



## Press Release

Hamilton, Bermuda  
16<sup>th</sup> September, 2014

### STARTS

#### BF&M reports 6 month earnings of \$17.5 million

BF&M Limited today reported shareholders' net income for the six month period ended 30<sup>th</sup> June 2014 of \$17.5 million, resulting in an annualized return on shareholders' equity of 14.5%. Shareholders' net income for the comparative six month period of 2013 was \$10.2 million.

President & CEO John Wight stated that "financial results for the first 6 months of 2014 were good. The core operating earnings in the first six months of 2014 were slightly improved over the corresponding period in 2013, however there were certain anomalies such as one-time gains and the timing of certain revenues that occurred in the first half of the year that will not repeat in the second half. In addition, Life Insurance business is inherently subject to the movement in interest rates, which moved in the company's favor in the first half of the year. This may not be the case in the future.

BF&M has built, through profitable operations, a strong equity base which is important to policyholders, whether to provide for claims to policyholders in advance of the current hurricane season in Bermuda and the Caribbean or to pay life insurance claims decades into the future."

In June we had announced that the Board of Directors approved an increase in the dividend from 20c per share to 22c per share for the July 15<sup>th</sup> payment. This 22c dividend per share will be paid for the October 15<sup>th</sup> dividend payment. This will be welcome news for the 1,300 Bermudian shareholders of BF&M, many of whom depend upon dividends to supplement their incomes or provide for their pensions. This announcement by the Board of Directors reflects the strong balance sheet of the Company and the Company's track record and future plans to deliver sustainable strong financial results."

Mr. Wight added further that "the strategy of being a strong regional direct insurer in the Caribbean continues to benefit the Company through greater diversification and reduced overall risk. A growing percentage of the company's profits now are derived from businesses operating outside of Bermuda.

**BF&M Limited**

In addition, approximately half of profits came from general insurances and half come from other businesses such as life and health insurance, retirement income and investment advisory services, and real estate.

Last week A.M. Best announced that it had affirmed financial strength ratings of A (Excellent) to BF&M's two principal Bermuda based insurance subsidiaries, BF&M General Insurance Company Limited and BF&M Life Insurance Company Limited. There is no insurance company in Bermuda writing domestic insurance business with ratings this strong. A.M. Best cited "BF&M General's favorable underwriting performance, excellent capitalization, and consistent overall profitability". They further cited "BF&M Life's strong level of capital, consistent favorable operating results and sizeable market share in Bermuda".

A.M. Best had recently upgraded the financial strength rating of BF&M Limited's Cayman based company, Island Heritage Insurance Company Ltd. to A (Excellent) and affirmed the financial strength rating A- (Excellent) for BF&M Limited's Barbados based company the Insurance Corporation of Barbados Limited.

Equity attributable to shareholders at 30<sup>th</sup> June 2014 was \$242.4 million. General fund assets totaled \$1.2 billion of which \$97.3 million was held in cash and cash equivalents.

Gross premiums written for the period were \$184.7 million, an increase of 0.3% over 2013. Investment income for Q2 reflected a \$14.0 million increase in the value of investments for the period as interest rates and credit spreads fell in Q1 and Q2 increasing the fair value of the company's extensive fixed income portfolio. Offsetting this was a \$9.9 million increase in the value of policyholder benefits as a result of the company's disciplined asset liability matching policy which limits volatility of reported earnings as a result of interest rate swings in either direction. Commission and other income decreased 2% to \$19.5 million. Short term claims and adjustment expenses decreased by 11% to \$11.9 million and life and health policy benefits increased by 85% to \$63.7 million, reflecting the increase in the value of policyholder benefits mentioned above. Operating expenses increased slightly to \$31.9 million.

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## BACKGROUND

BF&M Limited is the holding company of the BF&M Insurance Group. The two largest operating companies within the Group are BF&M Life Insurance Company Limited, a leading provider of life, health and pensions products, and BF&M General Insurance Company Limited, the leading general insurer providing all forms of property, casualty, motor and marine products. 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), Hamilton Financial Limited, Island Heritage Holdings Limited, and a 51.4% interest in the Insurance Corporation of Barbados Limited.

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