



BF&M
LIMITED

SIX MONTH REPORT TO 30TH JUNE 2011

2011 Highlights

For the 6 months ended 30th June 2011



	2011	2010	% Change
Gross Premiums Written	\$130,598,712	\$122,738,960	6.4%
Net Earnings	\$11,352,382	\$10,707,811	6.0%
Cash Dividends	\$3,349,136	\$3,345,456	0.1%
Net Earnings per Share	\$1.36	\$1.28	6.3%
Cash Dividends per Share	\$0.40	\$0.40	0.0%
Return on Assets	2.71%	2.77%	0.1%
Return on Shareholders' Equity	12.28%	12.11%	0.2%

We are pleased to present the unaudited financial statements for BF&M Limited for the half year to 30th June 2011. Consolidated net earnings for the first six months were \$11,352,382. Earnings for the comparable period in 2010 were \$10,707,811. These 2011 results represent a 12% return on equity for shareholders. At 30th June 2011 assets totaled \$838,227,605 and shareholders' equity \$175,283,499. Based on this strong financial performance, the Board of Directors declared and maintained the dividend of 20c per share for shareholders of record at 30th September 2011.

Rating agency A.M. Best maintained their Financial Strength Rating "A" (Excellent) for BF&M's two principal operating companies BF&M Life Insurance Company Limited ("BF&M Life") and BF&M General Insurance Company Limited ("BF&M General"). A.M. Best's rating system is designed to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. Their opinions are derived from an evaluation of a company's balance sheet strength, operating performance and business profile. A. M. Best's "A" (Excellent) rating rationale cited "the organization's consistently positive net income, steady premium growth, and strong capitalization". These "A" (Excellent) ratings for BF&M Life and BF&M General are the strongest of any local insurer in the Bermuda marketplace.

There has been one management promotion since those disclosed in our 2010 Annual Report. Lorenzo Ratteray was promoted to the position of Assistant Vice President Claims, BF&M General. Lorenzo is a well qualified Bermudian who recently completed his Chartered Property Casualty Underwriting designation. He is a terrific role model for our younger employees, and a valued member of our team.

We are looking forward with great anticipation to our sponsorship and involvement in October's Breast Cancer Awareness month and in particular the Fun Walk to raise funds for this very meaningful cause. It is especially important at this time that as a company we do everything possible to support those organizations in Bermuda who do such great work assisting others in our community less fortunate than us. BF&M's partnership with the Bermuda Cancer & Health organization is one such relationship. It is very meaningful to all of us in the company and we encourage all of you to support and participate in the upcoming walk scheduled for 12th October.

On behalf of all of us at BF&M, thank you for your continued support.



R. John Wight, C.A., CPCU
President & Chief Executive Officer

Consolidated Balance Sheet

AS AT 30th JUNE 2011 (*unaudited*)



	30th Jun 2011	31st Dec 2010	1st Jan 2010
	\$,000	\$,000	\$,000
ASSETS			
Cash and cash equivalents	67,191	74,329	58,253
Tax recoverable	2,095	2,192	1,017
Reinsurers share of insurance liabilities			
Claims provisions	18,672	19,400	18,135
Unearned premiums	23,892	18,859	17,515
Insurance balances receivable	43,051	37,321	29,871
Provision for participating policy benefits	659	-	64
Accounts receivable and other	21,504	14,401	18,445
Deferred acquisition costs	3,057	1,968	1,791
Pension benefit asset	964	964	812
Segregated fund assets	286,770	265,641	242,552
Investments	288,524	273,610	264,349
Investment Property	41,414	41,766	40,702
Property, plant, and equipment	15,007	14,624	14,271
Intangible assets	25,428	25,366	21,078
	838,228	790,441	728,856
LIABILITIES			
Insurance liabilities			
Provision for claims and adjustment expenses	68,563	67,730	66,862
Provision for future policy benefits	140,835	137,469	120,819
Claims payable	6,302	7,033	2,595
Unearned premiums	47,995	41,027	40,028
Provision for participating policy benefits	-	62	-
Segregated funds - insurance contracts	24,099	22,816	8,950
Segregated funds - investment contracts	262,671	242,825	233,602
Insurance balances payable	19,689	15,762	6,637
Deferred commission income	7,331	5,585	5,322
Accounts payable and other	18,578	15,421	21,372
Loans payable	4,051	4,379	5,000
Pension and other post employment benefit obligations	20,936	20,936	20,556
Deferred tax liability	351	351	366
	621,400	581,396	532,109
EQUITY			
Share capital	8,375	8,370	8,340
Contributed surplus	1,482	1,482	1,410
Share premium	57,039	57,032	56,693
Accumulated other comprehensive income	(1,309)	(1,281)	(1,337)
Retained earnings	109,696	101,693	90,881
Equity attributable to owners	175,283	167,297	155,987
Non-controlling interest	41,544	41,748	40,760
Total equity	216,828	209,045	196,747
Total equity and liabilities	838,228	790,441	728,856

Consolidated Statement of Earnings

FOR THE 6 MONTHS ENDED 30th JUNE 2011 (*unaudited*)



	30th Jun 2011 \$,000	30th Jun 2010 \$,000
INCOME		
Gross premiums written	130,599	122,739
Reinsurance ceded	(45,119)	(35,818)
Net premiums written	85,480	86,921
Net change in unearned premiums	(1,935)	(1,364)
Net premiums earned	83,545	85,557
Investment income	8,997	8,709
Change in fair value of investments	2,433	5,743
Commissions and other income	11,444	10,652
Rental income	2,200	1,778
	108,619	112,439
EXPENSES		
Claims and adjustment expenses	10,851	12,941
Policy benefits	51,302	59,343
Paid or credited to policyholder accounts	544	215
Participating policyholders' net (income) loss	(699)	179
Commission expense	4,709	4,562
Operating	25,540	21,075
Amortization	2,625	1,878
Interest on loans	90	92
	94,961	100,285
EARNINGS BEFORE INCOME TAXES	13,657	12,154
Income taxes	509	322
NET EARNINGS FOR THE PERIOD	13,148	11,832
Non-controlling interests	(1,796)	(1,124)
SHAREHOLDERS' NET EARNINGS	11,352	10,708
Earnings Per Share:		
Basic	\$1.36	\$1.28
Fully diluted	\$1.35	\$1.28

Consolidated Statement of Comprehensive Income

FOR THE 6 MONTHS ENDED 30th JUNE 2011 (*unaudited*)

Net Income	13,148	11,832
Other comprehensive loss		
Change in unrealized loss on assets held as available for sale	(63)	(255)
Unrealized foreign exchange gain on translation of foreign operations	4	-
Comprehensive income	13,089	11,578
Comprehensive income attributable to:		
Shareholders	11,324	10,576
Non-controlling interests	1,765	1,001
	13,089	11,578

Consolidated Statement of Changes in Equity

FOR THE 6 MONTHS ENDED 30th JUNE 2011 and 2010 (unaudited)



	Attributable to shareholders							Total equity \$,000
	Share capital \$,000	Contributed Surplus \$,000	Share Premium \$,000	Accumulated other comprehensive income \$,000	Retained earnings \$,000	Shareholders' equity \$,000	Non-controlling interest \$,000	
Balance - 1 January 2011	8,370	1,482	57,032	(1,281)	101,693	167,297	41,748	209,045
Comprehensive income for the period								
Net income for the period					11,352	11,352	1,796	13,148
Other comprehensive income								
Unrealized loss on assets held as available for sale				(33)		(33)	(31)	(63)
Unrealized foreign exchange gain (loss) on translation of foreign operations				4		4		4
Total comprehensive income for the period	-	-	-	(29)	11,352	11,324	1,765	13,089
Transactions with shareholders								
Shares issued under employee share purchase plan	8		70			78		78
Stock grants issued under equity incentive plan						-		-
Stock options forfeited under equity incentive plan	(4)		(63)			(66)		(66)
Cash dividends					(3,349)	(3,349)	(1,969)	(5,318)
Total transactions with shareholders	5	-	7	-	(3,349)	(3,337)	(1,969)	(5,306)
Balance - 30 June 2011	8,375	1,482	57,039	(1,309)	109,696	175,283	41,544	216,828
Balance - 1 January 2010	8,340	1,410	56,693	(1,337)	90,881	155,987	40,760	196,747
Comprehensive income for the period								
Net income for the period					10,708	10,708	1,124	11,832
Other comprehensive income								
Unrealized loss on assets held as available for sale				(131)		(131)	(263)	(525)
Total comprehensive income for the period	-	-	-	(131)	10,708	10,576	1,001	11,578
Transactions with shareholders								
Shares issued under employee share purchase plan	10		116			126		126
Stock grants issued under equity incentive plan	24	46	310			380		380
Stock options forfeited under equity incentive plan	(6)		(114)			(120)		(120)
Cash dividends					(3,345)	(3,345)		(3,345)
Total transactions with shareholders	28	46	312	-	(3,345)	(2,959)	-	(2,959)
Balance - 30 June 2010	8,368	1,456	57,006	(1,468)	98,243	163,604	41,761	205,365

Consolidated Statement of Cash Flows

FOR THE 6 MONTHS ENDED 30th JUNE 2011 (*unaudited*)



	30th Jun 2011	30th Jun 2010
	\$,000	\$,000
Cash flows from operating activities:		
Profit before tax	13,657	12,154
Adjustments for:		
Interest on loans	90	92
Investment income	(8,997)	(8,709)
Amortization of property, plant and equipment	1,558	1,277
Amortization of intangible assets	1,067	601
Compensation expense related to shares and options	474	444
Realized loss on available for sale assets	3	-
Unrealized gain on held for trading assets	(2,389)	(5,743)
Provision for losses on investments	272	-
Changes in assets and liabilities:		
Insurance balances receivable	(5,730)	(8,901)
Deferred acquisition costs	(1,089)	(132)
Reinsurers' share of:		
Claims provisions	729	588
Unearned premiums	(5,033)	(4,069)
Accounts receivable and other	(7,103)	(3,907)
Provision for claims and adjustment expenses	833	2,124
Provision for future policy benefits	3,366	11,187
Provision for participating policy benefits	(721)	179
Claims payable	(731)	708
Insurance balances payable	3,926	4,122
Unearned premiums	6,968	5,434
Deferred commission income	1,745	1,065
Accounts payable and other	3,155	(2,980)
Cash generated from operations	6,050	5,535
Interest paid	(89)	(95)
Income taxes paid	(414)	(1,457)
Interest received	8,711	8,491
Dividends received	285	218
Net cash generated by operating activities	14,545	12,692
Cash flows from investing activities:		
Purchase of investments	(175,730)	(83,723)
Proceeds from sales of investments	162,361	76,491
Acquisition of property, plant and equipment	(1,588)	(311)
Acquisition of intangible assets	(1,129)	(3,815)
Net cash used in investing activities	(16,086)	(11,357)
Cash flows from financing activities:		
Cash dividends paid	(3,349)	(3,340)
Loans repaid	(332)	(310)
Cash dividends paid to non-controlling interest	(1,969)	(1,039)
Proceeds on issue of common shares	54	39
Net cash used in financing activities	(5,596)	(4,651)
Decrease in cash and short-term deposits	(7,138)	(3,315)
Cash and short-term deposits - beginning of period	74,329	58,253
Cash and short-term deposits - end of period	67,191	54,937

Notes to Consolidated Financial Statements

FOR THE 6 MONTHS ENDED 30th JUNE 2011 (*unaudited*)



1. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. In 2010, the Canadian Institute of Chartered Accountants Handbook was revised to incorporate International Financial Reporting Standards [IFRS], and require publicly accountable enterprises to apply such standards effective for years beginning on or after 1st January, 2011. Accordingly, the company has commenced reporting on this basis. These unaudited interim consolidated financial statements should be read in conjunction with the 31st December 2010 audited annual consolidated financial statements.

2. Transition to International Financial Reporting Standards

The effect of the company's transition to IFRS will be presented in the annual consolidated financial statements for the year ending 31st December 2011.

These condensed consolidated 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.

3. Segmented Information

The tables that follow present the segments of the business based on internal management reporting. The operating segments are as follows:

a) Health, Life, Annuity and Pension

Insurance coverage includes group and individual health and accident, life, disability, annuity and pension business.

b) Property and Casualty

Insurance coverage includes personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal motorcycle, workmen's compensation and commercial vehicles.

c) Real Estate

The Company currently owns and occupies one building and is a majority owner in two buildings that are leased principally to non-related parties.

d) Barbados Operations

Insurance coverage includes motor, property, marine, miscellaneous accident, group health, group life, and pension business.

Notes to Consolidated Financial Statements

FOR THE 6 MONTHS ENDED 30th JUNE 2011 (*unaudited*)



e) Industry Segments

	Health, life, annuity and pension	Property and casualty	Real estate	Barbados operations	Corporate and other	Total
	2011	2011	2011	2011	2011	2011
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Income earned from external customers	69,545	16,578	1,591	20,132	773	108,619
Intersegment income	555	284	537	52	2,049	3,479
Segment amortization	828	641	405	698	53	2,625
Segment interest expense	-	-	90	-	-	90
Segment income tax expense	-	-	-	447	62	509
Segment earnings	5,435	5,403	1,313	2,398	(1,401)	13,148
Segment assets	528,649	132,844	28,432	191,501	35,214	916,639
Segment property, plant and equipment expenditures	1,233	1,141	78	264	43	2,759

	Health, life, annuity and pension	Property and casualty	Real estate	Barbados operations	Corporate and other	Total
	2010	2010	2010	2010	2010	2010
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Income earned from external customers	73,618	15,947	1,018	21,055	801	112,439
Intersegment income	251	102	780	-	1,600	2,733
Segment amortization	641	91	381	712	53	1,878
Segment interest expense	-	-	92	-	-	92
Segment income tax expense	-	-	-	293	29	322
Segment earnings	3,204	6,700	956	1,290	(317)	11,833
Segment assets	473,045	121,710	29,005	194,610	33,279	851,649
Segment property, plant and equipment expenditures	1,917	1,853	75	286	-	4,131

Figures included in the "corporate and other" column above represent the combined operations of two holding companies, a management company, a financial reinsurance company, and an investment management company.

Notes to Consolidated Financial Statements

FOR THE 6 MONTHS ENDED 30th JUNE 2011 (*unaudited*)



Reconciliation of segment income to total income, segment earnings to total earnings, and segment assets to total assets are listed below:

	30th Jun 2011	30th Jun 2010
	\$,000	\$,000
Income		
Total income for reportable segments	109,275	112,771
Other income	2,822	2,401
Elimination of intersegment income	(3,479)	(2,733)
Total company income	108,619	112,439
Earnings		
Total earnings for reportable segments	14,549	12,150
Other profit	(1,401)	(317)
Total company earnings	13,148	11,833
Assets		
Total assets for reportable segments	881,425	818,370
Other assets	35,214	33,279
Elimination of intersegment assets	(78,412)	(77,476)
Total company assets	838,228	774,173

4. Comparative Figures

Certain of the comparative figures have been restated to reflect the financial statement presentation adopted for the current period.

Board of Directors

Gavin R. Arton

Chairman

L. Anthony Joaquin, FCA

Deputy Chairman

Peter N. Cooper

Nancy L. Gosling, B.Com., C.G.A.

Gregory D. Haycock, FCA, JP

Stephen W. Kempe

Catherine S. Lord, B.Sc., JP

Garry A. Madeiros FCA, JP

S. Caesar "Sy" Raboy, CLU

Aaron Smith, B.Sc.(Hon), M.B.A.

Richard D. Spurling

C.L.F. "Lee" Watchorn, FCIA, FSA

David A. J. G. White

R. John Wight, C.A., CPCU

Group Executive

R. John Wight, C.A., CPCU

President & Chief Executive Officer

Susan Reed, B.A., CLU, FLMI

Chief Operating Officer

Janet Carew, C.A.

Chief Financial Officer

Glen P. Gibbons, B.A., A.C.I.I.,

Chartered Insurer

Senior Vice President

BF&M General Insurance Company Limited

Goulbourne Alleyne, FCI, MBA,

Vice President, Underwriting & Claims

BF&M General Insurance Company Limited

Gina A. Bradshaw, F.L.M.I.

Vice President

BF&M Life Insurance Company Limited

Miguel DaPonte, C.F.A., M.B.A.

Vice President

BF&M Investment Services Limited

Lynda A. Davidson Leader, B.A, C.A.

Vice President, Corporate Services

Robert Jackson, CFP, CLU, C.H.F.C.

Vice President, Sales & Client Relations

BF&M Life Insurance Company Limited

Holly Flook, RN, BSN

Vice President, Underwriting & Claims

BF&M Life Insurance Company Limited

Debby L. Graham, P.H.R.

Vice President, Human Resources

Michael Lima

General Manager

Bermuda International Insurance Services Limited

Paul Matthews, B.A., PMP

Vice President, Information Technology

Dennis Marinac, FSA, FCIA

Vice President & Life Actuary

BF&M Life Insurance Company Limited

Patrick Neal, BA, AU, CPCU

Vice President, Bancassurance

Alyson L. Nicol, C.A., C.P.A.

Vice President, Pensions

BF&M Life Insurance Company Limited

Henry Sutton, CPCU, ARE

Vice President, Customer Relations

BF&M General Insurance Company Limited

Michelle Webbe, C.A.

Vice President & Group Controller

DIRECTORS & OFFICERS SHARE INTERESTS

The total shares held by Directors and Officers at 30th June 2011 were 259,683.

SHARE OPTION PLAN

As at 30th June 2011 the total number of share options which can be exercised up to 31st December 2017 were 179,512, at exercise prices ranging from \$6.76 to \$22.00.



Head Office

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Subsidiary Companies

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
BF&M(Canada) Limited
BF&M Properties Limited
Bermuda International Reinsurance Services Limited
Bermuda International Insurance Services Limited
Marchmont Insurance Company Limited
BF&M Investment Services Limited
Hamilton Reinsurance Company Limited
Insurance Corporation of Barbados Limited(51.6% ownership)
Scarborough Property Holdings Limited(60% ownership)
Barr's Bay Properties Limited(60% ownership)
Hamilton Financial Limited

All subsidiaries should be contacted through our Head Office address.



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