage Holdings Ltd.; a leading Cayman based company that writes principally property and casualty insurance in certain Caribbean islands through one of its subsidiary companies. This acquisition of Island Heritage further strengthened BF&M's position as a strong regional insurer in the Caribbean, operating in thirteen countries, with three principal offices in Bermuda, Barbados, and Cayman. There were several non-recurring expenses related to this major acquisition that were recorded in 2012. These one-time expenses combined with lower than expected investment income in the third quarter resulted in earnings for BF&M in 2012 being less than the comparative period in 2011".

Mr. Wight added that "the company's balance sheet continues to be very strong. Equity attributable to shareholders at 30th September, 2012 was \$203.4 million. Assets, including segregated funds, totaled \$1.6 billion of which \$91.5 million was held in cash and short term deposits. Based on the company's strong balance sheet, the Board of Directors will maintain the dividend of 20c per share for shareholders of record at 31st December, 2012."

Year on year comparisons of figures are influenced by the operating results of Island Heritage since being consolidated into BF&M at the start of the second calendar quarter. Gross Premiums Written for the period increased 31% over 2011 to \$247.9 million. Investment income decreased 43% over 2011 to \$20.7 million as a result of a decline in the change in fair value of investments held. Commission and

BF&M Limited

other income increased 79% to \$30.6 million. Short term claim and adjustment expenses decreased 4% to \$16.9 million and life and health policy benefits decreased 5% to \$79.3 million. Operating expenses increased 32% to \$47.8 million, reflecting the acquisition costs of Island Heritage and that company's operating expenses for the period since acquisition included in BF&M's consolidated figures.

A.M. Best recently reaffirmed the financial strength ratings of A (Excellent) for BF&M's two principal operating subsidiaries in Bermuda; BF&M General Insurance Company Limited and BF&M Life Insurance Company Limited. In commenting on the A (Excellent) ratings, A.M. Best cited "BF&M General and BF&M Life's consistent positive net income, steady premium growth, strong capitalization and strong market share. These positive rating factors for BF&M Life and BF&M General are partially offset by these companies' concentrated book of business in the local Bermuda market, limited domestic growth opportunities, margin pressure due to a depressed economy in Bermuda and the exposure of the companies' property and casualty business to catastrophic events". BF&M's two other principal operating businesses, Insurance Corporation of Barbados Limited, and Island Heritage Insurance Company Ltd., are both rated A- (Excellent) by A.M. Best.

ENDS

BACKGROUND

BF&M Limited is the holding company of the BF&M Insurance Group. The principal operating companies within the Group are BF&M Life Insurance Company Limited, BF&M General Insurance Company Limited, Island Heritage Holdings Ltd., and the Insurance Corporation of Barbados Limited, of which BF&M owns a 51.5% share. The group includes several other companies including Bermuda International Insurance Services Limited, Bermuda International Reinsurance Services Limited, Marchmont Insurance Company Limited, BF&M Investment Services Limited, BF&M Properties Limited, (including Scarborough Property Holdings Limited and Barr's Bay Properties Limited), and Hamilton Financial Limited.

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