WISE FINANCIAL THINKING FOR LIFE

Annual Report and Accounts 2007

Sagicor

Wise Financial Thinking for Life

Over the last 168 years, we at Sagicor are proud that we have shared with generations of people the wisdom we have gained to help them make prudent decisions to achieve their goals in life .


"KNOWLEDGE IS OF THE PAST,
WISDOM IS OF THE FUTURE."

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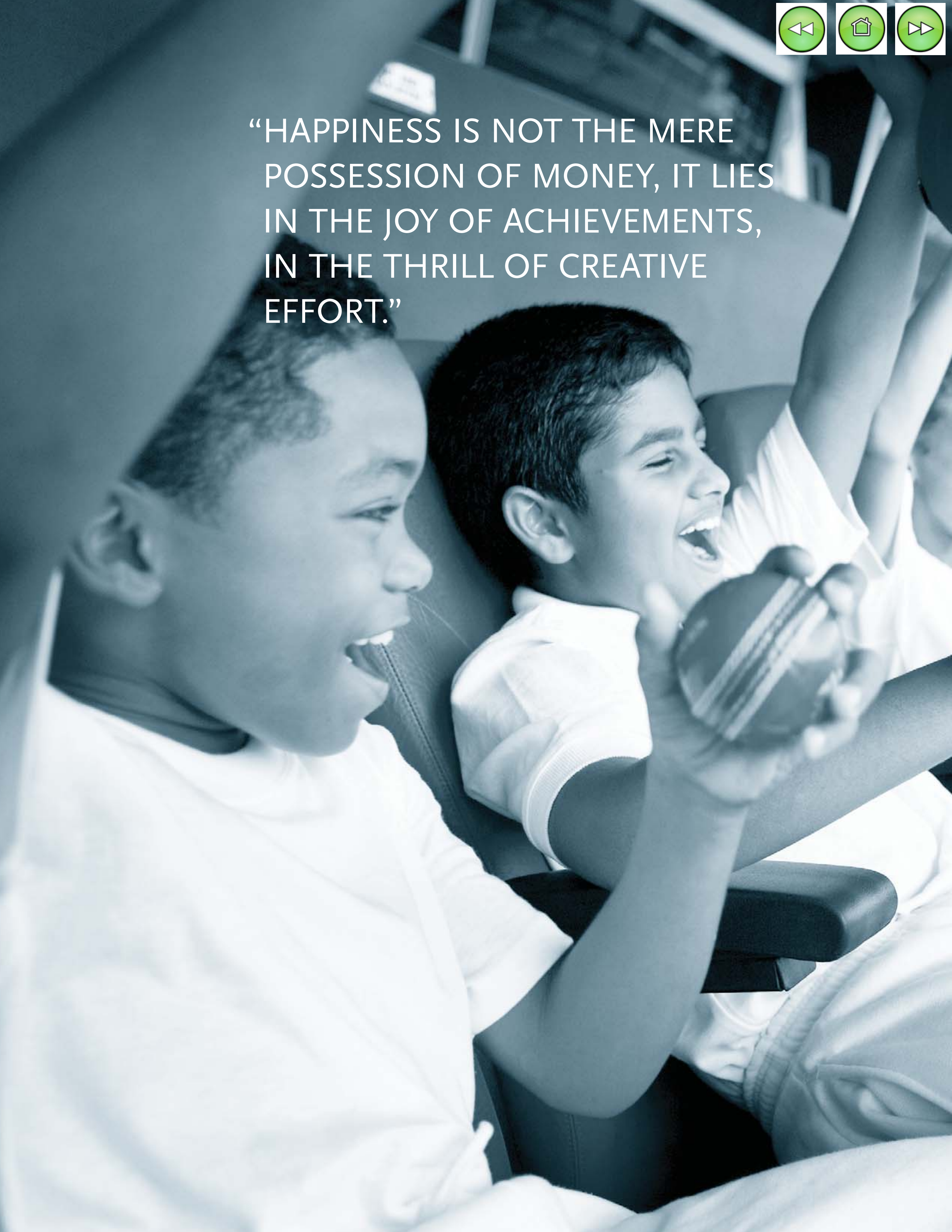


"HAPPINESS IS NOT THE MERE POSSESSION OF MONEY, IT LIES IN THE JOY OF ACHIEVEMENTS, IN THE THRILL OF CREATIVE EFFORT."


"MAKING MONEY IS EASY.
KEEPING IT IS THE HARD PART."

01 Overview

Sagicor is synonymous with world-class financial services. Our vision is "To be a great company committed to improving the lives of the people in the communities in which we operate."

With a proud history dating back to 1840, Sagicor is a dynamic, indigenous Group which has been redefining financial services in the Caribbean, building a strong base, from which it has expanded into the international financial services market. Sagicor now operates in 22 countries in the Caribbean, Latin America, the UK and the US.

In 2002, after 162 years as the Barbados Mutual Life Assurance Society, the company demutualised with the overwhelming support of its policyholders and Sagicor Financial Corporation was formed as a publicly listed holding company. Sagicor, the new company name, means "wise judgment" and reflects a new vision for financial advice and services. For over 167 years, we have worked to help families by providing the assurance and peace of mind needed, especially during their most challenging times. This will never change.

Our name and identity draw on the strength, stability and financial prudence that are our heritage, but this identity also represents the freedom that wise financial thinking can bring to our Customers throughout their lives. Through a wide range of financial products and services, Sagicor offers "wise judgment" throughout the entire life cycle - whether it is the purchase of a new home, planning a child's future and higher education, retirement, or simply providing security for loved ones. Sagicor will meet financial needs now and for the future.

Sagicor has developed an incomparable reputation because of its financial stability. That solid reputation is based on the Company's excellent financial performance and financial prudence over the years. Our insurance subsidiaries, Sagicor Life Inc, Sagicor Capital Life and Life of Jamaica, are consistently rated "A" (Excellent) by A.M Best and Company and Sagicor Life Inc, has a financial strength rating of BBB+ from Standard and Poor's. Our new US subsidiary, Sagicor Life Insurance Company is rated "A-" (Excellent) by A.M Best.

Sagicor's objective is to create a leading international financial services group which provides world class products and services to Customers, while generating excellent returns for Shareholders.

The Company's strategy to achieve this objective is to:

- Streamline new and existing operations to improve efficiency and deliver value to Customers;
- Expand and develop products to offer a wider range of financial products and services;
- Expand internationally and in the Caribbean and
- Optimise the use of capital to maximise Shareholder returns.

"TO ACCOMPLISH GREAT THINGS, WE MUST NOT ONLY ACT, BUT ALSO DREAM, NOT ONLY PLAN, BUT ALSO BELIEVE."


"OPPORTUNITIES MULTIPLY
AS THEY ARE SEIZED."

02 Directors' Report

TERRENCE A. MARTINS
Chairman

CHAIRMAN'S STATEMENT
YEAR END RESULTS TO DECEMBER 31, 2007

I am delighted to report to you for the first time as Chairman of the Sagicor Group of Companies. The Group recorded yet another period of solid performance for the financial year 2007. Net Income for the year was US$108.7 million, compared with US$86.6 million for the previous year. Total assets of the Group amounted to US$3.6 billion, while shareholders' capital reached US$455.2 million. The Board accordingly approved a final dividend of BDS 8 cents (US 4 cents) for a total dividend for the year of BDS 14 cents (US 7 cents). The share price as quoted on the Barbados Stock Exchange ended the year at BDS $5.20 (US$2.60) increasing from BDS $ 4.13 (US$2.065) at the start of the year. This amounted to an appreciation of approximately 25.9% for the year, for a total return to shareholders of 29.3%.

During 2007, the Group continued to implement its strategic vision by expanding into new geographies and new product lines. In this regard, on September 1, 2007, Sagicor acquired a managing agency of a Lloyd's syndicate, now re-branded to Sagicor at Lloyd's, and its associated capital and services providers, and immediately followed this with an acquisition of a distribution network which supports the Sagicor at Lloyd's business. The acquisition of Sagicor at Lloyds will allow the Sagicor Group to further diversify its range of products and services, and will also provide additional geographic diversification.

On February 14, 2007, Sagicor became the first Caribbean company to have its shares admitted to trading on the main market of the London Stock Exchange. This is a significant milestone in our journey to become an international financial services group. The listing on the London Stock Exchange will enhance our ability to access capital when required.

Through the implementation of our vision to expand, grow and diversify, first in our Caribbean home markets and then internationally, it is to be noted that the Sagicor Group has doubled its size approximately every five years for the last fifteen years.

We have moved from a single line, single company operation to a Group with multiple lines of business, operating in 22 countries in the Caribbean, and in Latin America, the UK and the US. As expected, this has increased the complexity of our operations requiring an effective and proactive response from the Board and Management.

In recognition, during 2007 a new and enhanced governance architecture was implemented reflecting best practice. Policies and measures to identify the principal risks to our various operations are an important oversight responsibility of the Board, which requires continuous attention as we seek to ensure that our business initiatives and plans are prudent, properly aligned with our risk profile, and create sustainable shareholder value.

We hold the view that a primary responsibility of the Board of Directors is to create an environment for management which builds trust and demands integrity in all facets of our enterprise. In this regard, we are committed to the provision of sound and timely advice to management in a manner which consistently facilitates the attainment of our shared strategic and development goals.

We will continue to focus on the fundamentals of efficiency, cost containment and the acquisition of quality assets within a framework of adherence to our Corporate Governance principles and the imperative of value creation for our Customers and Shareholders.

My predecessor, Mr. Arthur Bethell, retired as Chairman and Director of Sagicor Financial Corporation after our Annual Meeting on June 26, 2007. Mr. Bethell has served the Sagicor Group with distinction for more than 40 years as an Agent, Executive, President and Chairman. On behalf of the Board, Management and Staff, we thank him for his many years of service and wish him a healthy and happy retirement. Dr Jeannine Comma was appointed to fill the vacancy created by Mr. Bethell's retirement. Dr Comma is Chief Executive Officer and Director of the Cave Hill School of Business at the University of the West Indies. She is a Director of our principal operating subsidiary Sagicor Life Inc, and brings a wealth of experience and expertise in the area of human resource management. We welcome her to the Board of Sagicor Financial Corporation. Mr David Allan will retire at the end of the fifth Annual Meeting. He has made an outstanding contribution to the Group for over 50 years, having begun his career at Sagicor, then The Mutual, in 1956. He has served, with equal distinction, in several capacities, including Agent, Agency Manager, General Manager and President. The Board, Management and Staff thank him sincerely for his pivotal role in the development of Sagicor over the last half century and wish him well in his retirement.

The Sagicor Group continues to enjoy strong industry and financial ratings. Our insurance subsidiaries, Sagicor Life Inc, Sagicor Capital Life and Life of Jamaica, are consistently rated "A" (Excellent) by A.M Best and Company. Our new US subsidiary, Sagicor Life Insurance Company was recently upgraded to "A-" (Excellent). Our principal operating subsidiary, Sagicor Life Inc, enjoys a BBB+ financial strength rating from Standard and Poor's.

I wish to thank my fellow Directors, Management and Staff for their contribution to the 2007 results, and especially to thank our Customers and Shareholders who continue to place confidence in the Sagicor Group.

TERRENCE A. MARTINS
Chairman

DODRIDGE D. MILLER
President and Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REPORT

In 2007, the Sagicor Group continued to execute on a business strategy which is designed to transform the Group from a domestic Caribbean insurance entity to an international financial services Group. We consequently recorded another profitable and successful year as we continue to build on an already sound financial footing.

Key components of the strategy include:
1. Continuing to extract cost synergies and efficiencies from existing and acquired operations;
2. Expanding on the portfolio of products and services to become a fully integrated financial institution;
3. Expanding into new markets that offer attractive valuations and sustainable opportunities for growth; and
4. Optimising the use of capital to maximise Shareholder returns.

The careful execution of this strategy has produced very strong results for the Group over the last fifteen years and we believe that this strategic platform remains the best fit for the Group at this time.

Performance Review*

All of our main operating companies, except for Sagicor USA and Sagicor General, met or exceeded performance expectations.

Life of Jamaica Group:

In Jamaica, the Life of Jamaica Group, exceeded performance expectations for the financial year 2007. The Group comprises Life of Jamaica Limited (LOJ), our insurance subsidiary, and Pan Caribbean Financial Services Limited, (PCFS), our banking and asset management subsidiary. LOJ, which is the dominant insurance company in Jamaica with more than 50% market share in all lines of business, recorded net profit for the year of US $49.8 million, of which US $43.0 million was attributable to LOJ Shareholders. All lines of business enjoyed increased growth with Individual Life recording increase in revenue of 17% while Employee Benefits enjoyed a growth of 10%. Funds under Management also experienced solid growth of 10% for the year moving from US $2.1 billion to US $2.3 billion. The banking and asset management division, through PCFS, also experienced increased revenue, growing to US $37.3 million, a growth of 13% over 2006. Net income of PCFS grew by 4% to US $17.6 million in 2007.

*This review is based on the respective subsidiaries' financial statements. Consequently, these cannot be referenced to the Group's audited financial statements.

Sagicor Life Inc:

Sagicor Life Inc is our Barbados based insurance subsidiary. It is the most geographically diverse of our insurance subsidiaries, and owns and operates branches or companies in 19 of the 22 countries in which the Group operates. Sagicor Life also produced a solid financial performance during 2007. Overall revenue grew by 15% when compared to last year. Net Profit for the year was US $36.3 million, compared to US $37.8 million for the same period last year. Sagicor Life enjoys strong market share in most of the territories in which it operates. Funds under Management grew by 7% to reach US $1.5 billion.

Sagicor USA:

In the case of Sagicor USA, longer than anticipated product approvals in the 44 States and the District of Columbia, and a slower build-out of our distribution network, adversely impacted our revenue targets for 2007. However, the net loss for the year at US $1.5 million was significantly lower than the projected loss for the year at US $3.5 million. Revenues for the last quarter of 2007 and the first quarter of 2008 are in line with expectation. During the first quarter of 2008, A.M. Best & Company upgraded the financial strength rating from B++ (Good) to “A-“ (Excellent). This has had a positive impact on both sales and the quality of distribution which we are now able to attract.

Sagicor General:

Sagicor General is our Caribbean Property & Casualty insurance subsidiary. In 2006, it expanded its operations in Trinidad & Tobago and experienced exceptional growth in that market in 2006 and 2007. This rapid growth proved burdensome for the size of the initial operations in that country, and as a result the Company’s overall performance suffered and fell short of expectations. Management has strengthened the operations and addressed the deficiencies, and this subsidiary is now expected to meet or exceed expectations during the current financial year.

Significant Milestones

London Stock Exchange Listing:

In November of 2006, Sagicor Shareholders removed all constrained share ownership provisions in the Company’s Articles, thereby clearing the way for Sagicor to list on the London Stock Exchange (LSE).

Sagicor applied to the Financial Services Authority for all Sagicor Common Shares to be admitted to the Official List, and to trading on the market for listed securities of the London Stock Exchange. In February 2007, all of the Common Shares were admitted to trading on the main market of the LSE.

Sagicor’s listing is a major achievement for the Group. A presence in the international capital markets is an integral part of our business strategy. More importantly, the listing was a significant milestone, not just for our Company, but the Caribbean, since it is the first company from the region to have its shares admitted to trading on the main market of the LSE.

Sagicor at Lloyd’s:

In the latter part of 2007, the Group acquired Sagicor at Lloyd’s Limited, the managing agency of Lloyd’s Syndicate 1206, and its associated capital and service providers. The Group also purchased Byrne and Stacey Underwriting Limited (BSU), a marketing agency in the Lloyd’s market. These were our first acquisitions in Europe since obtaining a secondary listing on the LSE and extended our operating base to the important London market. They provide a platform for the Group to expand its operations into new geographies and markets, and is in furtherance of its business strategy to diversify earnings by risk and currency. The syndicate is part of the Lloyd’s of London franchise, a specialist insurance market consisting of independent syndicates. The key features of the market are that risks are accepted in syndicates with members having several but not joint liability. Syndicate 1206, now known as Sagicor at Lloyd’s, writes property and casualty business. The Management and Staff of Sagicor at Lloyd’s and BSU have many years’ experience in the London Market and we have no doubt that through these acquisitions we will be able to spearhead the development of the Group as a competitive financial institution in the European market place.

In accordance with International Financial Reporting Standards (IFRS), the Group recorded a gain on this acquisition of US $26.4 million, of which US $23.7 million is attributable to Shareholders’ interests.

Allnation:

During the year, Management disposed of its international health company Sagicor Allnation. Allnation specialised in the provision of Individual and Group Health coverage to international groups and clients, including Third Country Nationals. As Sagicor has continued to expand its base of operations, this line of business often overlapped with our domestic markets and accordingly became less strategic to the Group.

Barbados Farms:

In January 2008, Sagicor acquired a controlling interest in Barbados Farms Limited, the principal business of which is the operation of sugar cane plantations, the cultivation of various other crops and the development of non-productive land. The acquisition permits the Group to participate in an important economic activity in Barbados, and also facilitates the orderly transition of non-productive lands into their next viable alternative, whereby lands not suitable for agriculture will be transitioned in an orderly manner to their next best use, including residential developments.

Management:

During the year, as part of a general restructuring, the Group established a Group Executive Committee to oversee the effective management of the Group across all geographies and lines of business. Specifically, the purpose of the Committee is to assist the Group CEO in the development and implementation of strategy, operational plans and policies; monitoring operating and financial performance; assessment and control of risk; prioritisation and allocation of resources; and monitoring competitive and environmental forces.

This Committee, called EXCOM, comprises the President & CEO of the Group, the CEOs of the main operating subsidiaries, the Chief Financial Officer, Chief Risk Officer, General Counsel and Secretary, Group Chief Internal Auditor and the Vice President, Corporate Communications. EXCOM meets on a monthly basis.

Human Resources

As an employer, Sagicor is committed to providing the highest quality of work life and the opportunity for personal and professional development of all its Staff in the countries in which we operate. To this end, we have engaged the services of the Human Resource Development section of Ernst & Young, Atlanta, USA, to assist us with implementing Human Resources Best Practice across the Group.

During the past year, the Sagicor Group continued to pursue a series of initiatives aimed at optimising the development of key business skills, and attracting and retaining the best talent in the Group. By the end of 2007, we had undertaken several initiatives.

A comprehensive pay for performance programme was implemented for Management and Staff, using the Balanced Score Card methodology. This methodology was first introduced in 2005, for the administration of the Executive Long Term Incentive Programme and the Employee Stock Option Programme. It is now being used to determine the performance of employees at all levels in the Group.

Ernst & Young is in the process of completing a comprehensive succession plan which identifies the key positions vital for the sustainability of our success and a development matrix for potential leaders. In this regard, we have begun a robust programme of training and development. The aim of the programme is to ensure an executive team with not only the technical abilities specific to their disciplines, but with the critical skills and abilities necessary in a global environment. The Wharton School of Business and the Cave Hill School of Business of the University of the West Indies have been identified as two of the institutions to provide such training.

Both Life of Jamaica (LOJ) and Sagicor Life Inc continue to focus on the strategic issues of employee engagement and have completed, with the assistance of LOMA, surveys to determine the level of employee morale. This first-year survey data will be the benchmark from which the companies will develop initiatives for improvements and Staff development during the coming year.

We continued to sponsor industry training for all Staff through LOMA, with increasing numbers of Staff completing the LOMA and AHIP designations. We also introduced an eLearning programme. Group companies facilitated a number of workshops in Customer Service, Customer Retention Strategies, and Health and Safety for our Managers and Supervisors through the Cave Hill School of Business in Barbados and the Leadership Management Institute in Trinidad and Tobago.

A new Corporate Induction Programme was launched to ensure that all new members of the Sagicor team have a common understanding of our Corporate Goals, Values, Code of Ethics, Performance Expectations and HR Policies and Procedures.

Other employee initiatives in 2007 included a series of lunch-time learning sessions, which were introduced to assist our employees to recognise the importance of a balanced work life, and to improve the management of health and wellness. In keeping with our mission to provide "Wise Financial Thinking for Life", we also facilitated a series of workshops on retirement planning.

Life of Jamaica continued its commitment to provide an enriched after-school facility for children of employees. In addition, 55 children of employees at primary and secondary schools were awarded scholarships. Similar programmes will be introduced across the Group in 2008.

Conclusion

The outlook for the global economy for 2008 is one of lower or negative growth. The fallout of the credit crisis and the almost certain recession in the US economy will present its challenges across the global financial landscape. We, at Sagicor, enjoy strong market share in most of our operations, a geographically diversified portfolio of businesses, and a strong well-capitalised balance sheet with quality assets. We are confident of our future and remain optimistic about our performance for 2008.

I wish to thank the Board of Directors, Management and Staff for their continued support over the past year.

DODRIDGE D. MILLER
President and Chief Executive Officer

OPERATING AND FINANCIAL REVIEW

Introduction

The Group produced strong results in 2007. Net income reached US $108.7 million, an increase of US $22.1 million or 25.5% over 2006.

The net income allocated to Shareholders was US $86.3 million, producing a 22.1% return on Shareholders' equity, and earnings per share of US 32.3 cents. Comparable amounts for 2006 were US $67.7 million, 19.0% and US 25.4 cents respectively.

The main highlight of the year has been the acquisition, effective September 1, 2007, of the corporate entity participating in Lloyd's of London insurance syndicate 1206. The acquisition resulted in a gain of US $26.4 million, of which US $23.7 million is allocable to Shareholders. This gain has been computed in accordance with International Financial Reporting Standards (IFRS), which require the recognition of the fair value of the net tangible and intangible assets acquired. The capacity of the syndicate is an intangible asset and, with the assistance of an independent professional accounting firm, was valued at US $23.7 million as of September 1, 2007. The capacity of a syndicate has to be supported by capital, and determines how much premium the syndicate can generate. On acquisition, Sagicor provided US $66.8 million in new capital to support the capacity of the syndicate.

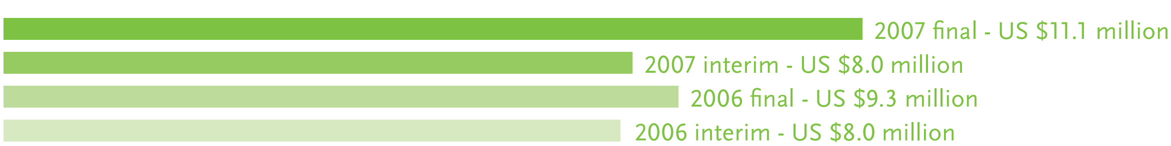
The acquisition of the interest in syndicate 1206, the managing agency and associated companies, augments considerably the Group's geographical spread of business to the Lloyd's of London insurance market, which writes property and casualty insurance business across the world.

In addition, the Group has made some additional charges, in accordance with IFRS, to write down certain intangible assets which were acquired with two prior acquisitions. These charges amounted to US $3.7 million, of which US $3.1 million is allocable to Shareholders.

Overall, the performance of the Group was very sound and is comparable to that recorded in 2006.
This performance is discussed in greater detail in the sections which follow.

With the increase in income allocable to Shareholders, the Directors have increased the final dividend to Barbados 8 cents (US 4 cents) per share to be paid in May 2008. Together with the interim dividend of Barbados 6 cents (US 3 cents) per share paid in October 2007, this makes a total dividend of Barbados 14 cents (US 7 cents) per share, an increase of 7.7% over the previous year. Accordingly, the total dividends declared for 2007 and 2006 respectively are illustrated in the following chart.

TOTAL DIVIDENDS DECLARED



Overall Results

The results for the year ended December 31, 2007 are set out below, with recurring operating activities being separated from the IFRS adjustments outlined in the foregoing section. These adjustments are set out in the non-operating column in the table below. 2006 results consisted wholly of operating activities.

	2007 US$ millions			2006 US$ millions
	Operating	Non-operating	Total	Total
Revenue	746.5	26.4	772.9	662.3
Benefits	(384.6)	-	(384.6)	(346.0)
Expenses	(256.1)	(3.7)	(259.8)	(215.8)
Net income before income taxes	**105.8**	**22.7**	**128.5**	**100.5**
Income taxes	(19.8)	-	(19.8)	(13.9)
Net income for the year	**86.0**	**22.7**	**108.7**	**86.6**
Net income attributable to:				
Shareholders	65.7	20.6	86.3	67.7
Participating policyholders	(0.2)	-	(0.2)	(0.3)
Minority interests	20.5	2.1	22.6	19.2
	86.0	**22.7**	**108.7**	**86.6**
Earnings per share in US cents	**24.6 c**	**7.7 c**	**32.3 c**	**25.4 c**

Operating revenue grew by 12.7% to reach US $746.5 million in 2007. Benefits and operating expenses also increased by 11.1% and 18.7% respectively. As a result, operating net income before taxation has increased by US $5.3 million or 5.3%, to reach US $105.8 million in 2007.

The effective income tax rate on operating income has increased to 18.7% from 13.8% in 2006. The increase is attributed largely to a change in the distribution of taxable income within the Group, with increased taxable income emerging in a country within the Other Caribbean Region where income tax is computed at the rate of 34.5% of net income.

The net income attributable to minority interest primarily arises from income generated by the Life of Jamaica Group (including the Pan Caribbean Group), Sagicor at Lloyd's and Sagicor General, all of which are majority, but only part-owned by Sagicor.

Results by Segment

Sagicor results by segment are reported by its operations in Barbados, Jamaica, Trinidad and Tobago, United Kingdom, United States and Other Caribbean. The following table presents the overall contribution of each segment to Group net income and Shareholders' net income respectively for 2007 and 2006.

	Group net income US$ millions		Shareholders' net income US$ millions	
	2007	**2006**	**2007**	**2006**
Barbados	12.1	17.6	12.3	18.0
Jamaica	45.8	42.1	27.9	26.3
Trinidad & Tobago	13.3	21.6	13.4	21.6
UK	29.6	-	26.7	-
USA	0.6	8.5	0.6	8.5
Other Caribbean	31.9	16.5	29.5	12.0
Not allocated to segments	(24.6)	(19.7)	(24.1)	(18.7)
Net income for the year	**108.7**	**86.6**	**86.3**	**67.7**

Barbados operations comprise the Barbados Branch operations of Sagicor Life Inc and Sagicor General Insurance respectively, and the operations of Sagicor Asset Management and Globe Finance Inc. Group net income from Barbados operations totalled US $12.1 million in 2007, as compared with US $17.6 million in 2006. The decline in results in 2007 as compared with 2006 can be attributed to a relative increase in the reserve for life and annuity benefits.

Jamaica operations comprise the operations of Life of Jamaica Limited and of the Pan Caribbean Group of Companies. Group net income from Jamaica operations totalled US $45.8 million in 2007, as compared with US $42.1 million in 2006. Revenue from Jamaica operations grew by 6.5% in 2007, resulting in an overall increase in net income. Since Sagicor owns 59% of Life of Jamaica and 64% of the Pan Caribbean Group and the Group net income is shared with the minority interest, the net income contribution to Shareholders amounted to US $27.9 million and US $26.3 million in 2007 and 2006 respectively.

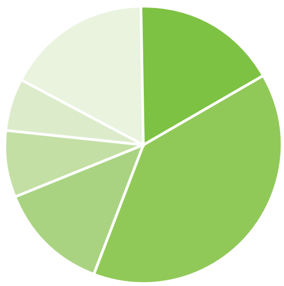
Trinidad and Tobago operations comprise the Trinidad Branch operations of Sagicor Life Inc and Sagicor General Insurance respectively, and the operations of Nationwide Insurance Company and Sagicor Merchant Limited. Group net income from Trinidad operations totalled US $13.3 million in 2007, as compared with US $21.6 million in 2006. The decline in results in 2007, as compared with 2006 can be attributed to a relative increase in the reserve for life and annuity benefits.

United Kingdom operations, comprise the Sagicor at Lloyd's operations, which was acquired effective September 1, 2007. After deducting the gain that arose on this acquisition of US $26.4 million, the contribution to Group net income was US $3.2 million for the four months .

The United States of America operations comprise the operations of Sagicor Life Insurance Company, Sagicor Allnation and Laurel Life Insurance Company. Group net income from USA operations totalled US $0.6 million in 2007, as compared with US $8.5 million in 2006. During 2007, Sagicor Life Insurance Company incurred additional costs as it filed a number of new products with insurance regulators prior to distribution and established additional distribution capacity. By the end of the year, Sagicor Life Insurance Company had appointed a total of 588 independent and managing general agents to distribute its products.

Other Caribbean operations comprise various branch operations of Sagicor Life Inc and Sagicor General Insurance respectively, and the operations of Sagicor Capital Life Insurance Company, Capital Life Insurance Company Bahamas Limited, Sagicor Panamá SA, Sagicor Life of the Cayman Islands, Sagicor General Insurance (Cayman) Limited and Sagicor Finance Inc (formerly Mutual Finance Inc). Group net income from these operations totalled US $31.9 million in 2007, as compared with US $16.5 million in 2006. The significant improvement in results in 2007, as compared with 2006, can be attributed to a reduction in the reserve for life and annuity benefits in Sagicor Life Inc and Sagicor Capital Life Insurance Company. This change in reserve arose from the re-organisation of branch and head office operations, which resulted in lowering overall policy maintenance expenses.

Group activities which are not allocated to segments comprise finance costs and Group corporate costs. Group net expenses from these operations totalled US $24.6 million in 2007, as compared with US $19.7 million in 2006.



REVENUE BY GEOGRAPHICAL SEGMENT

Barbados	17%
Jamaica	39%
Trinidad	13%
UK	8%
United States	6%
Other Caribbean	17%

Operating Revenue

The following table summarises the composition of operating revenue for 2007 and 2006 respectively.

	2007		2006	
	US$ millions	%	US$ millions	%
Net premium revenue	430.4	57.6	377.6	57.0
Net investment income	261.2	35.0	238.4	36.0
Income from associates	4.2	0.6	2.7	0.4
Fees and other revenue	50.7	6.8	43.6	6.6
Total	**746.5**	**100.0**	**662.3**	**100.0**

Trends in revenue by component are discussed in the following sections.

Net Premium Revenue

The following table shows an analysis of net premium revenue for the years ended December 31, 2007 and 2006 respectively.

	2007		2006	
	US$ millions	%	US$ millions	%
Life insurance	249.5	46.5	231.6	49.4
Annuities	53.4	10.0	56.1	12.0
Health insurance	123.2	23.0	113.5	24.2
Property and casualty insurance	109.7	20.5	67.5	14.4
Total premium revenue	**535.8**	**100.0**	**468.7**	**100.0**
Reinsurance premiums	(105.4)		(91.1)	
Net premium revenue	**430.4**		**377.6**	

Life insurance continues to be the largest class of insurance business written by Sagicor. Life insurance premiums increased by US $17.9 million or 7.7% to US $249.5 million in 2007. Annuity premiums declined by US $2.7 million in 2007. This class of premium often includes single premiums, as opposed to recurring premiums, which can influence the total premium written.

Individual life and annuity new business premium continues to be strong in the Caribbean markets. New business annualised premium income amounted to US $4.3 million from the Barbados market ,US $18.1 million from the Jamaica market, US $5.9 million from the Trinidad market, and US $8.1 million from the Other Caribbean markets.

Health insurance premiums increased by US $9.7 million or 8.5% to reach US $123.2 million for the year.

The addition of the Sagicor at Lloyd's syndicate to the Group from September 1, 2007 has materially augmented the premium revenue generated from property and casualty insurance. During this 4-month period, the syndicate generated premiums of US $34.0 million, adding to the property and casualty insurance from Caribbean operations of US $75.7 million in 2007. On an annualised basis, property and casualty insurance premium as of December 31, 2007 was approximately US $177.7 million, becoming the second largest class of insurance written by Sagicor.

Net Investment Income

Investment income by asset class is summarised in the following table.

	2007		2006	
	US$ millions	**%**	**US$ millions**	**%**
Investment property	15.1	5.8	14.7	6.1
Debt securities	157.4	59.9	153.2	63.4
Equity securities	26.4	10.0	16.8	6.9
Loans and finance leases	44.6	17.0	40.3	16.7
Deposits and other items	19.3	7.3	16.7	6.9
Total investment income	**262.8**	**100.0**	**241.7**	**100.0**
Investment expenses	(1.6)		(3.3)	
Net investment income	**261.2**		**238.4**	

As the largest asset class, debt securities provide the largest source of investment income. Debt securities generated interest income of US $148.3 million in 2007 and US $143.7 million in 2006, representing an average interest yield of 9.4% in both years. Debt securities also generated investment gains of US $9.1 million in 2007 and US $9.5 million in 2006.

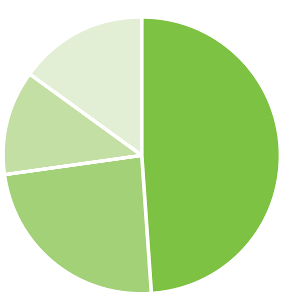
Equity securities generated investment gains of US $19.7 million in 2007 as compared with US $10.5 million in 2006. After taking into account dividend income of US $6.7 million in 2007 and US $6.3 million in 2006, the total return from equity securities increased by US $9.6 million, or 57.2% in 2007.

The Group advances mortgage loans, policy loans, finance loans and finance leases to Customers and Policyholders. Interest income from these financial instruments totalled US $44.6 million in 2007, as compared with US $40.3 million in 2006, representing an increase of US $4.3 million or 10.7% in 2007. The average investment yield on loans and finance leases totalled 8.8% in 2007 and 8.7% in 2006.

Income from Associates and Other Revenue

The associated companies of the Group performed well, generating income before tax to the Group of US $4.2 million in 2007.

Other revenue items, comprising fee income, commission income and other operating income, totalled US $50.7 million in 2007, an increase of US $7.1 million or 16.3% over the previous year. Fee income includes income generated from assets under administration, the latter totalling US $1,507 million as of December 31, 2007.



REVENUE BY BUSINESS SEGMENT

Individual Insurance	49%
Group Insurance	24%
Property & Casualty Insurance	12%
Banking & Investment Management	15%

Benefits

The following table summarises the composition of benefit expenses for 2007 and 2006 respectively.

	2007		2006	
	US$ millions	%	US$ millions	%
Net policy benefits	272.8	70.9	254.7	73.6
Net change in actuarial liabilities	27.7	7.2	9.0	2.6
Interest – policy contracts	19.5	5.1	20.2	5.8
	320.0	**83.2**	**283.9**	**82.0**
Interest – deposit and security liabilities	64.6	16.8	62.1	18.0
	384.6	**100.0**	**346.0**	**100.0**

Benefits comprise the returns provided to the holders of policy contracts and the interest return to clients and institutions who deposit funds with or advance special purpose loans to the Group.

Trends in policy benefits by component are discussed in the following sections.

Net policy benefits

The following table shows an analysis of net policy benefits for the years ended December 31, 2007 and 2006 respectively.

	2007		2006	
	US$ millions	%	US$ millions	%
Life insurance benefits	130.1	38.9	129.4	41.6
Annuity benefits	84.4	25.2	82.4	26.5
Health insurance claims	89.2	26.7	82.8	26.6
Property and casualty insurance claims	30.8	9.2	16.3	5.3
Total policy benefits	**334.5**	**100.0**	**310.9**	**100.0**
Reinsured benefits and claims	(61.7)		(56.2)	
Net policy benefits	**272.8**		**254.7**	

As the largest insurance class of business at Sagicor, life insurance provides the largest quantum of benefits to insured persons and beneficiaries. Life insurance benefits include death and disability claims, policy surrenders and withdrawals, policy bonuses and dividends. The level of benefits incurred totalled US $130.1 million and was comparable to the previous year's total. The level of annuity benefits was also comparable the previous year, and amounted to US $84.4 million.

Consistent with the increase in premiums from health insurance, the level of incurred claims increased to US $89.2 million in 2007, as compared with US $82.8 million in 2006.

The addition of the Sagicor at Lloyd's syndicate to the Group from September 1, 2007 has significantly augmented the property and casualty insurance operations of Sagicor. During this 4-month period, the syndicate generated incurred claims of US $8.5 million which, when added to the incurred claims from property and casualty insurance, Caribbean operations resulted in a total expense of US $30.8 million in 2007.

Change in actuarial liabilities

The change in actuarial liabilities records the amounts set aside for future benefits on insurance contracts. The quantum of actuarial liabilities is computed as of December 31 each year. The change in actuarial liabilities reflects the expected normal increase in liability of inforce policies, the effect of new policies issued during the year, and the impact of changes in actuarial assumptions and modelling.

The overall increase in actuarial liabilities after accounting for the impact of reinsurance was US $27.7 million for 2007.

Gross actuarial liabilities in respect of the Barbados, Jamaica and Trinidad segments increased overall, whilst the corresponding liabilities decreased in the USA and Other Caribbean segments. The decline in the USA is a reflection of the large maturing inforce block of policies of Sagicor Life Insurance Company, but is offset by the release in corresponding liabilities ceded to reinsurers. The decline in gross actuarial liabilities in the Other Caribbean Region is a result largely of the policy maintenance expense savings, arising from the transfer of certain administrative functions from branch offices to head office.

Interest expense

Interest expense arising from investment policy contracts and from policy dividends on deposit totalled US $19.5 million in 2007, a slight decrease in the expense incurred in 2006.

The interest expense on other operating financial liabilities totalled US $64.6 million, an increase of US $2.5million or 4.0% for the year. The average interest yields on these operating financial liabilities totalled 8.4% in 2007 and 8.3% in 2006.

Operating expenses

The following table shows an analysis of expenses for the years ended December 31, 2007 and 2006 respectively.

	2007		2006	
	US$ millions	%	US$ millions	%
Administrative expenses	142.2	55.5	125.4	58.1
Commissions and related compensation	77.9	30.4	57.1	26.5
Premium taxes	7.3	2.9	6.6	3.1
Finance costs	12.3	4.8	9.4	4.3
Depreciation and amortisation	16.4	6.4	17.3	8.0
Total	**256.1**	**100.0**	**215.8**	**100.0**

Total operating expenses have increased to US $256.1 million from US $$215.8 million in 2006.

Compensation is the most significant component of operating expenses. Compensation costs for Administrative Personnel and Directors are included in administrative expenses. Commissions and related compensation are incurred and are payable to Sagicor Advisors, Independent Agents and Brokers who distribute insurance products on behalf of Sagicor.

Salaries, bonuses, fees and short-term employer benefits schemes for Administrative Personnel and Directors totalled US $63.9 million in 2007 and US $55.8 million in 2006. Employer contributions to social security and pension schemes on behalf of Administrative Personnel and Sagicor Advisors totalled US $9.8 million in 2007 and US $8.0 million in 2006.

The addition of the Sagicor at Lloyd's syndicate to the Group from September 1, 2007 has significantly augmented the insurance distribution capacity of Sagicor. During this 4- month period, the syndicate incurred commissions of US $12.0 million, adding to the insurance distribution costs from other operations of US $65.9 million in 2007.

Finance costs have increased to US $12.3 million in 2007 from US $9.4 million in 2006, the increase being attributed to the financing cost of the Sagicor 7.5% senior notes which were issued from May 12, 2006.

Cash Flows

Cash flows generated or used by the Group are summarised into categories of operating, investing, or financing activities. Summary cash flows for the years ended December 31, 2007 and 2006 respectively are set out in the following table.

	2007	2006
Operating activities	(71.7)	56.0
Investing activities	(18.3)	(13.3)
Financing activities	(30.0)	56.0
Effect of exchange rates	8.8	(11.2)
Net change in cash and cash equivalents	**(111.2)**	**87.5**
Cash and cash equivalents, beginning of year	224.7	137.2
Cash and cash equivalents, end of year	**113.5**	**224.7**

Cash used in operating activities totalled US $71.7 million for the year ended December 31, 2007. Within this total, US $83.9 million was generated by income flows, US $268.1 million was used to acquire additional operating investments and US $90.4 million was provided by operating financial liabilities. Other movements in receivables, payables and insurance liabilities generated net cash flows of US $22.1 million.

Cash used in investing activities in 2007 totalled US $18.3 million. Within this total, US $16.6 million was used to acquire additional property, plant, equipment and software.

Cash used in financing activities in 2007 totalled US $30.0 million. Within this total are dividends paid to Shareholders of US $17.1 million, dividends paid to minority interests of US $8.2 million and net repayment of loans payable of US $8.0 million.

The overall reduction in cash and cash equivalents is a result of two main factors. Firstly, the investment of the remaining proceeds from the 2006 issue of senior notes in assets to support the capital requirements of the Sagicor at Lloyd's syndicate and secondly, the re-investment of call deposits and other liquid balances at the beginning of the year in longer-term operating investments.

With cash and cash equivalents amounting to US $113.5 million at balance sheet date, the Group has adequate resources to meet its ongoing obligations.

Assets

As of December 31, 2007, the Group's assets totalled US $3,649.7 million, 78.7% of which was represented by investments and cash. The principal components of the Group's assets as of December 31, 2007 and 2006 respectively are summarised in the following table.

	2007		2006	
	US$ millions	%	US$ millions	%
Investments and cash	2,872.7	78.7	2,703.1	80.4
Property, plant equipment and intangible assets	231.5	6.3	193.2	5.7
Reinsurance assets	320.1	8.8	321.7	9.6
Receivables and other assets	225.4	6.2	145.3	4.3
Total	**3,649.7**	**100.0**	**3,363.3**	**100.0**

Investments and cash

	2007		2006	
	US$ millions	%	US$ millions	%
Investment property	97.5	3.4	90.6	3.3
Debt securities	1,750.5	60.9	1,650.8	61.1
Equity securities	188.7	6.6	187.1	6.9
Loans and finance leases	566.2	19.7	496.7	18.4
Deposits and cash	269.8	9.4	277.9	10.3
Total	**2,872.7**	**100.0**	**2,703.1**	**100.0**

Debt securities remain the largest asset class in the investment portfolio, comprising 60.9% of the total portfolio as of December 31, 2007. Debt securities comprise US $1,074.5 million in government securities, US $394.9 million in corporate securities, US $229.4 million in mortgage-backed securities and US $51.7 million in other securities.

Loans and finance leases comprise financial instruments originated by the Group and consist of US $294.0 million in mortgage loans, US $126.4 million in policy loans and US $145.8 million in finance loans and finance leases.

Liabilities

As of December 31, 2007, the Group's liabilities totalled US $3,063.0 million. The principal components of the liabilities as of December 31, 2007 and 2006 respectively are summarised in the following table.

	2007		2006	
	US$ millions	%	US$ millions	%
Policy liabilities	1,920.6	62.7	1,747.2	62.0
Deposit and security liabilities	790.6	25.8	745.4	26.4
Payables and other liabilities	199.1	6.5	167.9	5.9
Total operating liabilities	**2,910.3**	**95.0**	**2,660.5**	**94.3**
Notes and loans payable	152.7	5.0	160.5	5.7
Total	**3,063.0**	**100.0**	**2,821.0**	**100.0**

The Group considers notes and loans payable to be debt financing, whilst the other liability classes are considered to arise from operating activities.

Policy Liabilities

	2007		2006	
	US$ millions	%	US$ millions	%
Actuarial liabilities – individual	1,183.2	61.6	1,197.0	68.5
Actuarial liabilities – group	181.1	9.4	176.6	10.1
Other insurance liabilities	313.9	16.3	152.7	8.7
Investment contract liabilities	242.4	12.7	220.9	12.7
Total	**1,920.6**	**100.0**	**1,747.2**	**100.0**

Actuarial liabilities arising from life, annuity and health insurance contracts with individuals comprise the largest proportion of policy liabilities. These liabilities include US $288.1 million in participating policies, US $795.6 million in other life and annuity policies and US $93.1 million in unit linked policy funds.

Actuarial liabilities arising from life, annuity and health insurance contracts with groups (i.e. employers or associations) totalled US $181.1 million as of December 31, 2007. These liabilities include US $131.7 million arising from annuity contracts.

The addition of the Sagicor at Lloyd's syndicate to the Group from September 1, 2007, has significantly augmented the property and casualty insurance liabilities of Sagicor. As of December 31, 2007, the syndicate's insurance liabilities totalled US $138.4 million, thereby accounting for much of the increase in these liabilities from 2006.

Investment contract liabilities arise from policy contracts which do not have an insurance element, and comprise mainly pension and savings deposits.

Deposit and Security Liabilities

Deposit and security liabilities represent sources of funds for on-lending, leasing and portfolio investments. As of December 31, 2007, these liabilities included US $487.3 million in securities sold under agreements to repurchase, US $163.7 million in loans from banks and other financial institutions, and US $136.6 million in customer deposits.

Capital Resources

The principal capital resources of the Group as of December 31, 2007 and 2006 respectively are summarised in the table below.

	2007	2006
Shareholders' equity	455.2	413.8
Minority interest	122.1	118.6
Notes and loans payable	152.7	160.5
Total balance sheet capital resources	**730.0**	**692.9**
Off balance sheet resources – letter of credit facility	80.0	-
Total capital resources	**810.0**	**692.9**

The Group's debt to total equity ratio was 26.0% at the end of the year, a reduction of 3.6% during the year. Consequent to the Sagicor at Lloyd's acquisition, the Group replaced the initial capital support of US $66.8 million with a partially secured letter of credit facility of US $80.0 million. The utilisation of this facility represents a more efficient use of capital, while still maintaining an adequate amount of collateral which is available for capital support.

The Group is subject to a number of capital adequacy standards for its insurance, banking and securities operations. In addition, in some Caribbean jurisdictions where there are no prevailing international capital adequacy insurance standards, the Group has voluntarily adopted a standard for its subsidiaries operating in those countries. The Group comfortably meets the prevailing capital adequacy standards and the standards it has voluntarily adopted. These are discussed and disclosed in note 45.2 of the financial statements.

Risk Management

The Group's activities of issuing insurance contracts; of accepting funds from depositors; and by investing insurance premium and deposit receipts in a variety of financial and other assets, expose the Group to various insurance, financial and operational risks.

Insurance risks include pricing, claims and lapse risk. Financial risks include credit, liquidity, interest rate, foreign exchange and equity price risks. Exposure to and sensitivity to insurance and financial risks are discussed and disclosed in notes 41 to 44 of the financial statements.

Operational risks include the loss of Management control, the valuation of assets and liabilities requiring the significant exercise of judgement, technology failure, business interruption, money laundering, fraud and theft. The Group has a number of policies and controls in place to mitigate sources of operational risks, and it continues to develop and strengthen policies and controls to address additional risks that are identified.

An Enterprise Risk Management process is being introduced throughout the Group's operations.
On completion, the Group will then have fully documented risk Management policies and procedures which will undergo constant monitoring.

Conclusion

2007 was a year of sound performance with an exceptional gain.

The economic environment in 2008 is proving to be a challenging one. The sub-prime mortgage crisis has generated adverse effects in the USA and in many international financial institutions. The price increases in oil and food are having adverse effects across many countries, which are likely to continue for some time.

The economies in the Caribbean are exposed in varying ways to these price increases, which will affect inflation and economic growth and limit consumer spending. There has been a slow-down in economic growth in the USA which, with the sub-prime mortgage crises, is also likely to limit consumer spending.

The increasing diversification of the Sagicor Group helps us to mitigate potential sectoral and/or country downturns. In addition, the company is in a strong financial position and could take advantage of many opportunities which may arise.

In conclusion, the company continues to consolidate its operations, extracting efficiencies wherever feasible. Our marketing and sales thrust in the USA market and the growth and development of the Sagicor at Lloyd's business are expected to contribute significantly to the future development of the Sagicor Group.

CORPORATE CITIZENSHIP

Sagicor is committed to being an outstanding corporate citizen with a focus on providing financial services that create value for Customers; generating excellent returns to Shareholders; providing the highest quality of work life and the opportunity for personal and professional development of its Staff; and the development of youth, education, health and sports in the community.

Sagicor recognises that its corporate social responsibility must go hand in hand with its vision and reputation for Wise Financial Thinking for Life. Sagicor maintains its belief that social investment is at the heart of wealth creation and wealth protection. Over the years, Sagicor has proven its ability to impact the communities in which it operates, and 2007 was no exception.

During the year, Sagicor continued to support the development of sport through its continuing contribution to the Sagicor Cricket Operations and Research Enterprise (SCORE) at the 3W's Oval, a project undertaken at the Cave Hill Campus of the University of the West Indies. SCORE was designed to give tangible sustenance and visibility to the development of regional cricket.

SCORE focuses on cricket research and the development of appropriate playing and training facilities at the Cave Hill Campus. The Group viewed the support of the 3W's Oval, the Walk of Fame, the Indoor Cricket School and the Cricket Library and Research Centre as an important development to help empower the cricket fraternity of the region and beyond. The four facets of SCORE are interrelated facilities, and will be used to deliver a series of innovative, practical, training and academic programmes to assist cricketers at all levels throughout the region in pursuit of attaining excellence at their craft.

Specific to the development of cricket in Barbados, the Sagicor Cup and the Sagicor Shield tournaments, for first and second division teams, are sponsored by Sagicor General, our regional Property and Casualty company. These sponsorships are now in their 30th and 29th consecutive years respectively.

Within the Group, we supported other areas of sport across the Caribbean region. These include Junior Squash, Junior Tennis, Chess, Game Fishing, Golf, Netball, Football and Swimming.

In the area of Health, the Group has provided funding for the purchase of a mobile HIV/AIDS unit, a medical bed, a special scale and testing supplies to assist the Jamaica AIDS Support for Life. This was done through its Life of Jamaica subsidiary, Pan Caribbean Financial Services' Sigma Run. Since the inception of the Run in 1999, organisations with an excellent track record of impacting the lives of people in the Jamaican community have been the beneficiaries of the funds raised. LOJ partnered with the Jamaica Cancer Society, Jamaica Business Council on HIV/AIDS, Jamaica Society for the Blind, the Urology Development Fund and St. Christopher's School for the Deaf.

Sagicor is also a Gold Star Donor to the Chronic Disease Research Centre (CDRC) of the University of the West Indies. The CDRC focuses on the major chronic diseases (hypertension, diabetes, obesity and heart disease) which cause most of the morbidity and mortality in the Caribbean today. They carry out research to find the best and most cost-effective prevention and treatment strategies.

The Group has also supported other community activities in several countries which encourage a healthy lifestyle.

Sagicor employees demonstrate a deep personal commitment to very important causes, and they are to be commended for being the driving force behind several projects. In Trinidad and Tobago, employees raised funds to provide medical attention for children in need, while in Barbados, they partnered with the YWCA to provide and serve breakfast to school children. In Jamaica, Life of Jamaica employees were active in the community, contributing to the improvement in the lives of citizens of all ages, as they assisted projects like the Environmental Health Foundation.

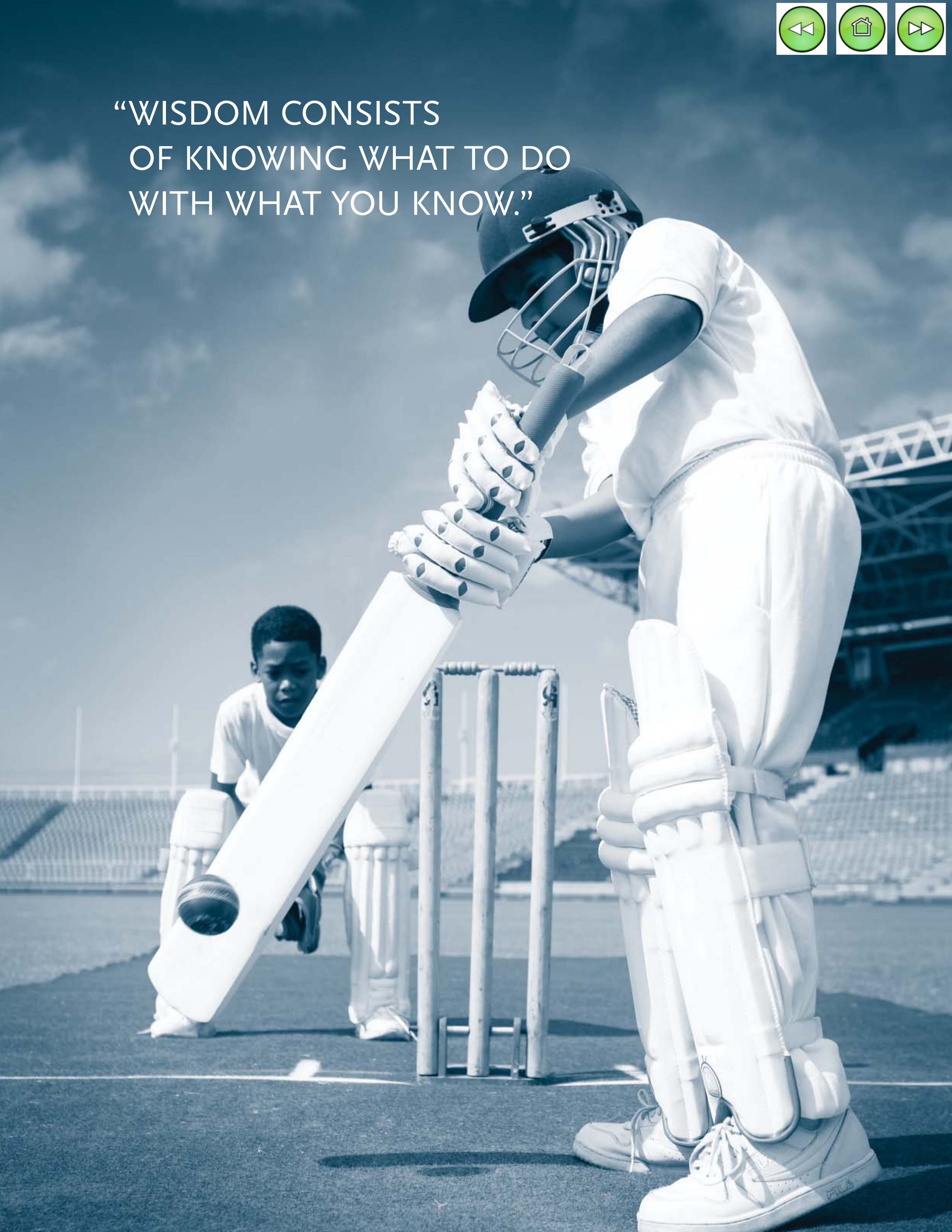
In the United States, Sagicor Life Insurance Company (SLIC) Management and Staff became involved with three projects. The first was the Christmas in July project, an "Americans for a Better Tomorrow" programme. They helped package and donate gifts to needy children during the holiday season. The programme also gives children the opportunity to develop social skills, such as learning to respect authority, leadership, and coping with peer pressure issues including resisting drugs, gangs, alcohol and tobacco.

The other two projects were the Kids Café Open, a food bank programme to feed needy children, and the Children's Angel Foundation Thrift Store, which raises funds to help pay for patients of low-income families to go on excursions, obtaining toys, games and clothes, and purchasing specialised equipment not covered by health care plans.

Finally, in the area of Education, the Sagicor Group provides several scholarships tenable at the University of the West Indies, and in addition, has continued to assist schools at both the primary and secondary level throughout the Caribbean.

The Group also supports international and regional institutions, such as the Pan American Health Organisation (PAHO) and the Caribbean Broadcasting Union, sponsoring their competitions to improve the standard of health journalism and financial reporting respectively.

"WISDOM CONSISTS
OF KNOWING WHAT TO DO
WITH WHAT YOU KNOW."



03 Governance

BOARD OF DIRECTORS

TERRENCE A. MARTINS

Age 66 / Citizen of Trinidad and Tobago / Director since January 2004 / Independent Director

Terrence Martins was appointed non-executive Chairman on June 26, 2007. He has brought a wealth of knowledge to Sagicor, with over 40 years of experience within the financial services industry both in the Caribbean and the United Kingdom. His areas of expertise include banking, finance, administration, corporate governance and risk management. Mr Martins previously held the position of Group Chief Executive Officer of RBTT Financial Holdings Limited. He was appointed a Director of Sagicor Life Inc in 2004 and is currently the Chairman of Caribbean Information and Credit Rating Services Ltd (CariCRIS), a Caribbean rating agency. He previously held several directorships within the RBTT Financial Holdings Group in and outside of Trinidad and Tobago, and is also a former member of the Integrity Commission of Trinidad and Tobago. He was elected a Director of Sagicor Life Inc in 2004.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Chairman	6 of 6	100%
CORPORATE GOVERNANCE COMMITTEE	Chairman	5 of 5	100%
HUMAN RESOURCE COMMITTEE	Member	6 of 6	100%
RISK MANAGEMENT COMMITTEE	Chairman	3 of 3	100%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
70,000	NIL	100,000	Nil	Nil	Nil

STEPHEN D. R. MCNAMARA

Age 57 / Citizen of St Lucia / Director since December 2002 / Independent Director

Stephen McNamara was appointed non-executive Vice-Chairman on June 26, 2007. He is the Senior Partner of McNamara & Company, Attorneys-at-Law of St. Lucia. He was elected to the Board of Sagicor Life Inc in 1997 and is also a Director of the Group's US subsidiaries, Sagicor USA, Inc, Laurel Life Insurance Company and Sagicor Life Insurance Company, and the St Lucian subsidiary, Sagicor Finance Inc (formerly Mutual Finance Inc).

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Vice-Chairman	5 of 6	83%
CORPORATE GOVERNANCE COMMITTEE	Member	5 of 5	100%
RISK MANAGEMENT COMMITTEE	Member	3 of 3	100%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
2,011	Nil	2,011	Nil	Nil	Nil

ANDREW ALEONG

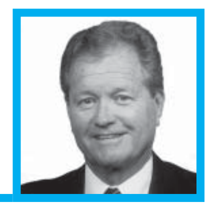
Age 47 / Citizen of Trinidad and Tobago / Director since June 2005 / Independent Director

Andrew Aleong holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada. He has spent his entire professional career in various management positions within the Albrosco Group of Trinidad and Tobago. He is currently the Director, Sales and Marketing and a Director of several companies within that group. Mr Aleong is a past President of the Trinidad and Tobago Manufacturers' Association. He was elected a Director of Sagicor Life Inc in 2005.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	5 of 6	83%
AUDIT COMMITTEE	Member	5 of 5	100%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
484,003	216,169	484,003	216,169	Nil	Nil



DAVID W. ALLAN

Age 70 / Citizen of Barbados / Director since December 2002 / Independent Director

David Allan is a former President and Chief Executive Officer of The Mutual Group, now Sagicor, a position he held for 23 years. He joined the Group in 1956 and was elected Director of The Mutual, now Sagicor Life Inc, in 1986. Mr Allan retired as President and Chief Executive Officer in 1995. He also serves as a Director of Life of Jamaica Limited and is a Director of Barbados registered exempt insurance companies. Mr Allan, with more than 50 years' experience in the life insurance industry, is a former West Indies cricketer.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	2 of 6	33%
AUDIT COMMITTEE	Member	2 of 5	40%
RISK MANAGEMENT COMMITTEE	Member	1 of 3	33%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
1,705	Nil	1,705	Nil	Nil	Nil

SIR HILARY BECKLES, K.A.

Age 52 / Citizen of Barbados / Director since June 2005 / Independent Director

Sir Hilary earned his PhD from Hull University, United Kingdom, and received an Honorary Doctorate of Letters from the same University in 2003. He has served as the Head of the History Department and Dean of the Faculty of Humanities, University of the West Indies. In 1998, he was appointed Pro-Vice-Chancellor for Undergraduate Studies and, in 2002, the Principal of Cave Hill Campus. Sir Hilary has published widely on Caribbean economic history, cricket history and culture and higher education and serves on the Editorial Boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas. He was elected a Director of Sagicor Life Inc in 2005 and is also a Director of Life of Jamaica Limited.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	4 of 6	66%
HUMAN RESOURCE COMMITTEE	Member	3 of 6	50%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
9,579	Nil	9,579	Nil	Nil	Nil

MARJORIE M. CHEVANNES-CAMPBELL

Age 56 / Citizen of Jamaica / Director since June 2005 / Independent Director

Marjorie Chevannes-Campbell holds an MSc in Accounting from the University of the West Indies, and is a Member of the Institute of Chartered Accountants of Jamaica and of the Hospitality, Financial and Technology Professionals. She is a former President and Chief Executive Officer of the Urban Development Corporation (the UDC Group), Jamaica, a large property-owning company that is involved in development and manages several entities such as hotels, attractions, a maintenance company, a water supply company, a shopping centre, a conference centre and a golf course. Mrs Chevannes-Campbell is a Director of Life of Jamaica Limited, and of several other private sector companies within Jamaica. She is currently pursuing a Doctorate in Business Administration.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	5 of 6	83%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
1,087	Nil	1,087	Nil	Nil	Nil

DR L. JEANNINE COMMA

Age 57 / Citizen of Trinidad and Tobago / Director since June 2007 / Independent Director

Dr Jeannine Comma holds a PhD from George Washington University, Washington, DC, USA, and is also a graduate of the University of the Virgin Islands. She is a member of The American Society for Training and Development and the Commonwealth Association of Public Administration and Management (CAPAM). Dr Comma is CEO/Director of the Cave Hill School of Business of the University of the West Indies, where she specialises in organisational development, strategy and leadership development, and has made significant contributions to the sustainable development of human capital within the regional business community. Dr Comma has extensive experience in Total Quality Management, Leadership Development, Organisational Strategic Planning and Change Management. She has also taught at the undergraduate and graduate levels at George Washington University, Howard University, Washington, DC, and the University of the West Indies. Dr Comma was elected a Director of Sagicor Life Inc in 2006.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	2 of 2*	100%
HUMAN RESOURCE COMMITTEE	Member	1 of 2*	50%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
11,523	Nil	11,523	Nil	Nil	Nil

* Dr Comma was appointed to the Board on June 26, 2007 and was appointed as a Member of the Human Resource Committee on September 18, 2007.

JOYCE E. DEAR

Age 64 / Citizen of Barbados / Director since August 2006 / Independent Director

Joyce Dear is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom and holds an MBA from the University of Warwick. She is also a Member of the Hospitality Financial and Technology Professionals. She was, until 2004, a Partner in the Assurance and Business Advisory Services Division of PricewaterhouseCoopers (PwC) in Barbados. Mrs Dear has over 31 years' experience in rendering audit and financial services to a wide variety of industries, including public companies, tourism and hospitality entities, manufacturing companies, statutory corporations and international funding agencies/government-financed programmes and projects. Mrs Dear was the PwC Industry Lead Partner for the public service assignments and is a past President of the Institute of Chartered Accountants of Barbados and a former Director of a general insurance company in Barbados.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	5 of 6	83%
AUDIT COMMITTEE	Member	4 of 5	80%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
5,000	Nil	5,000	Nil	Nil	Nil

CHRISTOPHER D. DECAIRES

Age 52 / Citizen of Barbados / Director since June 2005 / Independent Director

Christopher deCaires is a Chartered Accountant and holds an MBA from Henley Management College, United Kingdom. He has over 25 years' professional and management consulting experience in Barbados and the wider Caribbean, United Kingdom and Brazil. He is the Managing Director of Fednav International Limited, and his areas of expertise include corporate finance, international taxation, financial management, mergers and acquisitions, information systems, organisational design and business planning. Mr deCaires is Chairman of World Cup Barbados and is a former Partner of PricewaterhouseCoopers, Barbados, where he was responsible for corporate finance, business advisory, corporate secretarial and trust services. He was elected a Director of Sagicor Life Inc in 2005.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	3 of 6	50%
HUMAN RESOURCE COMMITTEE	Chairman	6 of 6	100%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
22,368	Nil	22,368	Nil	Nil	Nil

DR OSCAR W. JORDAN, G.C.M.

Age 69 / Citizen of Barbados / Director since December 2002 / Independent Director

Dr Oscar Jordan, G.C.M., MB, ChB, FRCPE, DCH, Diabetologist, is an honorary Consultant Physician, Department of Medicine of the Queen Elizabeth Hospital, Barbados. He is a Fellow of the Royal College of Physicians of Edinburgh. He is Chairman of the Diabetes Foundation of Barbados and Director of Clinical Medicine in Barbados for the University of St. George's, Grenada. A widely published and well respected physician, he is a past President of the Caribbean Golf Association. He became a Director of Sagicor Life Inc in 1990.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	2 of 6	33%
CORPORATE GOVERNANCE COMMITTEE	Member	5 of 5	100%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
18,381	Nil	18,381	Nil	Nil	Nil

WILLIAM P. LUCIE-SMITH

Age 56 / Citizen of Trinidad and Tobago / Director since June 2005 / Independent Director

William Lucie-Smith holds an MA from Oxford University and is a Chartered Accountant. He is a retired Senior Partner of PricewaterhouseCoopers, Trinidad and Tobago, where he headed the Corporate Finance and Recoveries Divisions, specialising in all aspects of business valuations, privatisation, mergers and acquisitions and corporate taxation. Mr Lucie-Smith has been a Special Adviser to the Trinidad and Tobago Government and Central Bank on divestment, and has served on several national committees such as the Rampersad Committee to review the reorganisation and rationalisation of State Enterprises of Trinidad and Tobago and the Daly Committee on Corporate Insolvency and Company Law with special reference to severance pay. He was elected a Director of Sagicor Life Inc in 2005 and is also a Director of a number of other subsidiaries within the Group. Since his retirement, Mr Lucie-Smith has been an independent Consultant.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	6 of 6	100%
AUDIT COMMITTEE	Chairman	5 of 5	100%
RISK MANAGEMENT COMMITTEE	Member	2 of 3	66%

DIRECTOR'S INTEREST

SHARES AS AT 31-DEC-07		SHARES AS AT 8-MAY-08		GRANTS/OPTIONS	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL	AS AT 31-DEC-07	AS AT 8-MAY-08
22,000	Nil	22,000	Nil	Nil	Nil

DODRIDGE D. MILLER

Age 50 / Citizen of Barbados / Director since December 2002 / President and Chief Executive Officer

Dodridge Miller is a Fellow of the Association of Certified Chartered Accountants (United Kingdom), and obtained his MBA from the University of Wales and Manchester Business School, United Kingdom. He holds an LLM in Corporate and Commercial Law from the University of the West Indies. He was appointed President and Chief Executive Officer of The Mutual Group of Companies, now Sagicor, on July 1, 2002, having previously held the positions of Treasurer and Vice President - Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr Miller joined the Group in 1989. He was elected a Director of Sagicor Life Inc in 2001. He is the Chairman of the Group's main operating subsidiaries, Sagicor Life Inc, Life of Jamaica Limited and Sagicor Life Insurance Company. Mr Miller has more than 20 years' experience in the insurance and financial services industries.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
BOARD OF DIRECTORS	Director	6 of 6	100%
AUDIT COMMITTEE	By invitation	5 of 5	100%
CORPORATE GOVERNANCE COMMITTEE	By invitation	5 of 5	100%
HUMAN RESOURCE COMMITTEE	By invitation	5 of 5	100%
RISK MANAGEMENT COMMITTEE	By invitation	3 of 3	100%

DIRECTOR'S INTEREST

AS AT 31-DEC-07 SHARES		AS AT 8-MAY-08 SHARES	
BENEFICIAL	NON-BENEFICIAL	BENEFICIAL	NON-BENEFICIAL
576,395*	Nil	576,395	Nil

RESTRICTED STOCK GRANTS		RESTRICTED STOCK GRANTS	
VESTED & ISSUED	UNVESTED	VESTED & ISSUED	UNVESTED
563,077	98,994	563,077	98,994

STOCK OPTIONS			STOCK OPTIONS		
VESTED	EXERCISED	UNVESTED	VESTED	EXERCISED	UNVESTED
42,282	NIL	422,784	42,282	NIL	422,784

* Includes vested and issued restricted stock

CORPORATE GOVERNANCE REPORT

Board of Directors

The Board consists of twelve Directors, eleven of whom are independent non-executive Directors, including the Chairman. The twelfth Director is the President and Chief Executive Officer. Biographical information on the Directors and details of their interests in the Company as at December 31, 2007 and as at the record date, May 8, 2008, are set out earlier in this Report.

Rotation and Re-election of Directors

The Company's Bylaws provide for the appointment of a Director by the Board to fill the vacancy on the Board, and the Companies Act Chapter 308 of the Laws of Barbados provides that the appointee shall hold office for the unexpired term of his or her predecessor. Dr Jeannine Comma was appointed on June 26, 2007 to fill the vacancy occasioned by the resignation of Arthur Bethell, which followed immediately after the 2007 annual meeting.

The Bylaws also provide that a Director shall retire from office at the annual meeting following the attainment of age 70 and shall not be eligible for re-election. David Allan, having attained the age of 70 on November 5, 2007, will retire at the fifth annual meeting and is not eligible for re-election.

The Bylaws provide further that at least one third of the Board shall retire by rotation each year. Professor Sir Hilary Beckles, Andrew Aleong and Christopher deCaires will also retire at the fifth annual meeting and have offered themselves for re-election. John F Shettle, Jr, has been proposed as a new Director. The Corporate Governance and Ethics Committee considered the candidates who are standing for election or re-election at the fifth annual meeting of shareholders and recommends to Shareholders that all the nominees be elected or re-elected. Profiles of the nominees are contained in the Management Proxy Circular at the back of the Annual Report. In making this recommendation, the Committee had regard to the core competency requirements of the Board as a whole, the skills and experience of each nominee, their independence as defined by the Board and their willingness and ability to devote the time necessary to fulfil their role as Directors.

Building a Corporate Governance Architecture

During 2007, the Board gave its unanimous approval to the adoption of a Group-wide risk-based corporate governance architecture that conforms to international best practice. The project was sponsored by the Corporate Governance and Ethics Committee, which remains responsible for its implementation. Corporate Governance has been defined as the task of a company's board of directors in providing entrepreneurial leadership, guidance and oversight with a view to maximising shareholder wealth within the bounds of law and community standards of ethical behaviour.

The Corporate Governance project was designed to create a formal structure for the establishment, operation and monitoring of Corporate Governance standards and practices throughout the Group. Implementation commenced towards the end of 2007. When fully implemented, the architecture will provide the Group with a comprehensive, consistent and integrated governance model. The governance framework and reporting philosophy are linked to the Group's Enterprise Risk Management discipline, currently being developed to achieve a more rational allocation of economic capital and to mitigate unexpected adverse effects of financial, business and operating risks. This focus on risks will re-shape the internal control framework for the ultimate purpose of enhancing shareholder value.

A Group level Internal Audit function was created to manage and coordinate the various internal audit activities throughout the Group. Internal Audit's purpose is to provide a risk-based, independent, objective assurance regarding adequacy of the system of internal controls for managing risk both at subsidiary and Group levels. More specifically, the Internal Audit activity evaluates the adequacy and effectiveness of controls relating to the organisation's governance, operations, and information systems, including (a) reliability and integrity of financial information; (b) effectiveness and efficiency of operations; (c) safeguarding of assets; and (d) compliance with laws, regulations and contracts.

The Board also approved a Sarbanes-Oxley Internal Controls compliance certification program for the Group, which forms part of the overarching Corporate Governance architecture. The objective of the program is to create a framework for identifying and correcting internal control weaknesses.

The Corporate Governance architecture reflects the legal and regulatory external environment that governs Sagicor entities and deals with (a) the ethical and business values that shape and guide Sagicor; (b) policies and procedures governing essential undertakings and operations, in particular the management of risk; (c) the structure, composition and internal operation of the Board; (d) the respective roles and responsibilities of Board and Management in supervising and running Sagicor entities; (e) plans and programmes that form the essential subject matter for the operating relationship between Board and Management; and (f) issues of accountability and performance for both the Board and Management in the way they discharge their respective responsibilities.

The principles governing composition of the Board of Directors are (a) size, which reflects a balance between the need for industry, professional and other representation on the one hand, and the need to be small enough to facilitate effective dialogue and decision making on the other; (b) membership structure, which is determined by core competency requirements of the Board as a whole (reviewed annually); and (c) Directors, who are chosen for their individual core competencies, knowledge, experience, skills, personal qualities and independence.

Roles have been defined for the Board, specifying items reserved for Board decision which cannot be delegated to Board Committees or Management, as well as the role of the Chairman, Board Committees, Chairman of a Board Committee, President and other functional corporate executive positions. Performance evaluation of each of the above roles is to be done annually to ensure effective execution.

Corporate Values

The Group's corporate value system embraces legal, moral and ethical conduct, accountability, corporate social responsibility and leadership. The Code of Business Conduct and Ethics:

- governs the behaviour of Directors, Management and Employees;
- gives assurances to various stakeholders of how business is conducted;
- guides the management of conflicts of interest;
- deters corporate opportunity; and
- addresses issues of confidentiality, fair dealing, protection and use of assets and compliance with legal and regulatory requirements.

The Code is based on the concept of the moral, ethical and legal obligation owed by Directors, Management and Employees to:

- Self - to act with personal integrity, professionalism and loyalty to the Group in the performance of business responsibilities;
- Uphold the Law – to comply with the law both in letter and spirit;
- the Company - to act honestly and in good faith with a view to the best interests of the Company above all other persons;
- Investors - to maximise the wealth of the Company for their ultimate benefit;
- Customers - to provide transparent service solutions that address their real needs and service entitlements, within an institutional environment that protects their confidentiality and privacy;
- Employees - to respect the human and civic rights of colleagues and to enhance their business well-being;
- Society - to harmonise the operation of the Company with the aims of the communities in which it operates.

The business management values are also identified in the values framework and comprise nine pillars for guiding behaviour, namely:

- Values and Standards;
- Corporate Governance;
- Strategic and Business Planning;
- Enterprise Risk Management;
- Market Management;
- Human Resource Management;
- Performance and Accountability Management;
- Internal Controls Management; and
- Investor Relations.

Board Mandate and Governance

The role of the Board is to provide entrepreneurial leadership, guidance and oversight to the Company within a framework of prudent and effective controls that enable risk to be assessed and managed, with a view to maximising shareholder wealth within the bounds of law and community standards of ethical behaviour. The Board has six main responsibilities:

- Strategic Planning;
- Enterprise Risk Management;
- Succession Planning and Performance Evaluation for Executives;
- Oversight of shareholder communications and public disclosure;
- Internal controls; and
- Corporate Governance.

The Board performs its role essentially through decision-making and oversight. The decision-making function is exercised through formulating with Management and approving corporate policies and strategic goals. The oversight function is executed by (a) the review of management decisions; (b) ongoing monitoring of corporate business performance, plans and strategies, corporate governance, internal controls, risk assessment, Management's compliance with legal requirements and corporate policies; (c) the review of the quality of financial and other reports to Shareholders; (d) succession planning and performance evaluation of Executive Management; and (e) oversight of shareholder communications and public disclosures.

An important aspect of oversight extends to subsidiary governance, and a number of steps have been identified to ensure adequate stewardship. These include fostering corporate governance policies, procedures and practices in the subsidiaries, which are aligned to the Group, ensuring subsidiary boards contain a sufficient number of Directors who lead and oversee subsidiary affairs within the context of Group objectives and plans, selecting Executives with the ability and willingness to operate with a Group perspective, and establishing an oversight relationship for managing risk. All this is to be achieved without compromising the subsidiary's long-term viability and in recognition of the subsidiary's legal obligations to its own regulators and minority shareholders, as the case may be.

To assist the new Directors in expediting his or her effectiveness as a Director, an induction program is being designed to enhance institutional, boardroom and interpersonal comfort.

Board Operations

During 2007, the Board met 6 times and also approved a number of items by round robin. The attendance record of Directors is set out under their respective profiles. The principal business at meetings was to:

- approve the listing of the Company's shares on the London Stock Exchange and the prospectus issued in connection therewith, and approve the amendment of Bylaw No 1 to facilitate the listing;
- approve the Corporate Governance architecture;
- approve the internal controls compliance certificate program;
- consider and approve the Strategic Plan and Projections of the Group for the period 2007 to 2009;
- consider and approve strategic acquisitions and divestments in furtherance of Group strategy;
- receive and consider various reports and presentations from Management on the performance of various subsidiaries in the Group and the Group on a consolidated basis;
- review the strategic and business development initiatives forming part of the Strategic Plan;
- review and approve unaudited interim and audited annual consolidated financial statements;
- approve interim and final dividends; and
- receive reports on work being carried out by Board Committees, and consider and approve their recommendations as required.

Committee Reports

The four Committees of the Board, (1) Audit, (2) Corporate Governance and Ethics, (3) Human Resource and (4) Risk Management, play an integral role in the governance process, in that they assist the Board with the proper discharge of its functions by providing an opportunity for more in-depth discussions on areas not reserved specifically for the Board. The mandates of all the Committees have been revised to accord with best practice.

2007 Report of Corporate Governance and Ethics Committee

Role of Committee

Under the revised charter of the Corporate Governance and Ethics Committee, its mandate is to:

- develop and recommend to the Board policies and procedures to establish and maintain best practice standards of corporate governance;
- manage the process for director succession, nomination and recommendation to Shareholders for election or re-election as Directors;
- establish and direct the processes for assessing the performance of the Board, its Committees and individual Directors;
- supervise the operation of the President and CEO;
- recommend the composition of Committees and Committee Chairs;
- review and approve any amendments to the Company's Code of Business Conduct and Ethics;
- obtain reasonable assurance that the Company has processes to ensure adherence to its standards of business conduct and ethical behaviour;
- assess procedures to resolve conflicts of interest and ensure procedures are established to deal with insider dealing; and
- oversee the processes relating to Shareholder communications and public relations and the enhancement of the Company's corporate image.

Membership

The Committee meets the independence requirements of the Group's Corporate Governance Policy. The current members are Terrence Martins (appointed Chairman on August 24, 2005), Dr Oscar Jordan (appointed a Member on March 9, 2004), and Stephen McNamara (appointed a Member on March 9, 2004). All Members had a perfect attendance record during 2007. With effect from January 1, 2007, the Chairman and Members were paid fees for serving on the Committee.

2007 Activities

In order to ensure that the Group was capable of meeting the highest corporate standards, the Committee sponsored the project to build a Group-wide comprehensive Corporate Governance architecture and considered in detail every proposal forming part of the framework. In addition to this project, the Committee attended to the following business during the year: (a) approval of the Corporate Governance Policy; (b) Director nomination for the parent and subsidiary boards; (c) Committee appointments; (d) Director and Officer liability cover; and (e) Management of conflicts of interest.

2007 Report of Audit Committee

Role of Committee

The mandate of the Audit Committee is to oversee the audit process, including recommending the appointment or reappointment of the external auditors, fixing their audit fees, being satisfied with their independence, evaluating their internal quality-control procedures and approving non-audit services provided by the Auditors. The Committee is required to review the annual audit plan and the audited and interim financial statements and International Financial Reporting Standards having a significant impact on the statements. It also reviews actuarial reports and recommendations. The Committee oversees the internal audit function, reviewing internal audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory and regulatory requirements, and management of risk.

Membership

The Committee meets the independence and skill requirements of the Group's Corporate Governance Policy. All members are financially literate and two members, William Lucie-Smith and Joyce Dear, both Chartered Accountants, have recent and relevant accounting expertise. The current members are William Lucie-Smith (appointed Chairman on June 28, 2006 and a Member on August 24, 2005), Andrew Aleong (appointed a Member on June 28, 2006), David Allan (appointed a Member on November 23, 2005) and Joyce Dear (appointed a Member on August 11, 2006). The Chairman and one other Member had a perfect attendance record during 2007, while overseas business commitments resulted in the remaining two Members having an 80% and 40% record respectively. With effect from January 1, 2007, the Chairman and Members were paid fees for serving on the Committee.

2007 Activities

The 2007 activities of the Committee involved approving non-audit services to be carried out by the External Auditors and reviewing and approving the external audit plan and timetable, the External Auditors' 2006 management letter and 2007 audit engagement letter. The Committee also considered and approved interim and annual audited financial statements, the valuation of intangible assets, and dividend recommendations. It reviewed new International Financial Reporting Standards having a significant impact on the Company, goodwill impairment tests, actuarial reports and reports from the External Auditors on key audit issues. The Committee also approved the 2007 Internal Audit Plan and exercised oversight of the implementation of an enterprise-wide internal audit program.

2007 Report of Human Resource Committee

Role of Committee

The role of the Human Resource Committee, under its revised mandate, is to advise the Board with respect to (a) compensation policies, programmes and plans to motivate and align the interests of all Employees with those of the Group's; (b) Human Resource policies and practices to attain Group strategic goals; (c) Executive Management succession plans; (d) Executive Management's compensation and performance evaluation; and (e) Management of pension plans.

Membership

The Committee meets the independence requirements of the Group's Corporate Governance Policy. The current members are Christopher deCaires, (appointed Chairman on June 28, 2006 and a Member on October 26, 2005), Sir Hilary Beckles (appointed a Member on June 28, 2006), Dr Jeannine Comma (appointed September 18, 2007) and Terrence Martins (a former Committee Chairman appointed a Member on October 26, 2005). The Chairman and one other member had a perfect attendance record during 2007 while overseas business commitments resulted in the remaining two members having a 50% record. With effect from January 1, 2007, the Chairman and Members were paid fees for serving on the Committee.

2007 Activities

During 2007 the Committee's main activities were centred around monitoring progress on the implementation of a comprehensive Human Resource development strategy. The main aspects of the strategy were the structure, composition, recruitment, compensation and succession planning at the Group Executive level. The Committee also made awards to qualified participants under the annual cash incentive, long-term incentive and employee share ownership plans.

2007 Report of Risk Management Committee

Role of Committee

The former Board Investment Committee has been re-designated the Risk Management Committee and a new charter has been approved with the objective of ensuring the Group manages risk within its defined philosophy and appetite, and in compliance with policy risk parameters. The Committee's specific mandate is to (a) ensure an appropriate Enterprise Risk Management framework is implemented throughout the Group; (b) approve risk policies, with emphasis on insurance, liquidity, credit, market, capital management and operational risks; (c) approve risk undertakings and exposures reserved for Board decision; (d) continually monitor the effectiveness with which risks are managed, including asset/liability coordination; and, (e) regularly monitor the effectiveness of the system of internal controls for managing risk. Committee Members are foremost required to understand the enterprise's significant inherent risks and the policies and controls used by Management to assess, manage and report these risks. The Committee regularly reviews the Group risk profile and assesses Management's plans for maintaining a sound risk profile.

Membership

The Committee meets the independence requirements of the Group's Corporate Governance Policy. The current members are Terrence Martins (appointed Chairman on June 24, 2005 and a Member on January 9, 2004), David Allan (appointed a Member on October 26, 2005), William Lucie-Smith (appointed a Member on October 26, 2005) and Stephen McNamara (appointed a Member on November 26, 2003). The Chairman and one other member had a perfect attendance record during 2007 while overseas business commitments resulted in the remaining two members having a 66% and 33% record respectively. With effect from January 1, 2007, the Chairman and Members were paid fees for serving on the Committee.

2007 Activities

In 2007 the Committee considered and approved (a) recommendations for significant business acquisitions and divestments; (b) a Group Risk Assessment Model for identifying and diagnosing inherent risks and internal controls; and (c) an Enterprise Risk Management Policy.

By Order of the Board of Directors.

Sandra Osborne, QC
Corporate Secretary

May 30, 2008

"WE ALL HAVE THE MEANS
TO BECOME PROSPEROUS.
WE JUST HAVE TO FIND THE BALANCE
BETWEEN OUR WEALTH AND OUR NEEDS."

04 Financial Statements

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
The Financial Services Centre
Bishop's Court Hill
P.O. Box 111
St. Michael BB14004
Barbados, West Indies
Telephone (246) 436-7000
Facsimile (246) 436-1275

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Sagicor Financial Corporation

We have audited the accompanying consolidated financial statements of **Sagicor Financial Corporation and its subsidiaries (the "Group")**, which comprise the consolidated balance sheet as of December 31, 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Independent Auditors' Report

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants

March 31, 2008

Eckler Ltd.
Consultants and Actuaries

Eckler Ltd.
110 Sheppard Avenue East
Suite 900
Toronto, Ontario
Canada M2N 7A3

SAGICOR FINANCIAL CORPORATION

APPOINTED ACTUARY'S 2007 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Corporation ("Sagicor") which includes the policy liabilities of its life insurance subsidiaries:

- Sagicor Life Inc. (Barbados),
- Life of Jamaica Limited (Jamaica),
- Sagicor Capital Life Insurance Company Limited (Bahamas),
- Capital Life Insurance Company Bahamas Limited (Bahamas),
- Sagicor Panama (Capital de Seguros, SA) (Panama),
- Sagicor Allnation Insurance Company (Delaware, USA),
- Nationwide Insurance Company Limited (Trinidad & Tobago),
- Sagicor Life of the Cayman Islands Limited (Cayman Islands),
- Sagicor Life Insurance Company (Texas, USA), and
- Laurel Life Insurance Company (Texas, USA),

for the balance sheet, at 31st December 2007, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its Life Insurance Subsidiaries was conducted by other actuaries than myself for some companies, using either the Policy Premium Method ("PPM") as an approximation to the Canadian Asset Liability Method ("CALM"), or using CALM directly, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Standards of Practice (Life) of the Canadian Institute of Actuaries. I have reviewed and accepted their valuation and have relied on them in order to issue this certificate.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

Sylvain Goulet

Sylvain Goulet, fcia, fsa, maaa
Affiliate Member of the (British) Institute of Actuaries
Affiliate Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation
31st March 2008

Amounts expressed in US $000

	Notes	2007	2006
ASSETS			
Investment property	5	97,522	90,578
Property, plant and equipment	6	92,938	80,528
Investment in associated companies	7	30,334	26,836
Intangible assets	8	138,524	112,708
Financial investments	9	2,683,007	2,524,822
Reinsurance assets	10	320,155	321,689
Income tax assets	11	23,622	18,333
Miscellaneous assets and receivables	12	171,459	100,101
Cash resources		92,140	87,682
Total assets		**3,649,701**	**3,363,277**
LIABILITIES			
Policy liabilities			
Actuarial liabilities	13	1,364,304	1,373,584
Other insurance liabilities	14	313,915	152,701
Investment contract liabilities	15	242,376	220,855
		1,920,595	**1,747,140**
Other liabilities			
Notes and loans payable	16	152,719	160,488
Deposit and security liabilities	17	790,565	745,435
Provisions	18	23,542	20,565
Income tax liabilities	19	15,107	18,678
Accounts payable and accrued liabilities	20	160,466	128,666
Total liabilities		**3,062,994**	**2,820,972**
EQUITY			
Share capital	21	231,695	230,235
Reserves	22	21,735	48,106
Retained earnings		201,744	135,509
Total shareholders' equity		**455,174**	**413,850**
Participating accounts	23	9,396	9,902
Minority interest in subsidiaries		122,137	118,553
Total equity		**586,707**	**542,305**
Total equity and liabilities		**3,649,701**	**3,363,277**

These financial statements have been approved for issue by the Board of Directors on March 31, 2008.

Director

Director

Amounts expressed in US $000

	Notes	2007	2006
REVENUE			
Premium revenue	24	535,871	468,703
Reinsurance premium expense	24	(105,485)	(91,081)
Net premium revenue		**430,386**	**377,622**
Net investment income	25	261,212	238,379
Share of operating income of associated companies		4,224	2,727
Fees and other revenue	26	50,734	43,602
Gains arising on acquisition	37.1	26,398	-
Total revenue		**772,954**	**662,330**
BENEFITS			
Policy benefits and change in actuarial liabilities	27	333,601	293,390
Policy benefits and change in actuarial liabilities reinsured	27	(33,028)	(29,698)
Net policy benefits and change in actuarial liabilities		**300,573**	**263,692**
Interest expense	28	84,063	82,277
Total benefits		**384,636**	**345,969**
EXPENSES			
Administrative expenses		142,190	125,371
Commissions and related compensation		77,932	57,066
Premium taxes		7,269	6,620
Finance costs		12,276	9,420
Depreciation and amortisation		20,101	17,350
Total expenses		**259,768**	**215,827**
INCOME FROM ORDINARY ACTIVITIES		**128,550**	**100,534**
Income taxes	32	(19,824)	(13,909)
NET INCOME FOR THE YEAR		**108,726**	**86,625**
NET INCOME ATTRIBUTABLE TO:			
Shareholders		86,289	67,663
Participating policyholders		(226)	(303)
Minority interest		22,663	19,265
		108,726	**86,625**
Net income attributable to shareholders - EPS			
Basic earnings per common share	34	32.3 cents	25.4 cents
Fully diluted earnings per common share	34	32.3 cents	25.4 cents

Amounts expressed in US $000

Year ended December 31, 2007	Share capital	Reserves	Retained earnings	Par [1] accounts	Minority interest	Total
	Note 21	Note 22		Note 23		
Balance, beginning of year	**230,235**	**48,106**	**135,509**	**9,902**	**118,553**	**542,305**
Net gains / (losses) recognised directly in equity	-	(30,777)	(78)	(20)	(10,171)	(41,046)
Net income / (loss) for the year	-	-	86,289	(226)	22,663	108,726
Total recognised gains and income for the year	**-**	**(30,777)**	**86,211**	**(246)**	**12,492**	**67,680**
Issue of shares	484	-	-	-	2,675	3,159
Value of employee services rendered (net)	-	1,705	-	-	87	1,792
Net disposal of treasury shares	976	-	-	-	-	976
Disposal of equity interest	-	-	-	-	(3,593)	(3,593)
Dividends declared (note 35)	-	-	(17,321)	-	(8,167)	(25,488)
Other movements	-	2,701	(2,655)	(260)	90	(124)
	1,460	**(26,371)**	**66,235**	**(506)**	**3,584**	**44,402**
Balance, end of year	**231,695**	**21,735**	**201,744**	**9,396**	**122,137**	**586,707**

[1] Participating

Amounts expressed in US $000

Year ended December 31, 2006	Share capital	Reserves	Retained earnings	Par [1] accounts	Minority interest	Total
	Note 21	Note 22		Note 23		
Balance, beginning of year	**229,226**	**53,264**	**82,665**	**10,460**	**100,754**	**476,369**
Net gains / (losses) recognised directly in equity	-	(5,938)	(22)	1	3,960	(1,999)
Net income / (loss) for the year	-	-	67,663	(303)	19,265	86,625
Total recognised gains and income for the year	**-**	**(5,938)**	**67,641**	**(302)**	**23,225**	**84,626**
Issue of shares	2,826	-	-	-	2,061	4,887
Value of employee services rendered (net)	-	1,472	-	-	-	1,472
Purchase of treasury shares	(1,817)	-	-	-	-	(1,817)
Dividends declared (note 35)	-	-	(15,991)	-	(7,241)	(23,232)
Other movements	-	(692)	1,194	(256)	(246)	-
	1,009	**(5,158)**	**52,844**	**(558)**	**17,799**	**65,936**
Balance, end of year	**230,235**	**48,106**	**135,509**	**9,902**	**118,553**	**542,305**

[1] Participating

Amounts expressed in US $000

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from ordinary activities		128,550	100,534
Adjustments for non-cash items, interest and dividends	36	(138,815)	(73,271)
Interest and dividends received		207,016	192,160
Interest paid		(95,857)	(86,366)
Income taxes paid		(17,023)	(13,524)
Changes in operating assets	36	(275,300)	(115,856)
Changes in operating liabilities	36	119,673	52,293
Net cash (used in) / from operating activities		**(71,756)**	**55,970**
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment, net	36	(10,532)	(11,345)
Investment in associated companies, net		(1,315)	310
Intangible assets, net		(4,120)	(2,228)
Acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents		(2,289)	-
Net cash used in investing activities		**(18,256)**	**(13,263)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued		27	-
Net disposal / (purchase) of treasury shares		898	(1,817)
Dividends paid to shareholders		(17,137)	(15,797)
Shares issued to minority interest		2,348	1,767
Dividends paid to minority interest		(8,157)	(7,269)
Notes and loans payable, net	36	(7,952)	79,150
Net cash (used in) / from financing activities		**(29,973)**	**56,034**
Effects of exchange rate changes		**8,803**	**(11,238)**
Net (decrease) / increase in cash and cash equivalents		**(111,182)**	**87,503**
Cash and cash equivalents, beginning of year		224,674	137,171
Cash and cash equivalents, end of year	**36**	**113,492**	**224,674**

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagicor Financial Corporation allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

The principal activities of the Sagicor Group are as follows:

- Insurance
- Annuities
- Pensions
- Pension fund management
- Mutual fund management
- Corporate trust services
- Securities dealing
- Currency dealing
- Merchant banking
- Loan finance and deposit taking

The Group operates across the Caribbean, in the United States of America (USA) and in the United Kingdom (UK).

The table below identifies the principal operating subsidiaries in the Group, their principal activities, their country of incorporation and the effective equity interest held by the shareholders of Sagicor.

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pension administration services	Barbados	100%
Life of Jamaica Limited	Life and health insurance and annuities	Jamaica	59%
Sagicor Life Insurance Company	Life insurance and annuities	Texas, USA	100%
Sagicor Capital Life Insurance Company Limited	Life and health insurance, annuities and pension administration services	The Bahamas	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%

Amounts expressed in US $000

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Panamá, SA (formerly Capital de Seguros, SA)	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	59%
Laurel Life Insurance Company	Life insurance	Texas, USA	100%
Sagicor Allnation Insurance Company	Health insurance	Delaware, USA	100%
Sagicor Corporate Capital Limited (formerly Gerling Corporate Capital Limited) [1]			
- Lloyd's of London corporate underwriting member participating in Syndicate 1206	Property and casualty insurance	UK	90%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	59%
Sagicor General Insurance (Cayman) Limited [2]	Property, casualty and health insurance	The Cayman Islands	45% [2]
LOJ Pooled Investment Funds Limited	Pension fund management	Jamaica	59%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	59%
Pan Caribbean Financial Services Limited	Development banking and investment management	Jamaica	64%
Pan Caribbean Merchant Bank Limited	Merchant banking	Jamaica	64%
Pan Caribbean Asset Management Limited	Investment management	Jamaica	64%
Manufacturers Investments Limited	Investment management	Jamaica	64%
Sagicor Merchant Limited	Investment management	Trinidad & Tobago	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
Mutual Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management Inc	Investment management	Barbados	100%

Amounts expressed in US $000

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
LOJ Property Management Limited	Property management	Jamaica	59%
Sagicor Insurance Managers Limited [2]	Captive insurance management services	The Cayman Islands	45% [2]
Sagicor International Management Services, Inc	Management and business development services	Florida, USA	100%
Sagicor Finance Limited [3]	Group financing vehicle	The Cayman Islands	100%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor USA Inc	Insurance holding company	Delaware, USA	100%
Sagicor Europe Limited [4]	Insurance holding company	The Cayman Islands	90%
Sagicor Syndicate Holdings Limited (formerly Gerling Syndicate Holdings Limited) [1]	Holding company	UK	90%
Sagicor at Lloyd's Limited (formerly Gerling at Lloyd's Limited) [1]	Managing agent of Lloyd's of London syndicate	UK	90%
Sagicor Syndicate Services Limited (formerly Gerling Syndicate Services Limited) [1]	Property and casualty insurance agency	UK	90%
Byrne & Stacey Underwriting Limited [5]	Property and casualty insurance agency	UK	90%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%

[1] Acquired September 1, 2007.
[2] Through control of Life of Jamaica Limited, the Group has a voting interest of 75% (2006 – 51%) in the subsidiary. The effective equity interest was increased from 31% in October 2007.
[3] Incorporated March 30, 2006.
[4] Incorporated June 28, 2007.
[5] Acquired October 4, 2007.

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

The associated companies of the Group are as follows:

Associated Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
FamGuard Corporation Limited	Investment holding company	Bahamas	20%
Family Guardian Insurance Company Limited	Life and health insurance and annuities	Bahamas	20%
Family Guardian General Insurance Agency Limited	General insurance brokerage	Bahamas	20%
BahamaHealth Insurance Brokers and Benefit Consultants Limited	Insurance brokers and benefit consultants	Bahamas	20%
Primo Holding Limited [6]	Property investment	Barbados	38%

[6] Acquired March 30, 2007.

For ease of reference, when the term "insurer" is used in the following notes, it refers to either one or more Group subsidiaries that engage in insurance.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

The Group had adopted accounting policies for the computation of actuarial liabilities on life insurance and annuity contracts which comply with the Canadian Asset Liability Method (CALM). As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that CALM should continue to be applied. The adoption of IFRS 4 – insurance contracts, permits the Group to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately. The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities and financial assets held at fair value through income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

All amounts in these financial statements are shown in thousands of United States dollars, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

(a) Amendments to IFRS

New and revised IFRSs and revised International Accounting Standards (IASs) are effective from the 2007 reporting year.

A new standard has been introduced and is as follows:

IFRS 7 Financial Instruments: Disclosures

The standards which have amendments for the 2007 reporting year are as follows:

IFRS 4 Insurance Contracts

IAS 1 Presentation of Financial Statements

IAS 32 Financial Instruments: Presentation

2. ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions has been withdrawn and has been superseded by IFRS 7. The disclosure requirements of IAS 32 also have been withdrawn and have been superseded by IFRS 7.

The amendments have affected the note disclosures of financial and insurance risk, and have introduced new disclosures for managing capital. The disclosures set out in notes 41, 42 and 45 reflect the new requirements. Comparative disclosures have been made except in instances where it is impractical to do so.

(b) Amendments to International Financial Reporting Interpretations

The International Financial Reporting Interpretations Committee (IFRIC) has issued new or revised interpretations which are effective from the 2007 reporting year. The new interpretations are as follows:

IFRIC 7 Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies)

IFRIC 8 Scope of IFRS 2 (Share-based Payment)

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 7, IFRIC 8 and IFRIC 9 have no significant effect on these financial statements.

IFRIC 10 requires that impairment of goodwill and equity investments recorded at interim reporting dates should not be reversed at balance sheet date if the impairment test had been conducted at balance sheet date and resulted in a lower amount of impairment. The impact of this interpretation on Sagicor is not likely to be significant since Sagicor tests goodwill impairment during the fourth quarter of the financial year, and impairment of equity instruments is relatively infrequent.

The interpretation, IFRIC 11 - Group and Treasury Share Transactions, has been issued with an effective date for accounting periods beginning on or after March 1, 2007. Sagicor has early adopted this interpretation for the 2007 year, because of its applicability to equity compensation granted to employees of subsidiaries. The application of the interpretation affects the equity of the subsidiaries and does not directly affect these consolidated financial statements.

(c) Change in presentational currency

For the 2007 reporting year, the Group has changed the financial statement presentational currency to thousands of United States dollars. Prior to this year, the presentational currency was thousands of Barbados dollars. Accordingly, the 2006 comparative amounts have been restated in thousands of United States dollars. Throughout 2006 and 2007, the Barbados dollar was pegged to the United States dollar at a rate of 2 to 1.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest balances represent the interest of minority shareholders in subsidiaries not wholly owned by the Group.

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

The Group uses the purchase method of accounting for the acquisitions of subsidiaries and insurance businesses. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If, after reassessment of the net assets acquired, the cost of the acquisition is less than the Group's share of net assets acquired, the difference is recognised in income.

(b) Investment in associated companies

The investments in associated companies, which are not majority owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group recognises in income its share of associated companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

The Group recognises in equity its share of associated companies reserve movements.

(c) Joint Ventures

Interests in the assets, liabilities and earnings of jointly controlled ventures are included in these consolidated financial statements using the proportionate consolidation method, eliminating all material related party balances.

(d) Divestitures

Realised gains on the disposal of subsidiaries, operations, associates and joint ventures are included in revenue.

(e) Pension and investment funds

Insurers have issued deposit administration and unit linked contracts in which the full return of the assets supporting these contracts accrue directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group manages a number of segregated pension funds and mutual funds. These funds are segregated and investment returns on these funds accrue directly to unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements.

(f) Employees share ownership plan (ESOP)

The Company has established an ESOP Trust which either acquires Company shares on the open market, or is allotted new shares by the Company. The Trust holds the shares on behalf of employees until the employees' retirement or termination from the Group. Until distribution to employees, shares held by the Trust are accounted for as treasury shares. All dividends received by the Trust shall be applied towards the purchase of additional Company shares.

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each reporting unit of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). A reporting unit may be an individual subsidiary, a branch of a subsidiary or an intermediate holding company group of subsidiaries.

The consolidated financial statements are presented in thousands of United States dollars, which is the Group's presentational currency.

(b) Reporting units

The results and financial position of reporting units that have a functional currency other than the Group's presentational currency are translated as follows:

(i) Income statements, movements in equity and cash flows are translated at average exchange rates for the year.
(ii) Balance sheets are translated at the exchange rates ruling on December 31.
(iii) Resulting exchange differences are recognised in the equity reserve for currency translation.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted dollars at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks or in the case of pounds sterling, according to prevailing market rates.

Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	December 2007 closing rate	2007 average rate	December 2006 closing rate	2006 average rate
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Jamaica dollar	70.4430	68.7285	66.9482	65.6514
Trinidad & Tobago dollar	6.3114	6.3110	6.2946	6.2900
Pounds sterling	0.5024	0.4964	n/a	n/a

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the equity reserve for currency translation. When a foreign entity is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and other purchase accounting adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the rate ruling on December 31.

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss.

Translation differences on non-monetary items such as equities held available for sale are included in the fair value reserve in equity.

2.4 Segment reporting

The Group's primary segments are geographic and the secondary segments are defined by business activity.

Geographical segments are determined by the location of the subsidiary or branch initiating the business. Except for the Sagicor at Lloyd's Syndicate 1206 business, this segmentation is not materially different from the segmentation by location of the customers.

The Group's business segments reflect how the Group's operations are managed within geographical segments.

Certain balances can be clearly allocated to geographical segments, but not to business segments. These include certain associated company, income tax, and pension plan balances which relate to specific geographical segments, but are attributable to more than one business segment. In such instances, these balances are allocated to their geographic segments, but are not allocated by business segment.

Other balances not allocated to segments mainly comprise borrowings and finance costs related to Group expansion and other corporate activities.

2.5 Investment property

Investment property is recorded initially at cost. At subsequent balance sheet dates, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties. These are accounted for under the proportionate consolidation method.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2.6.

Investment property may include property of which a portion is held for rental to third parties and another portion is occupied by the Group for administrative purposes. This type of property is accounted for as an investment property if the Group's occupancy level is 25% or less of the total available occupancy. Otherwise, this type of property is accounted for as an owner-occupied property.

Rental income is recognised on an accruals basis.

2. ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

Property, plant and equipment are recorded initially at cost.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are taken to the fair value reserve in equity, unless there is a cumulative depreciation in respect of an individual property, which is then recorded in the income statement. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. On disposal of owner-occupied property, the amount included in the reserve is transferred to retained earnings. Owner-occupied property includes property held under partnership and joint venture arrangements with third parties. These are accounted for under the proportionate consolidation method.

Subsequent expenditure is capitalised when it will result in future economic benefits to the Group.

Any gain or loss on disposal included in income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

The Group, as lessor, enters into operating leases with third parties to lease assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives. The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

The estimated useful lives of property, plant and equipment are as follows:

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 years

2. ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill (defined in note 2.2(a)) arising from an acquisition of a subsidiary or insurance business is allocated to appropriate cash generating units. A cash generating unit is not larger than a subsidiary's operations in a geographical segment or in a business segment. Goodwill arising from an investment in an associate is included in the carrying value of the investment in associated companies.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment.

(b) Other intangible assets

Other intangible assets identified on acquisitions are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. In addition for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment.

The estimated useful lives of recognised intangible assets are as follows:

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	4 - 20 years
	Broker relationships	10 years
Marketing related	Trade names	4 years, indefinite
Contract based	Syndicate capacity	Indefinite
	Licences	15 years
Technology based	Software	2 – 10 years

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets with fixed maturities and for which management has both the intent and ability to hold to maturity are classified as held to maturity.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise:

- assets designated by management on acquisition, since the assets form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies and comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders;
- held for trading securities which are acquired principally for the purpose of selling in the short-term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Other financial assets are classified as available for sale.

(b) Recognition and measurement

Purchases and sales of these investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income.

Financial assets in the available for sale category are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are recorded in the fair value reserve. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) Fair value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

The impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for available for sale financial assets is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

(e) Securities purchased under agreements to resell

Securities purchased under agreements to resell are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(f) Finance leases

The Group, as lessor, enters into finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method.

(g) Derivative financial instruments

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

(h) Financial assets held in trust under modified coinsurance arrangements

These assets are held in trust for a reinsurer and are in respect of policy liabilities ceded to the reinsurer. The assets are included in the balance sheet along with a corresponding account payable to the reinsurer. The income statement includes the interest income from these assets and a corresponding interest expense due to the reinsurer.

2. ACCOUNTING POLICIES (continued)

2.9 Real estate developed or held for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are valued at the lower of cost and net realisable value.

Real estate acquired through foreclosure is classified as real estate held for resale and is valued at the lower of cost and net realisable value.

Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

2.10 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination,

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

2.12 Policy contracts

(a) Classification

The Group issues policy contracts that transfer insurance risk and / or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity rate risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

A number of insurance contracts contain a discretionary participation feature. A discretionary participation feature entitles the holder to receive, supplementary to the main benefit, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of management; and
- that are contractually based on
  - the performance of a specified pool of contracts;
  - investment returns on a specified pool of assets held by the insurer; or
  - the profit or loss of a fund or insurer issuing the contract.

Policy bonuses and policy dividends constitute discretionary participation features which the Group classifies as liabilities.

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity.

(b) Recognition and measurement

Policy contracts issued by the Group are summarised below.

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks over property, motor, accident and marine.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

Casualty insurance contracts provide coverage for the risk of causing physical harm to third parties. Personal accident, employers' liability and public liability are common types of casualty insurance.

Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative earnings patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with that earnings pattern. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and un-reported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to balance sheet date.

Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard to variations in business written and the underlying terms and conditions. The claim reserve is not discounted and is included in other insurance liabilities.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit sharing commission due to the Group is recognised only when there is reasonable certainty of collectibility, at which time it is recorded as commission income.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At balance sheet date, commissions and premium taxes arising on unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable by the Group arises from contracts between an insurer and a broker; it is accrued on an aggregate basis and it is adjusted to actual in respect of each individual contract when due.

(ii) Health insurance contracts

Health insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is recognised when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims are recorded on settlement. Reserves are recorded as described in note 2.13.

An insurer may obtain reinsurance coverage for its health insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate.

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At balance sheet date, commissions and premium taxes arising on unearned premiums are recorded as deferred policy acquisition costs.

(iii) Long-term traditional insurance contracts

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Some of these contracts have a discretionary participation feature in the form of regular bonuses or dividends. Other benefits such as disability or waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, either the contract may terminate or an automatic premium loan may settle the premium or the contract may continue at a reduced value.

Policy benefits are recognised on notification of death, receipt of surrender request, on the maturity date of endowment policies, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the balance sheet and are secured by the cash values of the respective policies. Policy bonuses may be “non-cash” and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

Reserves for future policy liabilities are recorded as described in note 2.13.

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification.

ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

Commissions and premium taxes payable are recognised on the same basis as earned premiums.

(iv) Long-term universal life and unit linked insurance contracts

Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned allowances, are debited to the investment accounts. Allowances and expense charges are in respect of applicable commissions, cost of insurance, administrative expenses and premium taxes. Fund withdrawals may be permitted.

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter but additional non-recurring premiums may be paid.

Policy benefits are recognised on notification of death, receipt of a withdrawal request or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.13.

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are generally recognised only on settlement of premiums.

(v) Reinsurance contracts assumed

Reinsurance contracts assumed by an insurer are accounted for in a similar manner as if the insurer has issued the risk.

Reinsurance contracts assumed include blocks of life and annuity policies assumed from third party insurers.
In some instances, the Group also administers these policies.

(vi) Reinsurance contracts held

As noted in sections (i) to (iv) above, an insurer may obtain reinsurance coverage for insurance risks underwritten. The Group cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the originating insurer of its liability.

Policy liabilities include blocks of life and annuity policies ceded to reinsurers on coinsurance or modified coinsurance bases. The Group records as a receivable the reinsurer’s share of the insurer’s liabilities on these policies.

The benefits to which an insurer is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, the impairment is recorded in the statement of income. The obligations of an insurer under reinsurance contracts held are recognised as reinsurance liabilities or payables.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(vii) Deposit administration and other investment contracts

Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;
- fair value through income where the insurer is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense. Interest guarantees which may adversely affect the Group are recorded in actuarial liabilities.

In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Other investment contracts are recognised initially at fair value and are subsequently stated at amortised cost and are accounted for as deposit administration contracts which are similarly classified.

(c) Embedded derivatives

Certain insurance contracts contain embedded derivatives which are options whose value may vary in response to changes in interest rates or other market variables.

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.13.

(d) Liability adequacy tests

At balance sheet date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

2.13 Actuarial liabilities

(a) Life insurance and annuity contracts

The Canadian Asset Liability Method (CALM) is used for the determination of actuarial liabilities of long-term insurance contracts. These liabilities consist of amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts.

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these provisions for adverse deviations will be included in future income to the extent they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on Group and industry experience and are updated annually.

2. ACCOUNTING POLICIES (continued)

2.13 Actuarial liabilities (continued)

CALM is based on an explicit projection of cash flows using best estimate assumptions for each material cash flow item and contingency. Investment returns are based on projected investment income using the current asset portfolios and projected re-investment strategies. Each assumption is adjusted by a margin for adverse deviation.

Certain life insurance policies issued by the insurer contain equity linked policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at fair value through income and unit values of each fund are determined by dividing the value of the assets in the fund at balance sheet date by the number of units in the fund. The resulting liability is included in actuarial liabilities.

(b) Health insurance contracts

The actuarial liabilities of health insurance policies are estimated in respect of claims that have been incurred but not yet reported and claims that have been reported but not yet paid, due to the time taken to process the claim.

2.14 Financial liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.12(b) (vii) and in the following paragraphs.

(a) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are recognised initially at fair value and are subsequently stated at amortised cost. Securities sold under agreements to repurchase are treated as collateralised financing transactions. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(b) Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

(c) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the investment yield method.

Borrowings undertaken for the purposes of Group expansion are classified as notes or loans payable and the associated cost is classified as finance costs. Borrowings undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as other funding instruments and are included in deposit and security liabilities and the associated cost is included in interest expense.

(d) Fair value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

2. ACCOUNTING POLICIES (continued)

2.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.16 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.17 Fees and other revenue

Fees and other revenue are recognised on an accrual basis when the related service has been provided.

2.18 Employee benefits

(a) Pension benefits

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to the income statement over the average service lives of the related employees. Past service costs are charged to the income statement on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits vest immediately.

For defined contribution plans, the Group pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in expenses in the income statement.

(b) Other retirement benefits

Certain Group subsidiaries provide supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on various profit and other objectives of the Group as a whole or of individual subsidiaries. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(d) Equity compensation benefits

The Group has a number of share-based compensation plans in place for administrative, sales and managerial staff.

(i) Equity-settled share-based transactions with staff

The services received in an equity-settled transaction with staff are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date.

If the equity instruments granted vest immediately and the individual is not required to complete a further period of service before becoming entitled to those instruments, the services received are recognised in full on grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are accounted for in the income statement during the vesting period, with a corresponding increase in the share based payment reserve or in minority interest. Until the instrument vests, the number of instruments vesting is re-measured annually and the corresponding change in fair value is adjusted at the re-measurement date.

Amounts held in the share based payment reserve are transferred to share capital or minority interest either on the distribution of share grants or on the exercise of share options.

(ii) Cash-settled share-based transactions with staff

The services received in a cash-settled transaction with staff and the liability to pay for those services, are recognised at fair value as the individual renders services. Until the liability is settled, the fair value of the liability is re-measured at balance sheet date and at the date of settlement, with any changes in fair value recognised in income during that period.

(iii) Measurement of the fair value of equity instruments granted

The equity instruments granted consist either of grants of, or options to purchase, common shares of listed entities within the Group. Common shares granted are measured at the listed price prevailing on the grant date. Options granted are measured using the Black-Scholes valuation model, which incorporates factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

(e) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

Amounts expressed in US $000

2. ACCOUNTING POLICIES (continued)

2.19 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of premium tax are as follows:

	Life insurance and non-registered annuities	Health insurance	Property and casualty insurance
Barbados	3% - 5%	3%	3.75% - 5%
Jamaica	3%	Nil	Nil
Trinidad and Tobago	Nil	6%	6%
United Kingdom	n/a	n/a	5%
United States of America	0.75% - 3.5%	Nil	Nil

(b) Income taxes

The Group is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2007 are as follows:

	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	5% of gross investment income	Nil	25% of net income
Jamaica	15% of investment income (1)	Nil	$33^{1/3}$% of net income
Trinidad and Tobago	15% of investment income	Nil	25% - 30% of net income
United Kingdom	n/a	n/a	28% of net income
United States of America	35% of net income	35% of net income	35% of net income

(1) applicable also to health insurance

(i) Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

(ii) Deferred income taxes

The Group uses the balance sheet liability method of accounting for deferred income tax. Deferred tax assets and liabilities resulting from temporary differences are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised. No provision is made for deferred taxes which could arise on the remittance of retained earnings from subsidiaries, unless there is a current intention to remit such earnings.

2. ACCOUNTING POLICIES (continued)

2.20 Participating Accounts

(a) "Closed" participating account

For participating policies of Sagicor Life Inc in force at de-mutualisation, Sagicor Life Inc established a closed participating account in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a closed participating fund. Policy dividends and bonuses of the said policies are paid from the participating fund on a basis substantially the same as prior to de-mutualisation. The participating account also includes an ancillary fund comprising the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

(b) "Open" participating account

Sagicor Life Inc also established an open participating account for participating policies it issues after de-mutualisation. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an open participating account.

The open participating account was established at de-mutualisation. On February 1, 2005, Sagicor Life Inc amalgamated with Life of Barbados Limited, and participating policies of the latter were transferred to the open participating account. Accordingly, the liabilities of these participating policies and matching assets were transferred to the open participating account. The liabilities transferred included an ancillary fund comprising the provisions for adverse deviations on the transferred policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc. Additional assets to support the profit distribution to shareholders (see below) were also transferred to the account.

Distributable profits of the open participating account are shared between participating polices and shareholders in a ratio of 90:10. Profits are distributed to the participating policies in the form of declared bonuses and dividends. Profits which are distributed to shareholders are included in the allocation of Group net income to shareholders. Undistributed profits remain in the participating account.

(c) Financial statement presentation

The assets and liabilities of the participating accounts are not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also not presented separately in the financial statements. However, the overall surplus of assets held in the participating funds over the associated liabilities is presented in equity as the participating accounts. The overall net income that is attributable to the participating funds is disclosed as an allocation of net income. Movements in reserves attributable to the participating funds are presented in equity under the participating accounts.

The allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts.

2. ACCOUNTING POLICIES (continued)

2.21 Treasury shares

Where a Group entity purchases the Company's common shares, the consideration paid, including any directly attributable cost, is deducted from share capital. Where such shares are subsequently sold to a third party, the deduction from share capital is reversed, and any difference with net consideration received is taken to retained earnings.

2.22 Dividend distributions

Dividend distributions on the Company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

2.23 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insureds or depositors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting polices may have a material impact on the Group's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the Group's financial statements are set out below.

3.1 Impairment of financial assets

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

An available for sale equity investment is considered impaired when there is a significant or prolonged decline in the fair value below cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3.2 Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles may be marketing related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

3.3 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash generating business units to which the goodwill has been allocated. Determination of fair value involves the estimation of future cash flows or of net income from ordinary activities of these business units and the expected returns to providers of capital to the business units and / or to the Group as a whole.

The Group updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill.

(b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

3.4 Actuarial liabilities

(a) Canadian asset liability method (CALM)

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items on the balance sheet, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the asset and liability cash flows, as well as any mismatch during the valuation period.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.4 Actuarial liabilities (continued)

The actuarial liabilities are determined by the amount of assets required to ensure that sufficient monies are available to meet the policy liabilities as they become due, even under adverse economic circumstances.

The AA identifies the current economic scenario and the existing investment portfolio as at the date of the actuarial valuation. The investments required to support the policy liabilities are then determined under a variety of future interest rate environments using scenario testing. The total policy liability is determined as the amount of assets required in order that sufficient monies are available to meet the liabilities as they become due under the "worst case" economic scenario, that is, the scenario that produces the highest investment requirement.

The CALM methodology produces the total reserve requirement for each CALM fund. In general, the CALM methodology is used to determine the net overall actuarial liabilities required by the insurer. Policy premium method (PPM) equivalents are used to determine the amount of reinsurance balances in the reserve, the distribution of the total reserve by country (for statutory reporting), and the distribution of the reserve by policy (for MCCSR negative reserves). PPM equivalents and other approximations to CALM have also been used in calculating certain components in the actuarial liabilities.

(b) Best estimate reserve assumptions & provisions for adverse deviations

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate for each major geographical segment, namely Barbados, Jamaica, Trinidad & Tobago, USA and other Caribbean. The assumption for operating expenses and taxes is in some instances split by participating, non-participating or universal life / unit linked business.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardised across the major geographical segments. Provisions are determined within a specific range established by the Canadian Standards of Practice.

The principal assumptions and margins used in the determination of actuarial liabilities are summarised in note 13.3. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Property and casualty insurance contracts

(a) Policy benefits in the course of settlement

The estimation of the ultimate liability arising from claims incurred under property and casualty insurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims.

Claim liabilities are based on estimates due to the fact that the ultimate disposition of claims incurred prior to the balance sheet date, whether reported or not, is subject to the outcome of events that may not yet have occurred. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of casualty contracts. Events which may effect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

Any estimate of future losses is subject to the inherent uncertainties in predicting the course of future events. The two most critical assumptions made to determine claim liabilities are that the past is a reasonable predictor of the likely level of claims development and that the statistical estimation models used are fair reflections of the likely level of ultimate claims to be incurred. Consequently, the amounts recorded in respect of unpaid losses may change significantly in the short term.

Management engages independent actuaries, either to assist in making or to confirm the estimate of claim liabilities.

The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

(b) Premium income

Sagicor at Lloyd's insurance syndicate writes some of its premium by delegated authority to insurance intermediaries. Due to delays in the notification of complete and accurate premium income written, premium income earned may have to be estimated. Accordingly, premium income written has to be re-assessed in future periods and adjustments made to earned premium.

Amounts expressed in US $000

4. SEGMENTS

4.1 Geographical Segments

Year ended December 31, 2007	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	606,486	571,037	131,563	13,513	(23,659)
Jamaica	1,105,410	861,875	298,195	58,194	(20,889)
Trinidad & Tobago	441,316	333,040	101,656	15,053	(13,681)
United Kingdom	248,929	154,158	59,283	30,107	13,135
USA	798,664	719,016	50,106	111	6,889
Other Caribbean	442,187	258,741	129,836	36,191	13,175
Not allocated to segments	6,709	165,127	2,315	(24,619)	(86,152)
	3,649,701	**3,062,994**	**772,954**	**128,550**	**(111,182)**

Year ended December 31, 2006	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	578,045	539,982	126,215	19,546	23,880
Jamaica	1,057,299	805,878	280,162	51,907	(6,628)
Trinidad & Tobago	399,475	279,618	83,565	25,826	(13,539)
USA	840,034	769,398	56,062	6,943	(1,890)
Other Caribbean	410,594	259,732	116,288	16,051	(5,676)
Not allocated to segments	77,830	166,364	38	(19,739)	91,356
	3,363,277	**2,820,972**	**662,330**	**100,534**	**87,503**

Other balances by geographical segment are disclosed in notes 6, 7, 8, 13, 41 and 47.

Amounts expressed in US $000

4. SEGMENTS (continued)

4.2 Business segments

	Total assets		Total revenue	
	2007	2006	2007	2006
Life insurance, health insurance and annuities from contracts issued to individuals	1,974,500	1,957,228	379,433	365,107
Life insurance, health insurance, annuities and pensions from contracts issued to groups	451,853	416,359	186,909	163,581
Property and casualty insurance	377,419	115,020	92,190	29,268
Banking, investment management and other financial services	812,647	774,944	110,660	103,549
Not allocated to segments [1]	33,282	99,726	3,762	825
	3,649,701	**3,363,277**	**772,954**	**662,330**

[1] Includes associated company, income tax and pension plan balances attributable to more than one business segment.

5. INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

	2007	2006
Balance, beginning of year	90,578	90,793
Additions at cost	1,744	1,522
Transfers to real estate developed for resale	-	(1,275)
Transfers to property, plant & equipment	(2,532)	(4,509)
Disposals	(582)	(4,489)
Appreciation in fair values	9,332	9,301
Effects of exchange rate changes	(1,018)	(765)
Balance, end of year	**97,522**	**90,578**

Amounts expressed in US $000

5. INVESTMENT PROPERTY (continued)

Investment property includes $20,276 (2006 - $18,651) which represents the Group's proportionate interest in joint ventures set out below.

Description of property	Percentage owned by the Group
Barbados:	
Land at Fort George Heights, Upton, St Michael	50%
Land at Plum Tree, St Thomas	50%
Trident House Properties, Lower Broad Street, Bridgetown	33%
United Nations House, Marine Gardens, Christ Church	25%
BET Building, Wildey, St Michael	10%
Trinidad & Tobago:	
Ernst & Young Building, Sweet Briar Road, Port-of-Spain	60%

Pension Funds managed by the Group own a 50% interest in Fort George Heights and Plum Tree respectively, a 33% interest in Trident House Properties and a 25% interest in United Nations House.

Other balances included in the financial statements in respect of the above partnerships and joint ventures are as follows:

	2007	2006
Cash, miscellaneous assets and receivables	908	1,042
Other funding instruments, accounts payable and accrued liabilities	195	443
Revenue	2,358	2,246
Expenses	39	24

Amounts expressed in US $000

6. PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2007	Owner-occupied properties	Furnishings & leasehold improvements	Office equipment & vehicles	Operating lease vehicles & equipment	Total
Net book value, beginning of year	50,374	8,896	12,017	9,241	80,528
Additions at cost	173	2,944	4,236	5,115	12,468
Assumed on acquisitions	-	234	480	-	714
Transfers from investment property	2,532	-	-	-	2,532
Disposals	-	(5)	(122)	(1,501)	(1,628)
Appreciation in fair values	7,715	-	-	-	7,715
Depreciation charge	(820)	(1,174)	(4,079)	(2,702)	(8,775)
Effects of exchange rate changes	(309)	(89)	(218)	-	(616)
Net book value, end of year	**59,665**	**10,806**	**12,314**	**10,153**	**92,938**
Represented by:					
Cost or valuation	60,741	23,735	43,817	15,613	143,906
Accumulated depreciation	(1,076)	(12,929)	(31,503)	(5,460)	(50,968)
	59,665	**10,806**	**12,314**	**10,153**	**92,938**

Amounts expressed in US $000

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended December 31, 2006	Owner-occupied properties	Furnishings & leasehold improvements	Office equipment & vehicles	Operating lease vehicles & equipment	Total
Net book value, beginning of year	45,632	5,018	13,612	9,863	74,125
Additions at cost	490	5,100	4,068	3,645	13,303
Transfers from investment property	4,509	-	-	-	4,509
Transfers to intangible assets	-	-	(1,135)	-	(1,135)
Disposals	(131)	(21)	(333)	(1,567)	(2,052)
Appreciation in fair values	790	-	-	-	790
Depreciation charge	(724)	(1,141)	(4,045)	(2,700)	(8,610)
Effects of exchange rate changes	(192)	(60)	(150)	-	(402)
Net book value, end of year	**50,374**	**8,896**	**12,017**	**9,241**	**80,528**
Represented by:					
Cost or valuation	51,396	20,727	41,042	14,077	127,242
Accumulated depreciation	(1,022)	(11,831)	(29,025)	(4,836)	(46,714)
	50,374	**8,896**	**12,017**	**9,241**	**80,528**

Amounts expressed in US $000

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions to and depreciation of property, plant and equipment by geographical segment are as follows:

	Additions		Depreciation	
	2007	2006	2007	2006
Barbados	7,109	8,296	4,978	4,997
Jamaica	2,019	885	1,534	1,585
Trinidad & Tobago	979	1,645	832	633
United Kingdom	24	-	67	-
USA	933	629	388	359
Other Caribbean	1,064	1,814	941	1,031
Not allocated to segments	340	34	35	5
	12,468	**13,303**	**8,775**	**8,610**

Owner-occupied property includes $2,460 (2006 - $1,486) which represents the Group's proportionate interest in joint ventures set out below.

Description of property	Percentage owned by the Group
Belize:	
Belize Insurance Centre, North Front Street, Belize City	50%
Grenada:	
The Mutual / Trans-Nemwil Office Complex, The Villa, St George's	50%

Amounts expressed in US $000

7. INVESTMENT IN ASSOCIATED COMPANIES

	2007	2006
Investment, beginning of year	26,836	24,915
Additions	2,653	664
Income from ordinary activities	4,224	2,727
Amortisation of and other charges to intangible assets which were identified on acquisition	(2,457)	(494)
Income taxes	(3)	(8)
Dividends received	(1,338)	(974)
Other movements in equity	462	-
Effects of exchange rate changes	(43)	6
Investment, end of year	**30,334**	**26,836**

The investment in associated companies and the income from ordinary activities by geographical segment are as follows:

	Investment in associated companies		Income from ordinary activities	
	2007	2006	2007	2006
Barbados	1,903	125	260	(2)
Jamaica	39	41	-	-
Trinidad & Tobago	16,896	14,064	2,519	1,687
Other Caribbean	11,496	12,606	1,445	1,042
	30,334	**26,836**	**4,224**	**2,727**

The aggregate balances and results in respect of associated companies for the period are set out below.

	2007	2006
Total assets	327,887	293,024
Total liabilities	218,166	203,368
Total revenue	95,308	88,264
Net income for the year	16,979	10,976

Amounts expressed in US $000

8. INTANGIBLE ASSETS

(a) Analysis and changes for the year

Year ended December 31, 2007	Goodwill	Customer & broker relationships	Trade names	Syndicate capacity & licences	Software	Total
Net book value, beginning of year	59,148	44,328	3,536	-	5,696	112,708
Additions at cost	-	-	-	-	4,120	4,120
Assumed on acquisitions	-	-	-	53	491	544
Identified on acquisitions:						
Sagicor at Lloyd's (note 37.1)	-	842	-	25,178	1,147	27,167
Byrne & Stacey Underwriting (note 37.2)	4,853	754	-	-	499	6,106
Sagicor General Insurance (Cayman) (note 37.4)	439	-	-	-	-	439
Disposals	(63)	-	-	-	-	(63)
Amortisation and other charges	-	(2,998)	(3,444)	(34)	(2,394)	(8,870)
Effects of exchange rate changes	(1,127)	(1,977)	(92)	(302)	(129)	(3,627)
Net book value, end of year	**63,250**	**40,949**	**-**	**24,895**	**9,430**	**138,524**
Represented by:						
Cost	65,065	48,956	7,037	24,929	17,301	163,288
Accumulated charges and amortisation	(1,815)	(8,007)	(7,037)	(34)	(7,871)	(24,764)
	63,250	**40,949**	**-**	**24,895**	**9,430**	**138,524**

Amounts expressed in US $000

8. INTANGIBLE ASSETS (continued)

Year ended December 31, 2006	Goodwill	Customer relationships	Trade names	Software	Total
Net book value, beginning of year	60,703	49,038	5,832	4,521	120,094
Transfer from property, plant and equipment	-	-	-	1,135	1,135
Additions at cost	-	-	-	2,228	2,228
Amortisation and other charges	(983)	(3,046)	(2,119)	(2,099)	(8,247)
Effects of exchange rate changes	(572)	(1,664)	(177)	(89)	(2,502)
Net book value, end of year	**59,148**	**44,328**	**3,536**	**5,696**	**112,708**
Represented by:					
Cost	60,131	49,637	7,389	11,016	128,173
Accumulated charges and amortisation	(983)	(5,309)	(3,853)	(5,320)	(15,465)
	59,148	**44,328**	**3,536**	**5,696**	**112,708**

(b) Geographical segment information

	Goodwill		Additions to intangible assets		Amortisation of intangible assets	
	2007	2006	2007	2006	2007	2006
Barbados	22,633	22,633	2,022	743	606	724
Jamaica	19,406	20,411	761	693	6,828	5,260
Trinidad & Tobago	4,902	4,916	-	-	-	3
United Kingdom	4,795	-	43	-	196	-
USA	-	-	1,109	703	724	1,457
Other Caribbean	11,514	11,188	133	41	506	803
Not allocated to segments	-	-	52	48	10	-
	63,250	**59,148**	**4,120**	**2,228**	**8,870**	**8,247**

Amounts expressed in US $000

8. INTANGIBLE ASSETS (continued)

(c) Goodwill

Goodwill arising on past acquisitions is reviewed by cash generating unit (CGU). The recoverable amount of a CGU is determined either by its value in use or by its fair value less costs to sell.

A CGU's value in use is estimated using cash flow projections prepared by management. Detailed cash flow projections are prepared for three years and are extrapolated for subsequent years.

The fair value of a CGU is estimated by capitalising its expected earnings over time.

Cash flow discount factors, residual growth rates and earnings multiples utilised in the assessment of recoverable amounts as of December 31, 2007 were as follows:

	Cash flow discount factor	Cash flow residual growth rate	Earnings multiples
Barbados	13.3% - 15.3%	4.0% – 4.5%	8.7
Jamaica	21.2%	7.0%	4.8 – 5.3
Trinidad & Tobago	n/a	n/a	8.0
Other Caribbean	11.2%- 14.6%	3.5%	8.5 – 9.0

Amounts expressed in US $000

9. FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	**3,441**	**3,394**	**3,251**	**3,225**
Available for sale securities:				
Debt securities	1,309,824	1,309,824	1,230,746	1,230,746
Equity securities	162,052	162,052	163,334	163,334
	1,471,876	**1,471,876**	**1,394,080**	**1,394,080**
Securities at fair value through income:				
Debt securities	85,392	85,392	87,719	87,719
Equity securities	26,662	26,662	23,774	23,774
	112,054	**112,054**	**111,493**	**111,493**
Loans and receivables:				
Debt securities	351,793	344,269	329,144	330,739
Mortgage loans	293,998	291,273	247,893	247,150
Policy loans	126,403	131,247	125,891	125,891
Finance loans and finance leases	145,764	145,764	122,888	122,888
Securities purchased under agreements to resell	15,980	15,980	22,320	22,320
Deposits	161,698	161,698	167,862	167,863
	1,095,636	**1,090,231**	**1,015,998**	**1,016,851**
Total financial investments	**2,683,007**	**2,677,555**	**2,524,822**	**2,525,649**

	2007	2006
Securities at fair value through income comprise:		
Securities designated at fair value upon initial recognition	90,706	88,889
Securities held for trading	21,348	22,604
	112,054	**111,493**
Debt securities comprise:		
Government debt securities	1,074,471	1,029,059
Corporate debt securities	394,871	328,590
Collateralised mortgage obligations	229,436	240,226
Other securities	51,672	52,985
	1,750,450	**1,650,860**

Amounts expressed in US $000

9. FINANCIAL INVESTMENTS (continued)

9.1 Analysis of financial investments (continued)

Debt securities include $7,168 (2006 - $7,447) that contain options to convert to common shares of the issuer.

Corporate debt securities include:

(i) convertible loans totalling $6,785 (2006 - $4,772) issued to the Group by an associated company. These loans can be converted into equity or bonds issued by the associated company.

(ii) $13,670 (2006 - $11,917) in bonds issued by an associated company.

Equity securities include $6,705 (2006 - $6,252) in mutual funds managed by the Group.

9.2 Pledged assets

As of December 31, 2006, debt securities included $39,220 held in trust supporting reinsurance liabilities assumed. As of December 31, 2007, the trust was unwound and the related assets were transferred to the Group's general investment portfolio. The Group manages these investments and bears the investment risk.

Debt securities include $23,182 (2006 - $23,450) and policy loans include $29,932 (2006 - $30,412) in assets held in trust for a reinsurer (note 20). The income from these assets accrues to the reinsurer.

Debt and equity securities include $17,825 (2006 - $20,497) as collateral for loans payable.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of $5,158 (2006 - $5,311), and mortgages and mortgage backed securities having a total market value of $121,514 (2006 - $123,896).

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. As of December 31, 2007, these pledged assets totalled $514,838 (2006 - $474,831). Of these assets pledged as security $237,012 (2006 – $189,075) represent collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

Deposits include $49,236 (2006 – nil) pledged as collateral for a letter of credit facility obtained by the Group.

9.3 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked contracts and certain deposit administration contracts.

	2007	2006
Debt securities	63,844	65,150
Equity securities	23,730	22,044
Mortgage loans	47,824	43,659
Securities purchased under agreements to resell	311	2,452
	135,709	**133,305**

Amounts expressed in US $000

10. REINSURANCE ASSETS

	2007	2006
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	247,760	276,471
Policy benefits in the course of settlement (note 14.2)	34,658	21,001
Provision for unearned premiums (note 14.3)	31,686	17,943
Other items	6,051	6,274
	320,155	**321,689**

11. INCOME TAX ASSETS

	2007	2006
Deferred income tax assets (note 33)	11,645	4,226
Income and withholding taxes recoverable	11,977	14,107
	23,622	**18,333**

12. MISCELLANEOUS ASSETS AND RECEIVABLES

	2007	2006
Pension plan assets (note 31)	2,048	1,004
Real estate developed or held for resale	6,116	12,901
Deferred policy acquisition costs	25,917	3,747
Premiums in the course of collection	78,299	27,926
Amounts due from managed funds	3,709	3,014
Other accounts receivable	55,370	51,509
	171,459	**100,101**

(a) Real estate developed or held for resale

Real estate developed for resale includes $3,964 (2006 - $8,837) which is expected to be realised after one year.

Real estate developed for resale includes $2,020 (2006 - $3,161) which represents the Group's proportionate interest in the joint ventures set out below.

Description of property	Percentage owned by the Group
Barbados:	
Land at Fort George Heights, Upton, St Michael	50%
Rolling Hills Development, Byde Mill, St George	81% (2006 only)

Amounts expressed in US $000

12. MISCELLANEOUS ASSETS AND RECEIVABLES (continued)

(b) Deferred policy acquisition costs

The movement in deferred acquisition costs for the year is as follows:

	Gross amount	
	2007	**2006**
Balance, beginning of year	3,747	3,088
Assumed on acquisitions	20,802	-
Expensed	(23,590)	(9,240)
Additions	25,449	9,897
Effect of exchange rate changes	(491)	2
Balance, end of year	**25,917**	**3,747**

Amounts expressed in US $000

13. ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
a) Life insurance, annuities and health insurance - contracts issued to individuals:				
Life - participating polices	288,081	279,539	2,805	3,277
Life and annuity - non-participating policies	795,574	817,992	199,714	220,831
Health	4,156	3,951	1,721	1,590
Unit linked funds	93,061	89,490	-	-
Reinsurance contracts held	2,370	6,057	-	-
	1,183,242	**1,197,029**	**204,240**	**225,698**
b) Life insurance, annuities and health insurance - contracts issued to groups:				
Life	28,640	25,280	2,369	2,395
Annuities	131,660	133,467	40,627	47,929
Health	20,762	17,808	524	449
	181,062	**176,555**	**43,520**	**50,773**
Total actuarial liabilities	**1,364,304**	**1,373,584**	**247,760**	**276,471**

The following notes are in respect of the above:

Life insurance includes coverage for disability and critical illness.
Actuarial liabilities include $144,958 (2006 - $152,710) in assumed reinsurance.
Liabilities for reinsurance contracts held occur because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of the policy.

Amounts expressed in US $000

13. ACTUARIAL LIABILITIES (continued)

13.2 Movement in actuarial liabilities

The movement in actuarial liabilities for the year is as follows:

	Gross amount		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Balance, beginning of year	1,373,584	1,395,599	276,471	302,998
Transfers	-	902	-	-
Change in actuarial liabilities (note 27)	(925)	(17,568)	(28,709)	(26,531)
Effect of exchange rate changes	(8,355)	(5,349)	(2)	4
Balance, end of year	**1,364,304**	**1,373,584**	**247,760**	**276,471**

The change in liability by geographical segment is as follows:

	Gross amount	
	2007	**2006**
Barbados	16,579	4,085
Jamaica	21,389	12,660
Trinidad & Tobago	21,646	3,603
USA	(45,891)	(45,897)
Other Caribbean	(14,648)	7,981
	(925)	**(17,568)**

13.3 Assumptions – life insurance and annuity contracts

(a) Process used to set actuarial assumptions and margins for adverse deviations

At each date for valuation of actuarial liabilities, the Appointed Actuary (AA) of each insurer reviews the assumptions made at the last valuation date. The AA tests the validity of each assumption by reference to current data, and where appropriate, changes the assumptions for the current valuation.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Recent changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population.

For the 2007 valuation, insurers conducted studies of their own recent mortality experience. The resulting experience was measured against an industry standard (Canadian Institute of Actuaries (CIA) 1986 – 1992 tables) and resulted in the assignment of probabilities of death by policy duration. Appropriate modification factors were selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality was determined by reference to CIA tables or to other established scales.

Amounts expressed in US $000

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

Assumptions for morbidity are determined after taking into account insurer and industry experience and established guidelines from Actuarial Institutes.

(c) Assumptions for lapse

Lapses relate to the forced termination of policies due to non-payment of premium or to the voluntary termination of policies by policyholders.

Lapse studies were performed by certain insurers for the 2007 valuation, to determine the most recent experience of persistency. Appropriate rates of termination by policy duration were determined and applied in the actuarial valuations.

(d) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are however assumed to decrease and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

The ultimate rate of return (URR) is the assumed rate that will ultimately be earned on government bonds and is as follows:

	2007	2006
Geographical segment	URR	URR
Barbados	5.0%	5.0%
Jamaica	7.0%	7.0%
Trinidad & Tobago	5.5%	5.0%
USA	4.0%	4.0%
Other Caribbean	5.0 – 5.25%	5.0%

(e) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs were updated for the 2007 valuations and were applied on a per policy basis.

(f) Asset defaults

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Group experience and includes a specific margin for equity securities and a combined margin for debt securities, mortgage loans and deposits.

Amounts expressed in US $000

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

(g) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuations. The application of these margins resulted in the following provisions for adverse deviations being included in the actuarial liabilities:

Provisions for adverse deviations	2007	2006
Mortality and morbidity	27,024	23,240
Lapse	21,797	18,451
Investment yields and asset default	61,975	54,286
Operating expenses and taxes	12,772	10,488
	123,568	**106,465**

(h) Movement in actuarial liabilities arising from changes in assumptions

The increase in actuarial liability for the year includes the effects arising from changes in assumptions.

Components of the net increase in actuarial liabilities have been estimated using Policy Premium Method equivalents. Because the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions and in actuarial modelling may have a significant effect in the period in which they are recorded.

The total effect of changes in assumptions and actuarial modelling are as follows.

	2007	2006
Decrease in actuarial liabilities	(44,722)	(51,603)

There have been no specific changes in assumptions and actuarial modelling which represent more than 5% of actuarial liabilities at the beginning of the year.

13.4 Assumptions – health insurance contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No material claim settlements are anticipated after one year from the balance sheet date.

Amounts expressed in US $000

14. OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2007	2006
Dividends on deposit and other policy balances	63,411	60,875
Policy benefits in the course of settlement	141,860	56,540
Provision for unearned premiums	108,644	35,286
	313,915	**152,701**

14.2 Policy benefits in the course of settlement

(a) Analysis of policy benefits in the course of settlement

	Gross liability		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Life insurance and annuity benefits	40,792	35,268	11,390	10,850
Health claims	1,166	1,009	2,947	1,315
Property and casualty claims	99,902	20,263	20,321	8,836
	141,860	**56,540**	**34,658**	**21,001**

Health claims include $797 (2006 - $824) in provisions for claims incurred but not yet reported. Property and casualty claims include $32,463 (2006 – $4,105) in provisions for claims incurred but not yet reported.

(b) Movement in policy benefits in the course of settlement

	Gross amount		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Balance, beginning of year	56,540	54,798	21,001	21,742
Assumed on acquisitions	79,442	-	10,629	-
Policy benefits incurred	334,526	310,958	61,737	56,229
Policy benefits paid	(326,800)	(308,339)	(58,112)	(56,604)
Effect of exchange rate changes	(1,848)	(877)	(597)	(366)
Balance, end of year	**141,860**	**56,540**	**34,658**	**21,001**

Amounts expressed in US $000

14. OTHER INSURANCE LIABILITIES (continued)

14.3 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	Gross liability		Reinsurers' share	
	2007	2006	2007	2006
Property and casualty insurance	107,383	34,013	31,686	17,943
Health insurance	1,261	1,273	-	-
	108,644	**35,286**	**31,686**	**17,943**

(b) Movement in provision for unearned premiums

	Gross amount		Reinsurers' share	
	2007	2006	2007	2006
Balance, beginning of year	35,286	28,484	17,943	12,331
Assumed on acquisitions	65,681	-	5,415	-
Premiums written	135,852	95,266	68,183	53,921
Premium revenue	(126,557)	(88,457)	(59,523)	(48,318)
Effect of exchange rate changes	(1,618)	(7)	(332)	9
Balance, end of year	**108,644**	**35,286**	**31,686**	**17,943**

15. INVESTMENT CONTRACT LIABILITIES

	December 31, 2007		December 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Deposit administration liabilities	180,882	180,882	176,194	175,836
Other investment contracts	61,494	61,405	44,661	44,103
	242,376	**242,287**	**220,855**	**219,939**

Amounts expressed in US $000

16. NOTES AND LOANS PAYABLE

	December 31, 2007		December 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
7.5% senior notes due 2016	146,883	151,875	146,514	152,977
Bank loans	5,836	5,836	13,974	13,974
	152,719	**157,711**	**160,488**	**166,951**

The Group issued ten year US$150 million senior notes which are repayable in 2016 and carry a 7.5% rate of interest fixed for the period. The notes are traded and are listed on the Luxembourg Euro MTF Market.

Bank loans are secured either by portfolios of investment securities or by the holdings in subsidiaries.

17. DEPOSIT AND SECURITY LIABILITIES

	December 31, 2007		December 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other funding instruments:				
Loans from banks and other financial institutions	163,719	168,065	161,556	165,057
Deposits:				
Customer deposits	136,641	136,641	123,157	123,157
Securities:				
Securities sold under agreements to repurchase	487,306	487,306	457,741	457,741
Bank overdrafts	2,899	2,899	2,981	2,981
	790,565	**794,911**	**745,435**	**748,936**

Loans from banks and other financial institutions include balances of $118,376 (2006 - $120,655) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

The collateral for other funding instruments and securities sold under agreements to resell is set out in note 9.2.

Un-disbursed facilities in respect of other funding instruments and bank overdrafts total approximately $ nil (2006 – $1,779).

18. PROVISIONS

	2007	2006
Pension plans and other retirement benefits (note 31)	21,648	17,963
Other	1,894	2,602
	23,542	**20,565**

19. INCOME TAX LIABILITIES

	2007	2006
Deferred income tax liabilities (note 33)	6,635	7,434
Income taxes payable	8,472	11,244
	15,107	**18,678**

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Amounts due to policyholders	7,718	1,649
Amounts due to reinsurers	82,351	67,767
Amounts due to managed funds	2,105	3,609
Other accounts payable and accrued liabilities	68,292	55,641
	160,466	**128,666**

Amounts due to reinsurers include $53,114 (2006 – $53,862) due to a reinsurer in respect of assets held in trust by the Group (see note 9.2).

21. SHARE CAPITAL

The Company is authorised to issue an unlimited number of common shares issuable in series, and an unlimited number of preference shares issuable in series.

	Year ended December 31, 2007		Year ended December 31, 2006	
	Number of shares '000	$000	Number of shares '000	$000
Issued and fully paid common shares of no par value:				
Balance, beginning of year	266,187	230,235	265,553	229,226
Allotments	238	484	1,432	2,826
Balance, end of year	266,425	230,719	266,985	232,052
Treasury shares:				
Net shares disposed / (acquired) by ESOP trustees	429	976	(798)	(1,817)
Total share capital	**266,854**	**231,695**	**266,187**	**230,235**

The Company's shares are listed on the Barbados and Trinidad stock exchanges. From February 14, 2007, the Company's shares were listed on the London stock exchange.

Amounts expressed in US $000

22. RESERVES

	Fair value reserves					
Year ended December 31, 2007	Available for sale assets	Owner occupied property	Currency translation reserve	Share based payment reserves	Statutory reserves	Total
Balance, beginning of year	**55,815**	**9,531**	**(22,811)**	**1,472**	**4,099**	**48,106**
Unrealised (losses)/gains arising on revaluation, net of taxes	(10,847)	6,693	-	-	-	(4,154)
Gains transferred to income on disposal and impairment	(17,524)	-	-	-	-	(17,524)
Retranslation of foreign operations	-	-	(9,099)	-	-	(9,099)
Net gains/(losses) recognised directly in equity	**(28,371)**	**6,693**	**(9,099)**	**-**	**-**	**(30,777)**
Value of employee services rendered (net)	-	-	-	1,705	-	1,705
Other movements	873	(203)	215	-	1,816	2,701
	(27,498)	**6,490**	**(8,884)**	**1,705**	**1,816**	**(26,371)**
Balance, end of year	**28,317**	**16,021**	**(31,695)**	**3,177**	**5,915**	**21,735**

Amounts expressed in US $000

22. RESERVES (continued)

	Fair value reserves					
Year ended December 31, 2006	Available for sale assets	Owner occupied property	Currency translation reserve	Share based payment reserves	Statutory reserves	Total
Balance, beginning of year	**56,007**	**8,886**	**(16,439)**	-	**4,810**	**53,264**
Unrealised (losses)/gains arising on revaluation, net of taxes	4,689	645	-	-	-	5,334
Gains transferred to income on disposal and impairment	(4,900)	-	-	-	-	(4,900)
Retranslation of foreign operations	-	-	(6,372)	-	-	(6,372)
Net gains/(losses) recognised directly in equity	**(211)**	**645**	**(6,372)**	**-**	**-**	**(5,938)**
Value of employee services rendered (net)	-	-	-	1,472	-	1,472
Other movements	19	-	-	-	(711)	(692)
	(192)	**645**	**(6,372)**	**1,472**	**(711)**	**(5,158)**
Balance, end of year	**55,815**	**9,531**	**(22,811)**	**1,472**	**4,099**	**48,106**

Amounts expressed in US $000

23. PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year were as follows:

	Closed participating account		Open participating account	
	2007	2006	2007	2006
Balance, beginning of year	7,158	5,270	2,744	5,190
Net unrealised (losses) / gains arising on available for sale investment securities	(20)	1	-	-
Return of transfer to support profit distribution to shareholders	-	-	(260)	(256)
Net income / (loss) for the year	1,372	1,887	(1,598)	(2,190)
Balance, end of year	**8,510**	**7,158**	**886**	**2,744**

The amounts in the financial statements relating to participating accounts are as follows:

	Closed participating account		Open participating account	
	2007	2006	2007	2006
Assets	94,761	92,409	227,604	212,121
Liabilities	86,251	85,251	226,718	209,376
Revenues	10,548	10,929	35,684	35,150
Benefits	7,356	7,285	29,851	27,830
Expenses	1,633	1,568	6,747	8,669
Income taxes	187	189	684	841

Amounts expressed in US $000

24. PREMIUM REVENUE

	Gross revenue		Reinsurance expense	
	2007	2006	2007	2006
Life insurance	249,534	231,602	39,271	37,508
Annuities	53,423	56,091	240	365
Health insurance	123,190	113,548	5,312	5,662
Property and casualty insurance	109,724	67,462	60,662	47,546
	535,871	**468,703**	**105,485**	**91,081**

Gross revenue includes $22,260 (2006 - $19,188) in reinsurance assumed.

25. NET INVESTMENT INCOME

	2007	2006
Investment income:		
Interest income	206,618	194,612
Dividend income	6,719	6,275
Rental income from investment property	5,629	5,345
Net investment gains	38,377	29,579
Foreign exchange gains	3,836	2,870
Other investment income	1,655	2,965
	262,834	**241,646**
Investment expenses:		
Allowances for impairment losses	(421)	183
Direct operating expenses of investment property	1,155	1,305
Other direct investment expenses	888	1,779
	1,622	**3,267**
Net investment income	**261,212**	**238,379**

The Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc) and the income there-from is presented accordingly.

Amounts expressed in US $000

25. NET INVESTMENT INCOME (continued)

(a) Interest income

	2007	2006
Debt securities	148,325	143,735
Mortgage loans	20,183	17,921
Policy loans	9,091	9,185
Finance loans and finance leases	15,285	13,212
Securities purchased under agreements to resell	3,477	4,028
Deposits	9,845	6,395
Other balances	412	136
	206,618	**194,612**

Interest from debt securities includes $1,678 (2006 - $1,324) from an associated company.

(b) Net investment gains / (losses)

	2007	2006
Debt securities	9,051	9,487
Equity securities	19,730	10,502
Investment property	9,512	9,314
Other financial investments	84	276
	38,377	**29,579**

26. FEES AND OTHER REVENUE

	2007	2006
Fee income – assets under administration	12,520	11,895
Fee income – deposit administration and policy funds	3,075	2,676
Commission income on insurance and reinsurance contracts	11,144	11,340
Other fees and commission income	10,758	7,706
Other operating and miscellaneous income	13,237	9,985
	50,734	**43,602**

Amounts expressed in US $000

27. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross amount		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Policy benefits:				
Life insurance benefits	130,074	129,422	25,725	23,936
Annuity benefits	84,414	82,410	24,567	22,669
Health insurance claims	89,182	82,803	3,845	3,353
Property & casualty insurance claims	30,856	16,323	7,600	6,271
Total policy benefits	**334,526**	**310,958**	**61,737**	**56,229**
Change in actuarial liabilities (note 13.2)	(925)	(17,568)	(28,709)	(26,531)
Total policy benefits and change in actuarial liabilities	**333,601**	**293,390**	**33,028**	**29,698**

Gross policy benefits include $22,263 (2006 - $21,171) arising from reinsurance assumed.

28. INTEREST EXPENSE

	2007	**2006**
Insurance contracts	2,457	2,659
Investment contracts	17,044	17,501
Other funding instruments	9,448	8,654
Deposits	9,528	8,082
Securities	42,804	41,397
Other Items	2,782	3,984
	84,063	**82,277**

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc) and the interest there-to is presented accordingly.

Amounts expressed in US $000

29. EMPLOYEE COSTS

Included in administrative expenses, commissions and related compensation are the following:

	2007	2006
Administrative staff salaries, directors' fees and other short-term benefits	63,890	55,770
Employer contributions to social security schemes	4,863	4,270
Equity compensation benefits	2,413	1,718
Employer contribution to defined contribution pension schemes	654	344
Costs – defined benefit pension schemes	3,132	2,489
Costs – other retirement benefits	1,178	878
	76,130	**65,469**

The total number of administrative staff at December 31 was 1,807 persons (2006 – 1,764 persons).

30. EMPLOYEE EQUITY COMPENSATION BENEFITS

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagicor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management of the Group during the year. Share grants may vest over a four year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Group as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

The movement in restricted share grants during the year is as follows. B$ represents Barbados $.

	2007		2006	
	Number of grants '000	Weighted average exercise price	Number of grants '000	Weighted average exercise price
Balance, beginning of year	214	B$ 3.81	-	-
Grants issued	425	B$ 3.87	305	B$ 3.81
Grants vested	(218)	B$ 3.84	(91)	B$ 3.81
Balance, end of year	**421**	**B$ 3.85**	**214**	**B$ 3.81**

Effective December 31, 2005 and during 2006, the Company authorised further compensation to designated key management which, at the option of the recipient, could be settled either in cash or in shares issued by the Company, or by a combination of cash and shares. During 2006, 1,342,000 common shares were issued to key management out of the compensation awarded. These shares were issued at the market price prevailing at the exercise dates for a total value of $2,647.

Amounts expressed in US $000

30. EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.1 The Company (continued)

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Options are granted at the fair market price of the shares at the time that the option is granted. 25% of the options each vest on the first, second, third and fourth anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

The movement in share options during the year is as follows. B$ represents Barbados $.

	2007		2006	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	932	B$ 3.95	-	-
Options granted	2,050	B$ 4.01	932	B$ 3.95
Options exercised	(14)	B$ 3.95	-	-
Balance, end of year	**2,968**	**B$ 3.99**	**932**	**B$ 3.95**
Exercisable at the end of the year	**219**	**B$ 3.95**	**-**	**-**

Further details of share options and the assumptions used in determining their pricing are as follows:

	2007 options	2006 options
Share price at grant date	B$ 4.01	B$ 3.95
Fair value of options at grant date	B$ 0.82	B$ 1.38
Expected volatility	19.3%	35.8%
Expected life	7.0 years	7.0 years
Expected dividend yield	3.0%	3.0%
Risk-free interest rate	4.8%	6.0%

The expected volatility is based on statistical analysis of monthly share prices over the two years prior to grant date.

(c) ESOP

During 2007 and 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment.

During the year, 429,000 common shares were disposed of by the Trustees (2006 - 798,000 common shares acquired).

(d) Expense

The expense recorded in the income statement in respect of the LTI plan and ESOP totalled $2,000 (2006 - $1,197).

Amounts expressed in US $000

30. EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.2 Life of Jamaica Limited (LOJ)

(a) Long-term incentive plan

Effective May 1, 2003, LOJ instituted a share based long-term incentive plan for senior executives. 150,000,000 ordinary shares (or 5% of the authorised share capital at that date) have been set aside for the plan.

LOJ introduced a new Long Term Incentive (LTI) plan effective January 2007. This plan replaced the previous Stock Option plan. Under the LTI plan executives are entitled but not obliged, to purchase the company stock at a pre-specified price at some future date, once a pre-determined performance objective is met. The options are granted each year on the date of the LOJ Board of Directors Human Resources Committee meeting, following the performance year, at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option on LOJ stock on the date of grant. The exercise price of the options is the closing bid price on the grant date.

Under the previous Stock Option plan, options were granted on December 31, of each year. The strike price was the closing bid price on the grant date. The number of stock options in each stock option award was calculated based on a percentage of applicable salary divided by the strike price. Options were exercisable beginning one year from the date of grant and had a contractual term of six years from the date of grant.

Details of the share options outstanding are as follows. J$ represents Jamaica $.

	2007		2006	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	23,866	J$ 6.54	19,470	J$ 5.99
Options granted	-	-	4,396	J$ 9.00
Options exercised	(4,533)	J$ 5.50	-	-
Balance, end of year	**19,333**	**J$ 6.79**	**23,866**	**J$ 6.54**
Exercisable at the end of the year	**13,286**	**J$ 6.45**	**13,185**	**J$ 4.48**

Further details of share options outstanding at December 31, 2007 are as follows:

	Options
Fair value of options outstanding	J$ 21,615,000
Share price at grant date	J$ 3.90 – 11.30
Exercise price	J$ 2.70 – 11.30
Standard deviation of expected share price returns	34.0%
Weighted average remaining contractual term	2 years
Risk-free interest rate	12.0% - 26.1%

The expected volatility is based on statistical analysis of daily share prices over three years.

The total expense recorded in the income statement in respect of the share option plan totalled $271 (2006 – $90).

Amounts expressed in US $000

30. EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.2 Life of Jamaica Limited (LOJ) (continued)

(b) Employee share purchase plan

LOJ has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled $1,502 (2006 - $1,623).

30.3 Pan Caribbean Financial Services Limited (PCFS)

PCFS offers share options to employees who have completed the minimum eligibility period of employment. Options are conditional on the employee completing a minimum service period of one year. Options are forfeited if the employee leaves PCFS before the options vest. PCFS share options were granted as follows:

(i) 17,220,000 share options on 8 March 2004. These options expired on 31 December 2007. The exercise price for the options is J$10. The options were vested 31 December 2006. 12,668,000 of these options were vested and exercised. The balance of the 4,552,000 vested options was exercised in 2007.

(ii) 1,200,000 share options on 1 March 2005. These options expire on 28 February 2009. The exercise price for the options is J$36.50. The options vest over four years - 25% on each anniversary date of the grant. 600,000 of these shares were forfeited and contracts for 525,000 were cancelled. 75,000 of the share options vested on 1 March 2006.

(iii) 1,200,000 share options on 1 March 2006. These options expire on 28 February 2010. The exercise price for the options is J$21.75. These options vest over four years – 25% each anniversary date of the grant.

(iv) 600,000 share options on 1 March 2007. These options expire on 28 February 2011. The exercise price for the options is J$19.29. These options vest over four years – 25% each anniversary date of the grant.

(v) 4,074,246 share options on 1 April 2007. These options expire on 31 March 2011. The exercise price for the options is J$18.00. These options vest over four years – 25% each anniversary date of the grant.

The movement in share options was as follows. J$ represents Jamaica $.

	2007		2006	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	5,902	J$ 16.20	11,210	J$ 12.70
Options granted	4,674	J$ 21.27	1,200	J$ 19.29
Options exercised	(4,552)	J$ 20.68	(5,458)	J$ 9.71
Options lapsed / forfeited	(75)	J$ 36.50	(1,050)	J$ 36.50
Balance, end of year	**5,949**	**J$ 16.49**	**5,902**	**J$ 16.20**
Exercisable at the end of the year	**375**	**J$ 24.70**	**4,702**	**J$ 10.85**

Amounts expressed in US $000

30. EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.3 Pan Caribbean Financial Services Limited (PCFS) (continued)

Further details of share options outstanding at December 31, 2007 are as follows:

	Options
Fair value of options outstanding	J$ 42,178,000
Weighted average share price at grant date	J$ 16.84
Exercise price	J$ 18.00 - 36.50
Standard deviation of expected share price returns	10.0%
Weighted average remaining contractual term	5 years
Risk-free interest rate	13.3%

The expected volatility is based on statistical analysis of daily share prices over one year.

The total expense recorded in the income statement in respect of the share option plan totalled $142 (2006 – $ 182).

31. EMPLOYEE RETIREMENT BENEFITS

Certain Group subsidiaries have contributory defined benefit pension schemes in place for eligible administrative staff. Some subsidiaries also offer medical and life insurance benefits that contribute to the health care and life insurance coverage of retirees and beneficiaries.

(a) Amounts recognised in the balance sheet

The amounts recognised in the balance sheet are determined as follows:

	Pension benefits		Other retirement benefits	
	2007	2006	2007	2006
Fair value of retirement plan assets	75,229	65,340	1,052	970
Present value of retirement obligations	(96,016)	(81,796)	(8,063)	(7,211)
	(20,787)	**(16,456)**	**(7,011)**	**(6,241)**
Unrecognised actuarial losses	5,869	3,303	2,329	2,435
Amounts recognised in the balance sheet	**(14,918)**	**(13,153)**	**(4,682)**	**(3,806)**
Represented by:				
Asset balances	2,048	1,004	-	-
Liability balances	(16,966)	(14,157)	(4,682)	(3,806)
	(14,918)	**(13,153)**	**(4,682)**	**(3,806)**

Included in liability balances are interest bearing deposit administration fund balances totalling $18,929 (2006 - $16,845) representing employee pension plan funds on deposit with the Group.

Amounts expressed in US $000

31. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Amounts recognised in the income statement

The amounts recognised in the income statement are determined as follows:

	Pension benefits		Other retirement benefits	
	2007	2006	2007	2006
Current service cost	3,348	2,804	665	436
Interest cost	7,351	6,349	928	555
Net actuarial (gains) / losses recognised during the year	1,168	1,048	68	(3)
Past service cost	65	174	1,242	-
Curtailment gain			(1,591)	-
Expected return on retirement plan assets	(8,800)	(7,886)	(134)	(110)
Total cost	**3,132**	**2,489**	**1,178**	**878**

(c) Retirement plan assets

The movement in the fair value of retirement plan assets is as follows:

	Pension benefits		Other retirement benefits	
	2007	2006	2007	2006
Plan assets, beginning of year	65,340	60,504	970	-
Expected return on plan assets	8,800	7,886	134	110
Actuarial gains and losses	97	(1,080)	-	989
Contributions made by the Group	3,912	2,748	-	-
Contributions made by plan participants	2,139	1,970	-	-
Benefits paid	(2,716)	(4,165)	-	-
Other	119	(877)	-	(110)
Effects of exchange rate changes	(2,462)	(1,646)	(52)	(19)
Plan assets, end of year	**75,229**	**65,340**	**1,052**	**970**

The actual return on retirement plan assets was $9,896 (2006 – $7,244).

Amounts expressed in US $000

31. EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Retirement obligations

The movement in the retirement obligations are as follows:

	Pension benefits		Other retirement benefits	
	2007	**2006**	**2007**	**2006**
Retirement obligations, beginning of year	81,796	70,986	7,211	4,559
Current service cost	3,348	2,804	665	436
Interest cost	7,351	6,349	928	555
Contributions made by employees	2,175	2,043	-	-
Actuarial gains and losses	4,805	5,362	926	1,973
Benefits paid	(2,744)	(3,245)	(142)	(80)
Past service cost	519	455	1,242	-
Curtailments	-	-	(2,334)	-
Other	1,238	(1,367)	(78)	-
Effects of exchange rate changes	(2,472)	(1,591)	(355)	(232)
Retirement obligations, end of year	**96,016**	**81,796**	**8,063**	**7,211**

(e) Principal assumptions

The principal actuarial assumptions used were as follows:

	Pension benefits			Other retirement benefits
	Jamaica	Trinidad & Tobago	Barbados & other countries	Jamaica
Discount rate	13.0%	8.0%	7.75%	13.0%
Expected return on plan assets	13.0%	8.0%	8.0%	13.0%
Future salary increases	10.0%	6.5%	6.5%	10.0%
Future pension increases	4.5%	1.5%	2.5%	n/a
Portion of employees opting for early retirement	0.0%	0.0%	0.0%	n/a
Future changes in National Insurance Scheme Ceilings	0.0%	2.5%	3.5%	n/a
Long term increase in health costs	n/a	n/a	n/a	12.0%

Amounts expressed in US $000

32. INCOME TAXES

The income tax expense is comprised of:

	2007	2006
Current tax	15,861	13,783
Deferred tax	3,960	118
Share of tax of associated companies	3	8
	19,824	**13,909**

In summary, income tax is levied on the following sources of income:

	2007	2006
Investment income subject to direct taxation	67,323	62,426
Income from ordinary activities subject to direct taxation	15,504	14,714
Total income subject to taxation	**82,827**	**77,140**

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	2007	2006
Income subject to tax	**82,827**	**77,140**
Tax calculated at the applicable rates on income subject to tax	16,096	14,399
Adjustments to current tax for items not subject to tax or not allowed for tax	(5,319)	(4,299)
Other current tax adjustments	(143)	5
Adjustments for current tax of prior periods	(724)	982
Movement in unrecognised deferred tax asset	6,227	(102)
Deferred tax expense relating to the origination of temporary differences	130	663
Deferred tax (income) expense relating to changes in tax rates and the imposition of new taxes	(56)	(49)
Deferred tax income that arises from the write down (reversal of a write down) of a deferred tax asset	1,729	(979)
Tax on distribution of profits from policyholder funds	325	1,501
Other taxes	1,559	1,788
	19,824	**13,909**

Amounts expressed in US $000

33. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are attributable to the following items:

	2007	2006
Deferred income tax assets:		
Pensions and other retirement benefits	353	706
Unused tax losses	11,134	3,718
Other items	158	(198)
Total (note 11)	**11,645**	**4,226**
Deferred income tax liabilities:		
Accelerated tax depreciation	2,053	1,672
Policy reserves taxable in the future	-	186
Pensions and other retirement benefits	247	67
Accrued interest	661	686
Unrealised gains on available for sale investments	820	3,500
Other items	2,854	1,323
Total (note 19)	**6,635**	**7,434**
Deferred income tax balances include the following:		
Assets to be settled after one year	11,153	3,767
Liabilities to be settled after one year	3,273	5,918

The Group has not recognised potential deferred income tax assets of $29,055 (2006 – $22,474) arising from unrecognised tax losses of $99,490 (2006 - $74,447). Deferred income taxes have not been provided for income taxes that would be payable on the distribution of retained earnings of certain subsidiaries because either there is no intention to distribute those earnings or they are not subject to tax on receipt.

34. EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing the net income for the year attributable to shareholders by the weighted average number of common shares in issue during the year, excluding treasury shares.

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options and of ESOP shares grants (see note 30.1).

	2007	2006
Net income for the year attributable to shareholders	**86,289**	**67,663**
Weighted average number of shares in issue in thousands	266,810	266,514
LTI restricted share grants	333	70
LTI share options	23	-
ESOP shares	159	6
Adjusted weighted average number of shares in issue	**267,325**	**266,590**
Basic earnings per common share	**32.3 cents**	**25.4 cents**
Fully diluted earnings per common share	**32.3 cents**	**25.4 cents**

35. DIVIDENDS PER COMMON SHARE

	2007		2006	
	Barbados cents per share	$000	Barbados cents per share	$000
Dividends declared and paid:				
A final dividend in respect of the prior year	7.0	9,317	6.0	8,007
An interim dividend in respect of the current year	6.0	8,004	6.0	7,984
	13.0	**17,321**	**12.0**	**15,991**
Dividends declared after balance sheet date:				
A final dividend in respect of the current year	**8.0**	**11,087**	**7.0**	**9,317**

Amounts expressed in US $000

36. CASH FLOWS

36.1 Operating activities

	2007	2006
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(213,337)	(200,887)
Net investment gains	(38,377)	(29,579)
Gain arising on acquisition	(26,398)	-
Net increase in actuarial liabilities	27,784	8,963
Interest expense and finance costs	96,339	91,697
Depreciation and amortisation	20,101	17,350
Other items	(4,927)	39,185
	(138,815)	**(73,271)**

	2007	2006
Changes in operating assets:		
Investment property	(982)	2,999
Debt securities	(125,710)	(89,100)
Equity securities	4,958	28,084
Mortgage loans	(46,620)	(36,188)
Policy loans	(959)	(586)
Finance loans and finance leases	(27,590)	(8,454)
Securities purchased under agreement to resell	(1,301)	1,751
Deposits	(69,944)	(15,105)
Other assets and receivables	(7,152)	743
	(275,300)	**(115,856)**

The gross changes in investment property, debt securities and equity securities are as follows.

	Investment property		Debt securities		Equity securities	
	2007	2006	2007	2006	2007	2006
Disbursements	(1,744)	(1,522)	(544,296)	(860,567)	(59,985)	(29,477)
Disposal proceeds	762	4,521	418,586	771,467	64,943	57,561
	(982)	**2,999**	**(125,710)**	**(89,100)**	**4,958**	**28,084**

Amounts expressed in US $000

36. CASH FLOWS (continued)

36.1 Operating activities (continued)

	2007	2006
Changes in operating liabilities:		
Insurance liabilities	15,071	5,449
Investment contract liabilities	26,039	9,933
Other funding instruments	4,332	14,608
Deposits	17,100	12,699
Securities	42,946	11,296
Other liabilities and payables	14,185	(1,692)
	119,673	**52,293**

36.2 Investing activities

	2007	2006
Property, plant and equipment		
Purchases	(12,468)	(13,303)
Disposal proceeds	1,936	1,958
	(10,532)	**(11,345)**

36.3 Financing activities

	2007	2006
Notes and loans payable		
Proceeds	6,113	159,985
Repayments	(14,065)	(80,835)
	(7,952)	**79,150**

36.4 Cash and cash equivalents

	2007	2006
Cash resources	89,771	81,539
Call deposits and other liquid balances with maturities of three months or less from acquisition date	46,305	156,194
Bank overdrafts	(2,899)	(2,981)
Other borrowings for cash purposes with maturities of three months or less from origination	(19,685)	(10,078)
	113,492	**224,674**

Amounts expressed in US $000

37. ACQUISITIONS

37.1 Sagicor at Lloyd's

Effective September 1, 2007, Sagicor Europe Limited acquired Gerling Corporate Capital Limited, the sole corporate member participating in Lloyd's of London Syndicate 1206. Sagicor Europe also acquired the Syndicate's managing agency Gerling at Lloyd's Limited and its affiliated entities Gerling Syndicate Holdings Limited and Gerling Syndicate Services Limited. Upon acquisition, the acquired entities were re-branded with 'Sagicor' replacing 'Gerling' in each of their names. The Syndicate and acquired entities constitute an 'Integrated Lloyd's Vehicle' (ILV).

Sagicor Europe Limited was incorporated for the purpose of being the immediate holding company of the ILV. Sagicor has a 90% interest in Sagicor Europe, with management and employees of the ILV holding the remaining 10%. Sagicor Europe intends to issue additional shares to the employees of the ILV resulting in an ultimate 85:15 ownership ratio.

The Syndicate writes property and casualty insurance business in the Lloyd's insurance market. It engages mainly in the sub-classes of personal accident and non-marine property insurances.

The fair values of the net assets acquired, the purchase consideration, and the gain arising are set out below.

	Total fair value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	550	550
Intangible assets (note 8)	27,671	504
Financial investments	54,510	54,510
Reinsurance assets	16,044	16,044
Miscellaneous assets and receivables	85,498	85,498
Cash resources	9,218	9,218
Other insurance liabilities	(145,123)	(145,123)
Accounts payable and accrued liabilities	(17,316)	(17,316)
Total net assets	**31,052**	**3,885**
Share of net assets acquired by the Group	31,052	
Purchase consideration and related costs:		
Cash	4,654	
Gain arising on acquisition	**26,398**	

The gain arising on acquisition is attributable to:	
Shareholders	23,719
Minority interest	2,679
	26,398

The gain arising on the acquisition reflects the willingness of the ILV management and Sagicor to combine their resources to pursue a common strategy, and the desire of the vendor to exit the Lloyd's market. As a result, the purchase consideration may not have been representative of an open market price for the Syndicate.

(a) Details of acquiree's net income

	2007
Acquiree's net income for the year ended December 31, 2007	3,137
Acquiree's net income consolidated by the Group for the period September 1 to December 31, 2007	1,728

Amounts expressed in US $000

37. ACQUISITIONS (continued)

37.2 Byrne & Stacey Underwriting

On October 4, Sagicor Syndicate Holdings Limited acquired Byrne & Stacey Underwriting Limited (BSU), an insurance agency placing business with Syndicate 1206.
The fair values of the net assets acquired, the purchase consideration, and the goodwill arising are set out below.

	Total fair value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	163	163
Intangible assets (note 8)	1,293	40
Miscellaneous assets and receivables	1,307	1,307
Cash resources	820	820
Income tax liabilities	(224)	(224)
Accounts payable and accrued liabilities	(2,050)	(2,050)
Total net assets	**1,309**	**56**
Share of net assets acquired by the Group	1,309	
Purchase consideration and related costs:		
Cash and deferred compensation	6,162	
Goodwill arising on acquisition (note 8)	**4,853**	
The goodwill arising on acquisition is attributable to:		
Shareholders	4,361	
Minority interest	492	
	4,853	

BSU was acquired from its management who continue to manage the business on a day to day basis. It is common in such circumstances for the purchase consideration to compensate the vendors for the stream of future revenue which is expected from a going concern.

(a) Details of acquiree's net income

	2007
Acquiree's net loss for the year ended December 31, 2007	(8)
Acquiree's net income consolidated by the Group for the period October 4 to December 31, 2007	87

37.3 Effect of acquisitions on Group results

Assuming the Sagicor at Lloyd's and Byrne & Stacey Underwriting acquisitions were effective at the beginning of 2007, the additional total revenue of the Group would be $59,663 and the additional net income to the Group would be $1,314.

Amounts expressed in US $000

37. ACQUISITIONS (continued)

37.4 Sagicor General Insurance (Cayman) Limited

On October 22, 2007, Life of Jamaica Limited took its interest in Sagicor General Insurance (Cayman) Limited (SGIC) to 75% by acquiring an additional 24% of SGIC's issued shares from a minority interest. As a result, the Sagicor Group's equity interest in SGIC increased by 14% to 45%.

The net assets acquired, the purchase consideration, and the goodwill arising are set out below.

	2007
Share of net assets acquired	3,593
Purchase consideration:	
Cash	4,032
Goodwill arising on acquisition (note 8)	**439**

Post-acquisition net income for the additional 14% of $44 has been included in the net income attributable to shareholders.

37.5 Primo Holding Limited

On March 30, 2007, the Group and a managed fund subscribed for new shares in Primo Holding Limited. After the subscription, the Group and the managed fund each had a 37.5% shareholding in Primo Holding Limited.

The net assets acquired, the purchase consideration, and the goodwill arising are set out below.

	2007
Share of net assets on acquisition	1,681
Purchase consideration:	
Cash	1,519
Gain arising on acquisition	**162**

Primo Holding Limited is a property investment company in Barbados. Post-acquisition net income of $155 has been consolidated in these financial statements.

38. EVENTS AFTER THE BALANCE SHEET DATE

38.1 Acquisition of insurance portfolio

Sagicor Capital Life Insurance Company Limited acquired from the Canadian company, Industrial Alliance Insurance and Financial Services Inc. (IA) insurance business in the Netherland Antilles, Aruba, Barbados and Cayman Islands, which was previously owned by National Life of Canada, before that company's business operations were combined with the business operations of IA.

The acquisition was effective January 18, 2008. The liabilities assumed are estimated at $44,384 which is matched by an equivalent amount of assets. The purchase consideration was $3,463 approximately.

The insurance portfolio comprises approximately 9,000 inforce life and annuity contracts issued to individuals and groups. The assets consist mainly of financial investments.

Management intends to assess the fair value of the assets and liabilities assumed after which a definitive disclosure can be made.

38. EVENTS AFTER THE BALANCE SHEET DATE (continued)

38.2 Acquisition of Barbados Farms Limited

On December 7, 2007, the Company made an offer to purchase any and all of the outstanding common shares of Barbados Farms Limited (BFL), not already owned or controlled by Sagicor. The offer was at BBD 5.00 per share to be satisfied 65% by the issue of shares of the Company and 35% by cash.

The offer closed on January 9, 2008, at which time a total of 77% of the issued shares of BFL had been tendered to and accepted by Sagicor. The acquisition was completed in February 2008 for a total consideration of $39,692, which was satisfied by the issue of 10,319,819 new Sagicor shares and by cash of $13,892.

The common shares of BFL are listed on the Barbados Stock Exchange. BFL engages in agriculture, primarily the production of sugar cane. BFL also owns the lands which are utilised for agriculture along with other lands which are either leased, being developed for resale or not in use. The audited financial statements of BFL for the year ended June 30, 2007 disclosed that its assets totalled $26,689, its annual revenue totalled $3,202 and its income after tax totalled $800.

Management intends to engage independent valuers to assist in the determination of the fair value of the net assets acquired, after which a definitive disclosure can be made.

38.3 Issue of preference shares

Pan Caribbean Financial Services Limited issued a prospectus dated January 18, 2008 in the Jamaica market for the issue of up to 10 million 12.5% cumulative redeemable preference shares at a fixed price of J$ 200 per share. The offer closed on February 29, 2008 with a total subscription of 6.3 million shares.

38.4 Cancellation of insurance policies

On December 20, 2007, an agreement was entered into whereby health insurance policies issued by Sagicor Allnation Insurance Company would be cancelled and new policies for the unexpired periods of and under the same terms as the cancelled policies would be issued by another insurance carrier. Sagicor Allnation's policies were cancelled effective February 1, 2008 when the approximate gross unearned premium on these policies totalled $1,420. The net cost to the Group of completing this transaction was minimal, and will be included in the 2008 financial statements. During 2007, these policies generated gross premium revenue of $5,469.

Amounts expressed in US $000

39. COMMITMENTS AND CONTINGENT LIABILITIES

39.1 Commitments

In the normal course of business, the Group has entered into commitments at balance sheet date for which no provision has been made in these financial statements. Commitments for loan disbursements, real estate expenditure, operating lease and rental payments are disclosed in note 41.2(a).

(a) Participation in Lloyd's Syndicate 44

On December 18, 2007, Sagicor Europe Limited entered into an agreement to acquire the sole corporate member participating in Syndicate 44 with effect from underwriting year 2008. In addition Sagicor at Lloyd's Limited entered into an agreement to assume the responsibility as managing agent of Syndicate 44. These agreements are subject to the receipt of regulatory approvals by March 31, 2008.

The principal activity of Syndicate 44 is the transaction of term life insurance business, issuing contracts to individuals and to groups, predominately in the United Kingdom.

39.2 Contingent liabilities

Guarantee and financial facilities at balance sheet date for which no provision has been made in these financial statements include the following:

	2007	2006
Customer guarantees and letters of credit	8,030	4,591
Letter of credit facility (note 45.2 (c))	80,016	-
	88,046	**4,591**

There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

(a) Legal proceedings

During the normal course of business, the Group is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

Amounts expressed in US $000

39. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

39.2 Contingent liabilities (continued)

(c) Insurance contracts

The Group develops and markets insurance products under various types of insurance contracts. The design of these products is consistent with international best practice and reflects the current thinking at the time of development. The Group keeps its products under review to ensure that they meet both policyholder and company expectations.

One such insurance product is the universal life product which was developed and launched in 1987 in Jamaica. The design of a Universal Life policy is such that on realistic assumptions, the fund value built-up from premiums paid and from investment earnings is required in later years to pay the administrative costs and mortality charges.

A review of the master file as at November 2003 revealed that approximately 17,000 Universal Life policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the problem was recognised, the Group initiated discussion with the Regulators, the Financial Services Commission (FSC), as a result of which the affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums at their expense. 95% of these policyholders agreed to adjustments to their policies.

The Group estimated that less than 1% of the affected policyholders have filed complaints with the FSC, which carried out investigations and made a submission to the company. The FSC suggested a number of alternatives to remedy the problem.

The Group is in discussions with the FSC on the matter. The cost, if any, of resolving this issue cannot be quantified at this time.

40. RELATED PARTY TRANSACTIONS

(a) Key management

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals were as follows:

	2007	2006
Compensation:		
Salaries, directors' fees and other short-term benefits	13,301	12,172
Equity compensation benefits	2,139	1,362
Pension and other retirement benefits	694	555
	16,134	**14,089**

Amounts expressed in US $000

40. RELATED PARTY TRANSACTIONS (continued)

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	3,555	174	3,729
Assumed on acquisitions	-	10	10
Advances	502	209	711
Repayments	(334)	(31)	(365)
Effects of exchange rate changes	-	(10)	(10)
Balance, end of year	**3,723**	**352**	**4,075**

Mortgage loans bear interest at rates from 4.5% to 8.5%. Other loans bear interest at rates from 5% to 10%.

(b) Employee pension plans

Certain Group subsidiaries have employee pension plans which are administered by the Group as segregated pension plans. The assets of the segregated pension plans at December 31, 2007 amounted to $74,789 (2006 - $66,499) and are included in the assets under administration referred to in note 47.

(c) First Jamaica Investment Limited (First Jamaica)

First Jamaica holds a 25% interest in LOJ and is a significant minority interest. Because of the size of this shareholding, First Jamaica is considered to be a related party of the Group. As of December 31, the Group has the following balances with First Jamaica:

	2007	2006
Financial investments	-	4,445
Accounts receivable	-	1,500
Accounts payable	-	3,181

41. FINANCIAL RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, and dealing in securities, exposes the Group to various insurance and financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below and in note 43.

41.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. Credit risks are primarily associated with financial investments and reinsurance contracts held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2007		2006	
	$000	%	$000	%
Debt securities	1,750,450	55.8	1,650,860	57.3
Mortgage loans	293,998	9.4	247,893	8.6
Policy loans	126,403	4.0	125,891	4.4
Finance loans and finance leases	145,764	4.7	122,888	4.3
Securities purchased under agreements to resell	15,980	0.5	22,320	0.8
Deposits	161,698	5.2	167,862	5.8
Reinsurance assets	320,155	10.3	321,689	11.2
Deferred policy acquisition costs	25,917	0.8	3,747	0.1
Premiums in the course of collection	78,299	2.5	27,926	1.0
Other accounts receivable	55,370	1.9	51,509	1.7
Cash resources	92,140	3.0	87,682	3.0
Total balance sheet exposures	**3,066,174**	**98.1**	**2,830,267**	**98.2**
Loan commitments	48,931	1.6	47,373	1.6
Customer guarantees and letters of credit	8,030	0.3	4,591	0.2
Total off balance sheet exposures	**56,961**	**1.9**	**51,964**	**1.8**
Total	**3,123,135**	**100.0**	**2,882,231**	**100.0**

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

The Group's exposures to individual counterparty credit risks exceeding 2.5% of total exposures are set out below.

	2007	2006
Debt securities:		
Government of Jamaica debt securities denominated in Jamaica dollars (long-term issue credit rating B by Standard & Poor's)	446,087	445,547
Government of Jamaica debt securities denominated in United States dollars (long-term issue credit rating B by Standard & Poor's)	298,359	271,572
Federal government of USA debt securities (long-term issue credit rating AAA by Standard & Poor's)	299,560	292,158
Government of Barbados debt securities denominated in Barbados dollars (long-term issue credit rating A - by Standard & Poor's)	72,320	73,819
Government of Barbados debt securities denominated in United States dollars (long-term issue credit rating BBB+ by Standard & Poor's)	8,012	8,584
Deposits & cash:		
The Bank of Nova Scotia (long-term issue credit rating AA - by Standard & Poor's)	72,697	23,861
FirstCaribbean International Bank (long-term issue credit rating A - by Standard & Poor's)	34,337	97,627
Reinsurance assets:		
Scottish Re (U.S.) Inc (financial strength rating B (Fair) by A.M. Best)	152,472	168,721
Washington National Insurance Company (financial strength rating B+ (Good) by A.M. Best)	80,749	95,261

The reinsurers' share of liabilities held by Scottish Re is secured by assets held in trust by a third party totalling $143,580 (2006 - $ 148,372) and by the Group (see note 9.2).

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans and finance loans and finance leases. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 80% to 100% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $15.

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

The Group's exposure to mortgage loans and finance loans and finance leases by geographic segment are as follows.

	2007	2006
Barbados	148,133	126,588
Jamaica	126,214	105,467
Trinidad & Tobago	100,172	85,406
USA	27,531	22,087
Other Caribbean	37,712	31,233
	439,762	**370,781**

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to the securities are transferred to the Group for the duration of the agreement.

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its financial investments namely, its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 90 to 120 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed but is included in the totals for collateral in the following tables.

The tables below summarise the carrying value of financial investments which are past due, but are not considered to be impaired and the estimated fair value of collateral.

As of December 31, 2007	Debt securities	Mortgage loans	Finance loans and finance leases
Carrying values:			
With amounts past due up to 3 months	11,352	35,052	33,531
With amounts past due up to 12 months	813	6,978	328
With amounts past due up to 5 years	75	11,801	183
With amounts past due over 5 years	594	5,252	244
Total	**12,834**	**59,083**	**34,286**
Estimated fair value of collateral	**101**	**135,042**	**76,538**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

As of December 31, 2006	Debt securities	Mortgage loans	Finance loans and finance leases
Carrying values:			
With amounts past due up to 3 months	29,503	27,067	32,555
With amounts past due up to 12 months	3,965	8,395	590
With amounts past due up to 5 years	1,454	9,256	185
With amounts past due over 5 years	96	2,022	244
Total	**35,018**	**46,740**	**33,574**
Estimated fair value of collateral	**3,060**	**128,296**	**53,762**

Balances relating to impaired financial investments are summarised in the following tables. The accumulated allowance for impairment reflects the Group's assessment of total individually impaired investments at balance sheet date.

As of December 31, 2007	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
Debt securities	9,977	(4,094)	5,883	30
Mortgage loans	6,514	(1,823)	4,691	7,666
Finance loans and finance leases	2,847	(1,793)	1,054	4,792
Total	**19,338**	**(7,710)**	**11,628**	**12,488**

As of December 31, 2006	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
Debt securities	34,773	(7,277)	27,496	13,707
Mortgage loans	14,264	(3,229)	11,035	19,266
Finance loans and finance leases	3,379	(1,897)	1,482	5,754
Total	**52,416**	**(12,403)**	**40,013**	**38,727**

Interest of $1,480 (2006 - $3,987) has been accrued on impaired financial investments.

(b) Repossessed assets

The Group may foreclose on overdue mortgage loans and finance loans and finance leases by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Group will seek to dispose of by sale. In some instances, the Group may provide re-financing to a new purchaser on customary terms.

(c) Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated. The carrying value of financial investments at balance sheet date which were renegotiated during the year totalled $482 (2006 - $814).

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk

Liquidity risk is the exposure that the Group may encounter difficulty in meeting obligations associated with financial or insurance liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns. Group companies monitor cash inflows and outflows in each operating currency. Through experience and monitoring, the Group is able to maintain sufficient liquid resources to meet current obligations.

Asset liability matching is a tool used by the Group to mitigate liquidity risks particularly in operations with significant maturing short-term liabilities.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short-term instruments to compensate for the relative illiquidity of the aforementioned securities.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 10% of their total assets in investment property.

(a) Financial liabilities and commitments

Cash flows payable by the Group in respect of its financial liabilities and commitments are summarised in the following tables. Maturity profile amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of balance sheet date, it is assumed that the interest rate then prevailing continues until final maturity.

As of December 31, 2007	Due within 1 year or on demand	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities:				
Investment contract liabilities	210,022	13,650	21,695	245,367
Notes and loans payable	11,250	51,670	189,375	252,295
Deposit and security liabilities:				
Other funding instruments	93,784	37,835	75,331	206,950
Deposits	99,196	37,349	11,803	148,348
Securities	494,263	358	-	494,621
Bank overdrafts	2,899	-	-	2,899
Accounts payable and accrued liabilities	115,208	13,696	31,562	160,466
Total financial liabilities	**1,026,622**	**154,558**	**329,766**	**1,510,946**
Off balance sheet commitments:				
Loan commitments	42,914	2,690	2,215	47,819
Expenditure on real estate	6,276	-	-	6,276
Operating lease agreements and rental payments	3,084	11,613	-	14,697
Total off balance sheet commitments	**52,274**	**14,303**	**2,215**	**68,792**
Total	**1,078,896**	**168,861**	**331,981**	**1,579,738**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

As of December 31, 2006	Due within 1 year or on demand	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities:				
Investment contract liabilities	201,380	6,992	13,817	222,189
Notes and loans payable	19,378	52,087	200,625	272,090
Deposit and security liabilities:				
Other funding instruments	95,210	35,270	63,963	194,443
Deposits	80,622	41,333	12,071	134,026
Securities	458,580	416	4	459,000
Bank overdrafts	2,981	-	-	2,981
Accounts payable and accrued liabilities	81,013	15,839	31,814	128,666
Total financial liabilities	**939,164**	**151,937**	**322,294**	**1,413,395**
Off balance sheet commitments:				
Loan commitments	39,373	4,957	1,841	46,171
Expenditure on real estate	2,740	-	-	2,740
Operating lease agreements and rental payments	1,512	3,656	478	5,646
Total off balance sheet commitments	**43,625**	**8,613**	**2,319**	**54,557**
Total	**982,789**	**160,550**	**324,613**	**1,467,952**

(b) Insurance liabilities

The maturity profiles of the Group's insurance liabilities are summarised in the following tables. Maturity profile amounts are stated at their carrying values recognised in the balance sheet and are analysed by their expected maturity dates, which have been estimated by actuarial or other statistical methods.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Actuarial liabilities	131,967	269,048	963,289	1,364,304
Other insurance liabilities	210,099	47,377	56,439	313,915
Total	**342,066**	**316,425**	**1,019,728**	**1,678,219**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Actuarial liabilities	126,162	273,100	974,322	1,373,584
Other insurance liabilities	86,071	12,962	53,668	152,701
Total	**212,233**	**286,062**	**1,027,990**	**1,526,285**

(c) Financial assets

The maturity profiles of the Group's financial assets are summarised in the following tables. Maturity profile amounts are stated at their carrying values recognised in the balance sheet and are analysed by their contractual maturity dates.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Debt securities	320,831	506,243	923,376	1,750,450
Mortgage loans	11,203	33,343	249,452	293,998
Policy loans	4,530	16,044	105,829	126,403
Finance loans and finance leases	57,748	51,926	36,090	145,764
Securities purchased under agreements to resell	15,980	-	-	15,980
Deposits	158,798	2,379	521	161,698
Reinsurance assets	91,081	85,404	143,670	320,155
Deferred policy acquisition costs	25,917	-	-	25,917
Premiums in the course of collection	77,425	874	-	78,299
Other accounts receivable	53,049	596	1,725	55,370
Cash resources	92,140	-	-	92,140
Total	**908,702**	**696,809**	**1,460,663**	**3,066,174**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Debt securities	269,508	532,602	848,750	1,650,860
Mortgage loans	6,437	23,295	218,161	247,893
Policy loans	5,086	15,889	104,916	125,891
Finance loans and finance leases	48,530	46,859	27,499	122,888
Securities purchased under agreements to resell	22,320	-	-	22,320
Deposits	153,569	12,709	1,584	167,862
Reinsurance assets	68,169	93,251	160,269	321,689
Deferred policy acquisition costs	3,747	-	-	3,747
Premiums in the course of collection	27,926	-	-	27,926
Other accounts receivable	48,957	764	1,788	51,509
Cash resources	87,682	-	-	87,682
Total	**741,931**	**725,369**	**1,362,967**	**2,830,267**

41.3 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Group manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

Asset liability matching is a tool used by the Group to mitigate fair value risk by using fixed income securities to back insurance and financial liabilities. In addition, by holding fixed income securities to maturity, the Group is able to mitigate fair value risk relating to these assets.

The Group's financial assets and financial liabilities as disclosed in the balance sheet approximate their fair value, except as disclosed in notes 9, 15, 16 and 17.

The table below summarises the exposures to interest rate risks of the Group's insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 43). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance and investment contract liabilities are categorised by their expected maturities.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Other insurance liabilities	22,236	3,101	55,707	232,871	313,915
Investment contract liabilities	209,727	31,007	1,642	-	242,376
Notes and loans payable	1,515	5,836	145,368	-	152,719
Deposit and security liabilities:					
Other funding instruments	89,439	24,001	50,279	-	163,719
Deposits	95,840	26,205	14,596	-	136,641
Securities	487,012	294	-	-	487,306
Bank overdrafts	2,899	-	-	-	2,899
Accounts payable and accrued liabilities	227	-	-	160,239	160,466
Total	**908,895**	**90,444**	**267,592**	**393,110**	**1,660,041**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Other insurance liabilities	18,686	3,097	53,139	77,779	152,701
Investment contract liabilities	200,245	16,900	3,710	-	220,855
Notes and loans payable	9,689	5,808	144,991	-	160,488
Deposit and security liabilities:					
Other funding instruments	85,194	18,467	57,895	-	161,556
Deposits	74,069	35,422	13,666	-	123,157
Securities	457,386	352	3	-	457,741
Bank overdrafts	2,981	-	-	-	2,981
Accounts payable and accrued liabilities	430	-	-	128,236	128,666
Total	**848,680**	**80,046**	**273,404**	**206,015**	**1,408,145**

The table below summarises the exposures to interest rate risks of the Group's financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Debt securities	752,168	282,246	715,914	122	1,750,450
Mortgage loans	85,118	27,954	180,926	-	293,998
Policy loans	4,530	16,044	105,829	-	126,403
Finance loans and finance leases	57,105	51,828	36,090	741	145,764
Securities purchased under agreements to resell	15,980	-	-	-	15,980
Deposits	158,590	2,709	196	203	161,698
Reinsurance assets (excluding share of actuarial liabilities)	2,532	239	4,830	64,794	72,395
Deferred policy acquisition costs	-	-	-	25,917	25,917
Premiums in the course of collection	-	87	-	78,212	78,299
Other accounts receivable	239	489	40	54,602	55,370
Cash resources	51,985	448	-	39,707	92,140
Total	**1,128,247**	**382,044**	**1,043,825**	**264,298**	**2,818,414**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Debt securities	510,328	448,079	692,335	118	1,650,860
Mortgage loans	80,610	17,299	149,984	-	247,893
Policy loans	4,207	15,920	105,764	-	125,891
Finance loans and finance leases	48,075	46,812	27,498	503	122,888
Securities purchased under agreements to resell	22,320	-	-	-	22,320
Deposits	153,569	12,709	1,584	-	167,862
Reinsurance assets (excluding share of actuarial liabilities)	3,123	287	5,103	36,705	45,218
Deferred policy acquisition costs	-	-	-	3,747	3,747
Premiums in the course of collection	-	-	52	27,874	27,926
Other accounts receivable	383	524	38	50,564	51,509
Cash resources	44,634	-	175	42,873	87,682
Total	867,249	541,630	982,533	162,384	2,553,796

The table below summarises the average interest yields on financial assets and liabilities held during the year.

	2007	2006
Financial assets		
Debt securities	9.4%	9.4%
Mortgage loans	7.8%	8.2%
Policy loans	9.6%	8.3%
Finance loans and finance leases	12.1%	11.6%
Securities purchased under agreements to resell	15.0%	11.4%
Deposits	5.7%	4.8%
Financial liabilities		
Investment contract liabilities	8.3%	7.8%
Notes and loans payable	8.1%	7.4%
Deposit and security liabilities:		
Other funding instruments	6.3%	6.1%
Deposits	7.6%	7.1%
Securities	9.3%	9.3%

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

(a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.2.

The sensitivity of the Group's principal operating subsidiaries engaged in property and casualty insurance and in banking, investment management and other financial services are considered below.

(i) Sagicor Europe Limited and its subsidiaries

The effect of an increase of 1% in interest rates of interest bearing financial assets and financial liabilities at balance sheet date to income from ordinary activities is as follows.

As of December 31, 2007	
Total interest bearing assets	124,266
Revenue effect of a 1% increase in interest rates	1,243
Total interest bearing liabilities	144
Expense effect of a 1% increase in interest rates	1
Effect on income from ordinary activities of an increase in interest rates of	1,242

A 1% decrease in interest rates would have an equal and opposite effect to that disclosed above.

(ii) Pan Caribbean Financial Services Limited and its subsidiaries (PCFS)

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and equity.

The sensitivity of income is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	2007		2006	
	Effect on net income	Effect on equity	Effect on net income	Effect on equity
Change in interest rate:				
-2%	17	555	32	618
+2%	(20)	(501)	(27)	(542)

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest limited proportions in United States dollar assets which are held to back liabilities in other operating currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities at balance sheet date by currency are summarised in the following table.

As of December 31, 2007	Balances denominated in					
	Barbados $	Jamaica $	Trinidad $	UK £	US $	Other currencies
ASSETS						
Financial investments	346,181	556,418	280,301	54,765	1,194,160	251,182
Reinsurance assets	14,638	820	11,373	962	267,962	24,400
Receivables and deferred policy acquisition costs	27,089	20,369	11,203	25,069	47,172	32,393
Cash resources	9,876	9,125	3,811	4,592	45,207	19,529
	397,784	**586,732**	**306,688**	**85,388**	**1,554,501**	**327,504**
Other assets	136,582	103,640	59,311	42,043	5,095	44,433
Total assets	**534,366**	**690,372**	**365,999**	**127,431**	**1,559,596**	**371,937**
LIABILITIES						
Actuarial liabilities	359,953	149,234	205,875	25	550,657	98,560
Other insurance liabilities	71,310	15,781	26,941	34,341	111,750	53,792
Investment contract liabilities	54,398	63,693	74,563	-	16,181	33,541
Notes and loans payable	-	-	-	-	152,719	-
Deposit and security liabilities	51,748	277,399	41	233	442,524	18,620
Accounts payable and accrued liabilities	24,234	14,057	9,866	7,779	88,804	15,726
	561,643	**520,164**	**317,286**	**42,378**	**1,362,635**	**220,239**
Other liabilities	11,970	11,191	7,300	-	293	7,895
Total liabilities	**573,613**	**531,355**	**324,586**	**42,378**	**1,362,928**	**228,134**
Net position	**(39,247)**	**159,017**	**41,413**	**85,053**	**196,668**	**143,803**

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

As of December 31, 2006	Balances denominated in				
	Barbados $	Jamaica $	Trinidad $	US $	Other currencies
ASSETS					
Financial investments	339,901	547,028	239,850	1,203,865	194,178
Reinsurance assets	6,237	1,058	7,065	285,214	22,115
Receivables and deferred policy acquisition costs	23,697	17,275	6,459	31,837	6,928
Cash resources	14,552	11,727	9,102	23,933	28,368
	384,387	**577,088**	**262,476**	**1,544,849**	**251,589**
Other assets	122,971	115,112	52,009	8,755	44,041
Total assets	**507,358**	**692,200**	**314,485**	**1,553,604**	**295,630**
LIABILITIES					
Actuarial liabilities	343,419	136,516	184,646	600,561	108,442
Other insurance liabilities	60,923	32,169	14,851	20,601	24,157
Investment contract liabilities	55,080	52,360	65,800	21,726	25,889
Notes and loans payable	-	-	-	160,488	-
Deposit and security liabilities	49,716	266,213	44	414,630	14,832
Accounts payable and accrued liabilities	14,444	22,624	7,579	65,431	18,588
	523,582	**509,882**	**272,920**	**1,283,437**	**191,908**
Other liabilities	10,036	16,010	7,360	510	5,327
Total liabilities	**533,618**	**525,892**	**280,280**	**1,283,947**	**197,235**
Net position	**(26,260)**	**166,308**	**34,205**	**269,657**	**98,395**

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of a financial instrument

This occurs when a financial instrument is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at balance sheet date and the exchange gain or loss is taken to income (note 25).

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income.

The operating currencies whose values noticeably fluctuate against the USD are the Jamaica dollar (JMD) and the Pounds Sterling (GBP). The theoretical impact of JMD and GBP currency risk on reported results and of the Group's investment in foreign operations is considered below.

The effects of a 5% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2007 and for the year then ended are considered in the following tables.

	Balances denominated in JMD	Balances denominated in USD	Total balances	Effect of a 5% depreciation
Balance sheet:				
Assets	693,552	406,511	1,100,063	(33,027)
Liabilities	531,179	326,034	857,213	(25,295)
Net position	**162,373**	**80,477**	**242,850**	**(7,732)**
Represented by:				
Currency risk of the Group's investment in foreign operations				**(7,732)**

	Amounts denominated in JMD	Amounts denominated in USD	Total amounts	Effect of a 5% depreciation
Income statement:				
Revenue	232,003	41,781	273,784	(7,120)
Benefits	(115,514)	(18,730)	(134,244)	5,501
Expenses	(80,997)	(2,065)	(83,062)	3,857
Income taxes	(12,970)	-	(12,970)	618
Net income	**22,522**	**20,986**	**43,508**	**2,856**
Represented by:				
Currency risk relating to the future cash flows of a financial instrument				3,928
Currency risk of reported results of foreign operations				(1,072)
				2,856

A 5% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

The effects of a 5% depreciation in the GBP relative to the USD arising from GBP reporting units as of December 31, 2007 and for the year then ended are considered in the following tables.

	Balances denominated in GBP	Balances denominated in USD	Total balances	Effect of a 5% depreciation
Balance sheet:				
Assets	126,206	99,660	225,866	(6,005)
Liabilities	42,285	97,775	140,060	(2,012)
Net position	**83,921**	**1,885**	**85,806**	**(3,993)**
Represented by:				
Currency risk of the Group's investment in foreign operations				**(3,993)**

	Amounts denominated in GBP	Amounts denominated in USD	Total amounts	Effect of a 5% depreciation
Income statement:				
Revenue	39,724	15,665	55,389	(1,799)
Benefits	(7,059)	(5,697)	(12,756)	336
Expenses	(11,336)	(5,197)	(16,533)	539
Income taxes	(451)	-	(451)	21
Net income	**20,878**	**4,771**	**25,649**	**(903)**
Represented by:				
Currency risk relating to the future cash flows of a financial instrument				90
Currency risk of reported results of foreign operations				(993)
				(903)

A 5% appreciation in the GBP relative to the USD would have equal and opposite effects to that disclosed above.

Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.5 Other price risk

The Group is exposed to other price risk arising from changes in equity prices. The group mitigates this risk by holding a diversified portfolio and by minimising the use of equity securities to back its insurance and financial liabilities.

(a) Sensitivity

The effects of an across the board 5% change in equity prices of the Group's available for sale equity securities at balance sheet date are set out below.

	Carrying value	Effect of a 5% change at Dec 31, 2007
Available for sale equity securities:		
Listed on Caribbean stock exchanges and markets	99,865	4,993
Listed on US stock exchanges and markets	50,756	2,538
Listed on other exchanges and markets	11,431	572

42. INSURANCE RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, and dealing in securities, exposes the Group to various insurance and financial risks.

Risks arising from insurance contracts include credit, liquidity and market risks which have been disclosed in note 41. The effects of other risks arising from insurance contracts are disclosed in note 43 and in the sections below.

42.1 Short term insurance contracts

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim, a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal insurance risks arising from short-term contracts are premium risk, claims risk and reinsurance risk (see note 42.4).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed. Premium risk may arise from

- the use of inadequate experience and statistical data in deriving premium rates;
- market softening conditions.

42. INSURANCE RISK (continued)

42.1 Short term insurance contracts (continued)

Claims risk is the risk that incurred claims may exceed expectations. Claim risk may arise from

- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

For the Group's property and casualty insurance contracts, significant risk exposures arise from low frequency high severity events such as hurricanes, windstorms and earthquakes. Single events, such as major fires and accidents may also generate significant claims. The development of incurred claims may also be a significant factor in the class of insurance (see note 44).

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

42.2 Long-term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the balance sheet liability arising from the contract.

For long-term contracts inforce, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Policy benefits payable under long-term contracts may be triggered

- by an insurable event, i.e. a death, disability or critical illness claim;
- at a specified time, i.e. an annuity settlement or a policy maturity;
- on the exercise of a surrender or withdrawal request by the policyholder.

Settlement of these benefits is therefore expected over a wide time span, extending over the remaining lives of the insureds and annuitants. Industry and Group experience do suggest that settlement will in fact occur over this time period, but does not remove the uncertainty which exists over the timing of future benefit cash outflows.

Significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality will lengthen the payout period of annuities.

Insurers are also exposed to lapse and expense risk. At early durations, lapses and surrenders are likely to result in a loss to the insurer, as the acquisition costs associated with the policy contract would not have been recovered from product margins. Higher expenses in maintaining a policy contract may mean that the policy liability may be inadequate to cover future policy maintenance expenses, thereby requiring the insurer to increase the associated policy reserve.

The sensitivity of actuarial liabilities to insurance risk is disclosed in note 43.2.

Amounts expressed in US $000

42. INSURANCE RISK (continued)

42.3 Concentrations of insurance risk

The Group carries significant insurance risks concentrated in certain countries within the Caribbean. In these countries, the Group carries a notable proportion of the insured population (life, annuity health) or insured assets or casualty risk (property and casualty) of the country as a whole.

Significant concentration of life insurance, annuity, and health risks occurs in Antigua, Barbados, Cayman Islands, Jamaica, Netherlands Antilles, St Lucia and Trinidad and Tobago. Significant concentration of property and casualty risks occurs in Barbados, Cayman Islands and Trinidad and Tobago.

Total insurance coverage on insurance policies quantifies some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total sums insured at December 31, gross and net of reinsurance are summarised below.

	Gross amount insured		Net amount insured	
	2007	2006	2007	2006
Contracts issued to individuals – life insurance	12,491,143	11,602,510	9,435,236	8,472,839
Contracts issued to groups – life insurance	7,978,419	6,697,013	5,628,106	4,825,703
Property and casualty insurance – Caribbean operations	8,459,278	7,601,220	3,405,222	3,906,426

Concentration of insurance risk per policy is mitigated by obtaining reinsurance coverage. Levels of reinsurance cover are summarised in note 42.4.

The Group's property and casualty UK operations assess its exposures by modelling realistic disaster scenarios of potential catastrophic events. The most severe realistic disaster scenario which has been modelled is the occurrence of an earthquake in San Francisco triggering $69,000,000 in losses, resulting in an estimated gross loss to the Group's property and casualty UK operations of $29,900 and a net loss of $10,600 after reinsurance recoveries.

42.4 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

For its property risks, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

Amounts expressed in US $000

42. INSURANCE RISK (continued)

42.4 Reinsurance risk (continued)

The principal features of retention programmes used by insurers are summarised in the tables below:

Type of insurance contract	Retention by insurers
Property & casualty insurance – Caribbean operations	
Property risks	· maximum retention of $10,000 for a single event; · maximum retention of $5,000 for a catastrophic event; · quota share retention to maximum of 40% in respect of the treaty limits; · quota share retention is further reduced to a maximum of $500 per event.
Motor and liability risks	· maximum retention of $500 for a single event; · treaty limits apply.
Miscellaneous accident risks	· maximum retention of $108 for a single event; · treaty limits apply.
Engineering business risks	· maximum retention of $150 · treaty limits apply for material damage and for liability claims.
Marine risks	· maximum retention of $75 for a single event; · treaty limits apply.
Property, motor, liability, and engineering risk	· catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits; · treaty limits apply to catastrophic excess of loss coverage.
Property & casualty insurance – UK operations	
All property and accident risks – syndicate underwriting years 2005 and 2006	· 0% retention
Property risks – syndicate underwriting year 2007	· underwritten risks limited to a maximum of $1,250 per risk in non-catastrophe prone areas · underwritten risks limited to a maximum of $1,250 per risk in catastrophe prone areas · maximum retention of $7,500 per loss for catastrophe exposed risks · treaty limits apply to catastrophic excess of loss coverage
Miscellaneous accident risks – syndicate underwriting year 2007	· underwritten risks limited to a maximum of $1,250 per risk · maximum retention of $14,928 for a single event · maximum retention of $3,981 per individual life
Health insurance contracts with individuals	Retention per individual to a maximum of $400
Health insurance contracts with groups	Retention per individual to a maximum of $200
Life insurance contracts with individuals	Retention per individual life to a maximum of $350
Life insurance contracts with groups	Retention per individual life to a maximum of $100
Life insurance and annuity blocks of contracts	0% to 37.5% retention on policy liabilities

Certain insurers of the Group have ceded to a re-insurer further amounts representing 50% of the retentions above $5 for individual life contracts.

42. INSURANCE RISK (continued)

42.4 Reinsurance risk (continued)

Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

The effects of reinsurance ceded are disclosed in the notes 13, 14, 24 and 27. Information on reinsurance balances are disclosed in notes 10, 20 and 41.

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES

Actuarial liabilities comprise 81% of total insurance liabilities at balance sheet date (2006 – 90%). The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed below.

43.1 Sensitivity arising from the valuation of life insurance and annuity contracts

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:
- the economic scenario used in CALM,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

Under the CALM methodology, the AA is required to test the actuarial liability under 7 economic scenarios. These tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under CALM reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group, are:
- Operating expenses and taxes
- Lapse
- Mortality and morbidity

43.2 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the balance sheet at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is
- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

43.2 Dynamic capital adequacy testing (DCAT) (continued)

Full DCAT or limited sensitivity tests have been conducted by insurers. The scenarios developed and tested by insurers operating in the Caribbean region are as follows.

(i) Worsening rate of lapse. For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were increased. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were decreased.

(ii) High interest rate. Assumed increases in the investment portfolio yield rates of 1% per year for 5 years (or 0.5% for 10 years) were tested in this scenario.

(iii) Low interest rate. Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years (or 0.5% per year for 10 years) were tested in this scenario.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality and morbidity rates were decreased by 3% of the base rate for 5 years.

(v) Higher expenses. To test this scenario, policy unit maintenance expense rates were increased by 5% for 5 years above those reflected in the base scenario.

The DCAT conducted has not tested any correlation that may exist between assumptions.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities at balance sheet date for insurers in the Caribbean region.

Caribbean operations	As of December 31, 2007		As of December 31, 2006	
	$000	%	$000	%
Base net actuarial liability	847,647	100.0	809,666	100.0
Scenario	(Increase) / decrease		(Increase) / decrease	
(i) Worsening rate of lapse	(31,892)	(3.8)	(29,189)	(3.6)
(ii) High interest rate	152,475	18.0	164,242	20.3
(iii) Low interest rate	(74,486)	(8.8)	(79,586)	(9.8)
(iv) Worsening mortality / morbidity	(29,092)	(3.4)	(26,780)	(3.3)
(v) Higher expenses	(21,109)	(2.5)	(37,547)	(4.6)

The use of differing sensitivity rates by insurers reflects differences in the insurers' environment. The scenarios developed and tested by insurers operating in the USA are as follows:

(vi) Adverse lapse. For business which produces higher valuation reserves with an increase in lapse rates, the lapse rate margins for adverse deviation (MfADs) were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the lapse rate MfADs were halved.

(vii) Increasing interest rate. A 1% flat increase was applied to the statutory and pricing interest rate MfADs in this scenario. Inflation rates on inforce business are keyed to the risk free 10-year U.S. Treasury Bond rate in order to maintain a dynamic relationship between inflation rates and interest rates.

(viii) Decreasing interest rate. A 1% flat decrease was applied to the statutory and pricing interest rate MfADS in this scenario. Inflation rates on inforce business are keyed to the risk free 10-year U.S. Treasury Bond rate in order to maintain a dynamic relationship between inflation rates and interest rates.

(ix) Adverse mortality. To test this scenario, base mortality MfADs were doubled.

(x) Higher expenses. To test this scenario, base expense MfADs were doubled.

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

43.2 Dynamic capital adequacy testing (DCAT) (continued)

Correlations that may exist between assumptions were not explicitly taken into account. For term products in the new business projections, the adverse lapse scenario has a ripple effect of worsening mortality due to selective lapsation at the end of the level term period. Also, dynamic lapse rates interact with changing market interest rates on interest sensitive life and annuity products in the DCAT model. The effect of these correlative activities is not explicitly broken out.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities at balance sheet date for insurers in the USA.

USA operations	As of December 31, 2007	
	$000	%
Base net actuarial liability	268,897	100.0
Scenario	**(Increase) / decrease**	
(vi) Adverse lapse	(642)	(0.2)
(vii) Increasing interest rate	20,001	7.4
(viii) Decreasing interest rate	(24,176)	(9.0)
(ix) Adverse mortality	(3,766)	(1.4)
(x) Higher expenses	(1,240)	(0.5)

44. DEVELOPMENT OF PROPERTY AND CASUALTY CLAIMS

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the balance sheet.

Gross	2005	2006	2007	Total
Estimate of ultimate claims incurred:				
At the end of the reporting year	12,870	12,626	23,553	49,049
One year later	14,446	11,670	-	-
Two years later	13,407	-	-	-
Most recent year	13,407	11,670	23,553	48,630
Cumulative payments to date	(11,806)	(7,967)	(8,031)	(27,804)
Liability recognised in the balance sheet	**1,601**	**3,703**	**15,522**	**20,826**
Liability in respect of prior years				7,885
Liability in respect of UK operations (1)				71,191
Total liability				**99,902**

Amounts expressed in US $000

44. DEVELOPMENT OF PROPERTY AND CASUALTY CLAIMS (continued)

The reinsurers' share of the amounts in the foregoing table is set out below.

Reinsurers' share	2005	2006	2007	Total
Estimate of ultimate claims incurred:				
At the end of the reporting year	3,822	2,730	11,258	17,810
One year later	3,195	2,319	-	-
Two years later	3,013	-	-	-
Most recent year	3,013	2,327	11,258	16,598
Cumulative payments to date	(2,902)	(1,297)	(2,366)	(6,565)
Recoverable recognised in the balance sheet	**111**	**1,030**	**8,892**	**10,033**
Recoverable in respect of prior years				4,251
Recoverable in respect of UK operations(1)				6,037
Total recoverable from reinsurers				**20,321**

(1) Acquired during 2007

45. CAPITAL MANAGEMENT

The Group manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders by pricing insurance, investment and other contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of Group operations.

45.1 Capital resources

The principal capital resources of the Group at balance sheet date were as follows:

	2007	2006
Shareholders' equity	455,174	413,850
Minority interest	122,137	118,553
Notes and loans payable	152,719	160,488
Total balance sheet capital resources	**730,030**	**692,891**
Letter of credit facility	80,016	-
Total off balance sheet resources	**80,016**	**-**
Total capital resources	**810,046**	**692,891**

Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.1 Capital resources (continued)

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

The capital adequacy of the principal operating subsidiaries is discussed in the following section.

45.2 Capital adequacy

(a) Sagicor Life Inc Group [1]

Capital adequacy is managed at the operating company level. It is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised[2] requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Surplus and Capital Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. The estimated MCCSR for the Sagicor Life Inc Group as of December 31, 2007 (2006 – actual MCCSR) is set out below.

	2007	2006
	MCCSR	MCCSR
Sagicor Life Inc Group	300%	263%

(1) Comprises Sagicor Life Inc, Life of Jamaica Limited, Sagicor Capital Life Insurance Company Limited and Nationwide Insurance Company Limited.

(2) It is to be noted that many of the jurisdictions in which the Sagicor Life Inc Group operates have no capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard.

(b) Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model were adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life Insurance Company looks to maintain at least 250% of the Company Action Level, allowing it flexibility in its asset and product mix. The RBC ratios, defined to be "the % of the Company Action Level" as of December 31, 2007 and 2006 are set out in the table below.

Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

	2007	2006
	RBC	RBC
Sagicor Life Insurance Company	350%	360%

(c) Sagicor at Lloyd's: Syndicate 1206

The Financial Services Authority (FSA) Lloyd's sourcebook requires Lloyd's syndicates to comply with an Individual Capital Adequacy Standards regime. A key objective of the regime is that syndicate management focuses on risk management in that there is a clearly defined link between risk and capital setting.

Sagicor at Lloyd's Syndicate 1206 has adopted an approach whereby risks identified as having a material effect on the capital requirements are documented within a risk register and shown as prime risks. It is recognised that this register is dependent on both the identification and subsequent analysis of individual risks by management. The risk register is subject to regular review and is updated to reflect the changes in the syndicate's risk profile. The risk classes comprise insurance, credit, market, liquidity, Group and operational risks.

The Individual Capital Assessment (ICA) is calculated using "stress and scenario" methodology for prime risk categories except for reserving risk where a stochastic model is used. Prime risks have been correlated to minimise potential aggregation of risks.

Each year, an ICA is prepared based on a one year event horizon and capital requirements are based on the 99.5% confidence level over the next year. The ICA provides for all losses modelled to ultimate. An overall ICA number is computed. To this is added a premium and the resulting total, known as the Funds at Lloyd's requirement (FaL) is placed at the disposal of Lloyd's of London. The FaL may consist of cash, securities or banker's irrevocable standby letter of credit. The FaL is put into effect before the start of the underwriting year and remains in place until the underwriting year closes and its profits are distributed or its losses are assumed by the participating member. An underwriting year is normally held open for a period of three years. The FaL for Syndicate 1206 is as follows:

	2008 underwriting year	2007 underwriting year
	FaL - £000	FaL - £000
Syndicate 1206	41,407	33,125

The Group has satisfied the 2008 underwriting FaL by the provision of a banker's letter of credit in the amount of £40,200,000 ($80,016) at balance sheet date, which was up-stamped to £41,407,000 in January 2008.

(d) Pan Caribbean Financial Services Group

Capital adequacy and the use of regulatory capital are monitored monthly by the PCFS Group management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

- Hold the minimum level of regulatory capital;
- Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off- balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the ratios of the regulated companies within the Group for the years ended December 31, 2007 and 2006. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The regulated companies within the PCFS Group are Pan Caribbean Financial Services Limited (PCFS), Pan Caribbean Merchant Bank Limited (PCMB) and Pan Caribbean Asset Management Limited (PCAM).

	PCFS		PCMB		PCAM	
	2007	2006	2007	2006	2007	2006
Actual capital base to risk weighted assets	77%	79%	20%	23%	323%	204%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

46. STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments.

Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling $735,000 (2006 - $660,000) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

Amounts expressed in US $000

47. FIDUCIARY RISK

The Group provides investment management, administration and corporate trust services to pension and mutual funds and other corporate entities which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. Those assets are held in a fiduciary capacity and are not included in these financial statements. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds, unit trusts and other assets which are not included in the Group's balance sheets. The invested and cash assets under administration by geographical segment are as follows:

	2007	2006
Barbados	401,641	362,123
Jamaica	1,074,724	940,773
Trinidad & Tobago	7,251	10,052
Other Caribbean	23,491	21,932
	1,507,107	**1,334,880**


"DO NOT GO WHERE THE PATH MAY LEAD, BUT GO INSTEAD WHERE THERE IS NO PATH AND LEAVE A TRAIL."

05 Executive Management

EXECUTIVE MANAGEMENT

DODRIDGE D. MILLER, FCCA, MBA, LLM

President and Chief Executive Officer

Mr Dodridge Miller was appointed President and Chief Executive Officer of the Mutual Group of Companies, now Sagicor Group of Companies, on July 1, 2002, having previously held the positions of Treasurer and Vice President, Finance and Investments and Deputy Chief Executive Officer and Chief Operating Officer. Mr Miller joined the Group in 1989. He was elected Director of The Mutual Group in 2001. He is the Chairman of the Group's main operating subsidiaries, Sagcior Life Inc, Life of Jamaica Limited and Sagicor Life Insurance Company. Mr Miller is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), and obtained his MBA from the University of Wales and Manchester Business School, United Kingdom. He holds an LLM in Corporate and Commercial Law from the University of the West Indies. He has more than 20 years' experience in the insurance and financial services industries.

RICHARD BYLES, BSc, MSc

President and Chief Executive Officer, Life of Jamaica

Mr Richard Byles was appointed President and CEO of Life of Jamaica Limited (LOJ), a member of the Sagicor Group, in March 2004. He is the Chairman of the Board of Pan Caribbean Financial Services, LOJ Property Management, Sagicor Reinsurance Limited (Cayman), Sagicor Insurance Managers (Cayman) and Desnoes and Geddes. He also serves on the boards of several subsidiary and associated companies as well as Air Jamaica and RBA Limited. He has earned valuable experience and expertise within the financial sector spanning the areas of Life, Health and General Insurance, Asset and Investment Management, Banking, Pension Administration, Property Development and Reinsurance Management. Mr Byles holds a BSc in Economics from the University of the West Indies and an MSc in National Development from the University of Bradford, England.

J. EDWARD CLARKE FCCA, CIA

Group Chief Internal Auditor

Mr Edward Clarke was appointed to the position of Group Chief Internal Auditor on June 1, 2007. Mr Clarke is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 25 years' experience in the field of auditing and finance. Mr Clarke began his accounting career at Pannell FitzPatrick & Company Chartered Accountants (now Ernst & Young). He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Prior to joining Sagicor, Mr Clarke was the Chief Finance Officer of Goddard Enterprises Limited.

M. PATRICIA DOWNES-GRANT, BA, MA, MBA, DBA

President and Chief Executive Officer, Sagicor Life Inc

Dr Patricia Downes-Grant was appointed President and Chief Executive Officer of Sagicor Life Inc on January 1, 2006, having served as Group Chief Operating Officer, since July 1, 2002. She joined Sagicor in 1991 and held several senior positions, including those of Vice President, (Investments), and Treasurer and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer. She holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr Patricia Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers). Dr Downes-Grant has also had significant work experience in development banking. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository and a Director of several companies within the Sagicor Group and within the private sector of Barbados.

GEORGE J. ESTOCK, BSc, MBA

President, Sagicor International Management Services Inc

Mr George Estock was appointed as President of the US-based subsidiary, Sagicor International Management Services in 1996. He also holds the position of President and CEO of Sagicor Allnation Insurance Company. He has over 20 years' experience in the Life Insurance and Property & Casualty business. Prior to joining Sagicor, Mr Estock spent several years with CIGNA; the US-based multinational insurance carrier, working in their U.S. domestic personal lines and Property & Casualty Division, and was Director of Planning and Control of CIGNA's International Reinsurance Division. He was then appointed President of CIGNA Life and Helath Operations for the United Kingdom and, on his return to the US, he served as Regional Vice President - Americas, responsible for CIGNA's life and health operations for Canada, the Caribbean and Latin America. Mr Estock has a Degree in Political Economics from the University of Delaware and a Masters in Business Administration from Wilmington College.

J. ANDREW GALLAGHER, FSA, FCIA

Chief Risk Officer

Mr Andrew Gallagher joined Sagicor in August 1997 as Resident Actuary. He holds a Bachelor of Mathematics degree from the University of Waterloo, and is both a Fellow of the Canadian Institute of Actuaries and a Fellow of the Society of Actuaries. Prior to joining Sagicor, Mr Gallagher worked with Eckler Partners in Toronto in their financial institutions practice. He has over 20 years of experience in the industry.

MAXINE MacLURE, BSc, MEd, MBA

Executive Vice President, Corporate Services

Ms Maxine MacLure was appointed Executive Vice President, Corporate Services for Sagicor Financial Corporation in February 2007. She is responsible for acquisitions in the US, Group-wide Compliance and Regulatory Liaison. Prior to this position she served as President and CEO, Sagicor USA where in September 2005, she successfully completed the Group's acquisition of its first US life insurance subsidiary, Sagicor Life Insurance Company (formerly American Founders Life) and oversaw its integration into the Sagicor Group. Ms MacLure joined Sagicor in December 2001 as President and CEO of Life of Jamaica (LOJ). She effectively managed that company through its merger with Island Life Insurance Company. Prior to joining the Sagicor Group, Ms MacLure was General Manager of Insurance for the Jamaican Government, and led a two-year joint insurance reform project sponsored by the Inter-American Development Bank and the Jamaican Government, where she participated in the resolution of the financial sector crisis. She also spent seven years as a Senior Government Financial Sector Regulator in Canada. Ms MacLure has an MBA from the Richard Ivey School of Business at the University of Western Ontario, Canada, a Masters degree in Education from Western Washington University in the United States, and a BSc from the University of Manitoba, Canada, with a major in Mathematics.

KEN A. MARSHALL

President & CEO, Sagicor Life Insurance Company

Mr Kendrick "Ken" Marshall was appointed President and Chief Executive Officer of Sagicor Life Insurance Company in February 2007. He is responsible for the growth and development of Sagicor Life's operations, and leads the US strategy for the Group. Prior to his current position, Mr Marshall was General Manager of the Trinidad and Tobago Operations of Sagicor Life Inc. He joined the Group in 1968 as an insurance agent and held several positions, including Executive Vice President responsible for Barbados and the Eastern Caribbean, and Chief Executive Officer of Capital Life, another Group subsidiary. A former President of the Life Underwriters' Association of Barbados, he successfully completed numerous Sales and Marketing Management programmes sponsored by LIMRA as well as an Executive Development Programme under the auspices of LOMA.

PHILIP N. W. OSBORNE, BSc, ACA, FCA

Chief Financial Officer

Mr Philip Osborne was appointed Chief Financial Officer for the Group in 2003. He has held senior finance positions in life insurance for over 18 years, having joined Life of Barbados Limited (then a Barbados-based life insurer) in 1989. Subsequently, in 1996, he was appointed a Director of Life of Barbados and remained so through its acquisition by and its eventual amalgamation with Sagicor Life Inc. Mr Osborne is currently a director of a number of subsidiaries in the Sagicor Group and of Almond Resorts Inc, a publicly listed company in Barbados. Mr Osborne is a U.K. trained chartered accountant and has worked in professional accounting firms in London and Barbados over a ten-year period. He also holds a BSc in Mathematics with Computer Science from the University of London.

SANDRA OSBORNE, S.C.M., QC, BSc, LLB, FCIS

Executive Vice President, General Counsel and Secretary

Ms Sandra Osborne was appointed General Counsel and Secretary for the Sagicor Group in April 1989. An Attorney-at-Law and Chartered Secretary, Ms Osborne has 30 years' experience in the legal field, having previously practiced as a Crown Counsel and at the private Bar in civil practice in Barbados. For the last 20 years, her focus has been in the corporate area, both as Corporate Counsel and Corporate Secretary. She has also contributed to legislative reform in Barbados in the area of securities. Ms Osborne holds a BSc (Hons) in Political Science and an LLB (Hons) both from the University of the West Indies, and a Certificate in Legal Education, Hugh Wooding Law School, Council of Legal Education, Trinidad. She is also a Fellow of the Institute of Chartered Secretaries and Administrators in Canada and has completed an Executive Development Program at Kellogg Graduate School of Management, Northwestern University, United States. She was appointed a Queen's Counsel of Barbados in 2007.

RAVI RAMBARRAN, BSc, MSc, FIA

Executive Vice President, International Division

Mr Ravi Rambarran was appointed Executive Vice President, Strategy in 2006. His work experience includes Pensions Actuary of Life of Jamaica (LOJ), Appointed Actuary of Global Life Bahamas and Global Life Cayman, Chief Financial & Investment Officer of LOJ, Managing Director of NCB Capital Markets and West Indian Trust Company, part-time Lecturer in Actuarial Science at the University of the West Indies and running his own actuarial practice. Prior to joining LOJ, Mr Rambarran was a Consulting Actuary with the Aon Group and the HSBC Group in the United Kingdom. Mr Rambaran has a BSc (Hons) in Actuarial Science from City University, London, and an MSc in Finance from the University of London. Mr Rambarran was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, and is also a Fellow of the Institute of Actuaries.

MELBA SMITH, BA

Vice President, Corporate Communications

Mrs Melba Smith was appointed Vice President Corporate Communications for the Sagicor Group in January 2002. Prior to joining Sagicor, she was the General Manager of the Caribbean Broadcasting Corporation. During her 7-year tenure, she managed television, radio and cable services. She was also a Board member of the Caribbean Broadcasting Union and became that Institution's first female President in 2000. She was elected Caribbean Representative on the Board of the Commonwealth Broadcasters Association. Mrs Smith, a graduate of the University of the West Indies, holds a BA (Hons), and a Post Graduate diploma in Mass Communications, and is a member of the International Association of Business Communicators. Over the last 25 years, Mrs Smith has worked in all areas of mass communication and in addition, has gained valuable experience and expertise in the areas of business communication, public relations and management.

"THE BEST WAY TO PREDICT THE FUTURE IS TO CREATE IT."

06 Advisors and Bankers

APPOINTED ACTUARY

Sylvain Goulet, FCIA, FSA, MAAA,
Affiliate Member of the (British) Institute of Actuaries

AUDITORS

PricewaterhouseCoopers, Chartered Accountants

LEGAL ADVISORS

Allen & Overy LLP, New York, USA

Allen & Overy LLP, London, United Kingdom

Carrington & Sealy, Barbados

Patterson K H Cheltenham, QC, LLM, Barbados

Barry L V Gale, QC, LB (Hons), Barbados

Hobsons, Trinidad and Tobago

Shutts & Bowen LLP, Florida, USA

BANKERS

Butterfield Bank (Barbados) Limited

FirstCaribbean International Bank Limited

RBTT Bank Limited

The Bank of Nova Scotia

07 Sagicor Offices

PARENT COMPANY

SAGICOR FINANCIAL CORPORATION
Sagicor Corporate Centre
Wildey, St Michael
Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com
Website: www.sagicor.com

INSURANCE SUBSIDIARIES

SAGICOR LIFE INC
Sagicor Financial Centre
Lower Collymore Rock
St Michael, Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com

SAGICOR LIFE INC BRANCH OFFICES

Barbados
1st Avenue, Belleville
St Michael
Tel: (246) 467-7700
Fax: (246) 429-4148
Email: info@sagicor.com

Antigua
Sagicor Financial Centre
#9 Factory Road, St John's
Tel: (268) 480-5550
Fax: (268) 480-5520
Email: bmlas_an@caribsurf.com

Grenada
The Mutual/Trans-Nemwil Office Complex
The Villa, St George's
Tel: (473) 440-1223
Fax: (473) 440-4169
Email: bmlas_gre@caribsurf.com

St Kitts
Cnr Cayon and West Independence Square Sts
Basseterre
Tel: (869) 465-9476
Fax: (869) 465-6437
Email: bmlas_sk@caribsurf.com

St Lucia
Sagicor Financial Centre
Choc Estate, Castries
Tel: (758) 452-3169
Fax: (758) 450-3787
Email: bmlas@candw.lc

Trinidad and Tobago
Sagicor Financial Centre
16 Queen's Park West, Port of Spain
Tel: (868) 628-1636/7/8
Fax: (868) 628-1639
Email: comments@sagicor.com

SAGICOR LIFE INC AGENCIES

Anguilla
Malliouhana Insurance Co Ltd
Caribbean Commercial Centre
The Valley
Tel: (264) 497-3712
Fax: (264) 497-3710

Dominica
WillCher Services Inc
44 Hillsborough Street
Corner Hillsborough & Independence Street
Roseau
Tel: (767) 440-2562
Fax: (767) 440-2563
Email: bmlas@cwdom.dm

Guyana
Hand-in-Hand Mutual Life Assurance Company Limited
Lots 1, 2 and 3, Avenue of the Republic
Georgetown
Tel: (592) 251861
Fax: (592) 251867

Montserrat
Administered by Antigua Branch

St Vincent
Incorporated Agencies Limited
Kenmars Building, Halifax Street
Kingstown
Tel: (784) 456-1159
Fax: (784) 456-2232

SAGICOR ALLNATION INSURANCE COMPANY
1201 North Orange Street
Suite 716 Wilmington, Delaware
19801-1186 USA
Tel: (302) 884-6770
Fax: (302) 884-6771
Website: www.allnation.com

SAGICOR PANAMÁ, SA
Ave Samuel Lewis y Calle Santa Rita
Edificio Plaza Obarrio
3er Piso Oficina 201Panama City, Panama
Tel: (507) 223-1511
Fax: (507) 264-1949
Email: capital1@sinfo.net

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED
Registered Office
MB&H Corporate Services Limited
Mareva House
4 George Street
PO Box N-3937
Nassau, Bahamas

SAGICOR CAPITAL LIFE BRANCH OFFICES

Aruba
Fergusonstraat #106
AHMO Plaza Building, Suites 1 and 2
Oranjestad
Tel: (297) 823967
Fax: (297) 826004
Email: calico@setarnet.aw

Belize
The Insurance Centre
212 North Front Street
Belize City
Tel: (501) 223-3147
Fax: (501) 223-7390
Email: capitalbe@btl.net

Curaçao
Schottegatweg
Oost #11
Tel: (599) 9 736-8558
Fax: (599) 9 736-8575
Email: capital.life@curinfo.an

SAGICOR CAPITAL LIFE AGENCIES

Curaçao
Guillen Insurance Consultants
PO Box 4929
Kaya E. Salas No 34
Tel: 011-5999-461-2081
Fax: 011-5999-461-1675
Email: chris-guillen@netlinks.an

Haiti
Cabinet d'Assurance
Fritz de Catalogne
Angles Rues de Peuple et des Miracles
Port-au-Prince
Tel: (509) 226695
Fax: (509) 230827
Email: capital@compa.net

St Maarten
C/o Charlisa NV, Walter Nisbeth Road #99B
Phillipsburg
Tel: (599) 542-2070
Fax: (599) 542-3079
Email: capital@sintmaarten.net

SAGICOR CAPITAL LIFE SERVICE OFFICE

CAPITAL LIFE BAHAMAS
C/o Colina Insurance Company Limited
56 Collins Avenue, P O Box 4937
Nassau,
Tel: (242) 393-9518
Fax: (242) 393-9523

SAGICOR LIFE ARUBA NV
Fergusonstraat #106
AHMO Plaza Building, Suites 1 and 2
Oranjestad
Tel: (297) 823967
Fax: (297) 826004
Email: calico@setarnet.aw

LIFE OF JAMAICA LIMITED
28-48 Barbados Avenue
Kingston 5, Jamaica
Tel: (876) 929-8920(-9)
Fax: (876) 960-1927
Website: www.life-of-ja.com

NATIONWIDE INSURANCE COMPANY LIMITED
Sagicor Financial Centre
16 Queen's Park West
Port of Spain, Trinidad
Tel: (868) 628-1636
Fax: (868) 628-1639
Email: comments@sagicor.com

SAGICOR AT LLOYD'S
1 Great Tower Street
London, UK
EC3R 5AA
Tel: 44 020 3003 6800
Fax: 44 020 3003 6999

BYRNE & STACEY UNDERWRITING LIMITED
The Old Building
Bishops College
Churchgate
Cheshunt
Hertfordshire
EN8 9XH
Tel: 44 (0) 1992 630830
Fax: 44 (0) 1992 620090

SAGICOR LIFE INSURANCE COMPANY
4343 N. Scottsdale Road, Suite 300
Scottsdale, Arizona
85251
Tel: 1-800-531-5067
Fax: (345) 949-8262
Email: info@sagicor.com

SAGICOR LIFE OF THE CAYMAN ISLANDS LIMITED
Global House, 198 North Church Street
George Town, Grand Cayman
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262
Email: global@candw.ky

SAGICOR RE INSURANCE LIMITED
Global House, 198 North Church Street
George Town, Grand Cayman
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262
Email: global@candw.ky

SAGICOR GENERAL INSURANCE (CAYMAN) LIMITED
Harbour Place
Box 2171 GT
George Town
Grand Cayman
Cayman Islands
Tel: (345) 949 7028
Fax: (345) 949 7457

SAGICOR GENERAL INSURANCE INC
Beckwith Place, Lower Broad Street
Bridgetown, Barbados
Tel: (246) 431-2800
Fax: (246) 426-0752
Email: barbadosfire@caribsurf.com

BANKING AND OTHER FINANCIAL SERVICES

SAGICOR MERCHANT LIMITED
Sagicor Financial Centre
16 Queen's Park West, Port of Spain
Tel: (868) 628-1636/7/8
Fax: (868) 628-1639

PAN CARIBBEAN FINANCIAL SERVICES LIMITED
Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica
Tel: (876) 929-5583-4
Fax: (876) 926-4385
Website: www.gopancaribbean.com
Email: options@gopancaribbean.com

GLOBE FINANCE INC
6 Rendezvous Court,
Rendezvous Main Road
Christ Church, Barbados
Tel: (246) 426-4755
Fax: (246) 426-4772
Website: www.globefinanceinc.com

SAGICOR FINANCE INC
(FORMERLY MUTUAL FINANCE INC)
Sagicor Financial Centre
Choc Estate, Castries, St Lucia
Tel: (758) 452-4272
Fax: (758) 452-4279

SAGICOR FUNDS INCORPORATED
Sagicor Corporate Centre, Wildey
St Michael, Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com

SAGICOR ASSET MANAGEMENT INC
Sagicor Corporate Centre
Wildey, St Michael,
Barbados
Tel: (246) 467-7500
Fax: (246) 426-1153
Email: info@sagicor.com

OTHER SUBSIDIARIES/ASSOCIATED COMPANIES

SAGICOR INTERNATIONAL MANAGEMENT SERVICES INC
4010 West Boy Scout Boulevard
Suite 800, Tampa
Florida, 33607-5735
USA
Tel: (813) 287-1602
Fax: (813) 287-7420
Website: www.globalsure.com

FAMGUARD CORPORATION LIMITED
East Bay & Shirley Street
PO Box SS-6232
Nassau, NP
Bahamas
Tel: (242) 396 4000
Fax: (242) 393 1100
Website: www.famguardbahamas.com

08 Shareholder Information

SHAREHOLDER INFORMATION

SHARES

No Shareholder owns more than 5% of the capital of the Company. The following Shareholders own more than 3% of the capital of the company:

- Republic Bank Limited – 1162: 9,998,300 shares (3.6%)
- T&T Unit Trust Corporation – FUS: 8,598,579 shares (3.1%)

424,610 grants of restricted stock at a value of US $2.01/Bds $4.01 each were granted over the four-year period commencing March 31, 2007 to Participants under the Long-term Incentive Plan ("LTI") approved for Executives. Of the 424,610 grants, 127,384 were fully vested and were issued as common shares during the year. A further 97,148 grants at a value of US $1.98/Bds $3.95 each, being part of the grant made in 2006, became fully vested, and were also issued as common shares. As at December 31, 2007, 419,193 grants were unvested.

During 2007, 2,049,598 stock options were granted at an exercise price of US$2.01/Bds $4.01 each. These options vest evenly over the four-year period commencing March 31, 2008 and expire on March 31, 2017.

As at December 31, 2007, the total number of options granted was:

- 932,387 granted at an exercise price of US $1.98/Bds $3.95 each, of which 233,097 were fully vested and of which 13,710 were exercised during the year
- 2,049,598 at an exercise price of US$2.01/Bds $4.01 each, all of which were unvested.

The total number of common shares issued under the LTI during 2007 was 238,242 – 97,148 in respect of the 2006 grant, 127,384 in respect of the 2007 grant and 13,710 being options exercised, bringing the total number of shares in issue as at December 31, 2007 to 267,223,578 (2006: 266,985,336).

On February 8, 2008, following a successful take-over bid for Barbados Farms Limited, a further 10,319,819 common shares were issued to Shareholders of Barbados Farms Limited to satisfy part of the consideration under the bid. The total number of issued common shares as at May 8, 2008 was 277,543,397.

DIVIDENDS

A final dividend of Bds 8 cents (US 4 cents) per share, payable on May 16, 2008, was approved for the financial year ended December 31, 2007 to the holders of common shares and depositary interests whose names were registered on the books of the Company at the close of business on April 25, 2008. An interim dividend of Bds 6 cents (US 3 cents) per share, approved for the half year ended June 30, 2007, was paid on October 10, 2007 to the holders of common shares and depositary interests whose names were registered on the books of the Company at the close of business on September 10, 2007. The total dividend for the 2007 financial year amounted to Bds 14 cents (US 7 cents) per share.

ANALYSIS OF SHAREHOLDING

Number of Shareholders by Size of Holding as at December 31

Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage Shares Held	
	2007	2006	2007	2006	2007	2006	2007	2006
1 - 1,000	**6,073**	6,015	**15.91**	15.43	**3,875,580**	3,917,331	**1.45**	1.47
1,001 - 2,500	**16,188**	16,618	**42.40**	42.64	**26,904,075**	27,634,402	**10.07**	10.35
2,501 - 5,000	**7,619**	7,817	**19.96**	20.06	**26,394,625**	27,081,522	**9.88**	10.14
5,001 - 10,000	**4,330**	4,460	**11.34**	11.44	**30,919,270**	31,920,923	**11.57**	11.96
10,001 - 25,000	**3,114**	3,212	**8.16**	8.24	**44,581,193**	45,979,406	**16.68**	17.22
25,001 - 100,000	**642**	651	**1.68**	1.67	**30,010,574**	30,457,612	**11.23**	11.41
100,001 - 1,000,000	**191**	189	**0.50**	0.48	**50,869,515**	50,692,562	**19.04**	18.99
1,000,001 & above	**20**	17	**0.05**	0.04	**53,668,746**	49,301,578	**20.08**	18.46
Total	**38,177**	**38,979**	**100.00**	**100.00**	**267,223,578**	**266,985,336**	**100.00**	**100.00**

Number of Shareholders by Country of Residence and by Type as at December 31, 2007

Country	Directors, Management, Staff, Agents		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	34	17.53	527	63.96	16,164	43.50	16,725	43.81
Barbados	155	79.90	204	24.76	12,246	32.96	12,605	33.02
Eastern Caribbean	2	1.03	35	4.25	7,390	19.89	7,427	19.45
Other Caribbean	3	1.54	54	6.55	365	0.98	422	1.10
Other	0	0.00	4	0.48	994	2.67	998	2.61
Total	**194**	**100.00**	**824**	**100.00**	**37,159**	**100.00**	**38,177**	**100.00**

Number of Shareholders by Country of Residence and by Type as at December 31, 2006

Country	Directors, Management, Staff, Agents		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	68	33.66	536	65.93	16,593	43.71	17,197	44.12
Barbados	129	63.86	190	23.37	12,464	32.83	12,783	32.80
Eastern Caribbean	3	1.48	34	4.18	7,558	19.91	7,595	19.48
Other Caribbean	1	0.50	50	6.15	366	0.96	417	1.07
Other	1	0.50	3	0.37	983	2.59	987	2.53
Total	**202**	**100.00**	**813**	**100.00**	**37,964**	**100.00**	**38,979**	**100.00**

Number of Shares Held by Country of Residence and by Type as at December 31, 2007

Country	Directors, Management, Staff, Agents		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	186,454	6.79	49,374,790	67.74	101,781,559	53.13	151,342,803	56.64
Barbados	2,505,070	91.28	16,964,657	23.27	61,755,185	32.23	81,224,912	30.4
Eastern Caribbean	2,884	0.10	947,628	1.30	21,258,654	11.10	22,209,166	8.31
Other Caribbean	50,115	1.83	3,740,209	5.13	2,607,447	1.36	6,397,771	2.39
Other	0	0.00	1,867,513	2.56	4,181,413	2.18	6,048,926	2.26
Total	**2,744,523**	**100.00**	**72,894,797**	**100.00**	**191,584,258**	**100.00**	**267,223,578**	**100.00**

Number of Shares Held by Country of Residence and by Type as at December 31, 2006

Country	Directors, Management, Staff, Agents		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	1,057,154	32.08	49,565,480	71.30	103,166,144	53.13	153,788,778	57.60
Barbados	2,224,473	67.51	15,686,559	22.56	62,509,406	32.19	80,420,438	30.12
Eastern Caribbean	3,956	0.12	459,252	0.66	21,759,381	11.21	22,222,589	8.32
Other Caribbean	1,000	0.03	3,802,979	5.47	2,519,460	1.30	6,323,439	2.37
Other	8,540	0.26	3,786	0.01	4,217,766	2.17	4,230,092	1.59
Total	**3,295,123**	**100.00**	**69,518,056**	**100.00**	**194,172,157**	**100.00**	**266,985,336**	**100.00**

SAGICOR FINANCIAL CORPORATION

NOTICE OF ANNUAL MEETING

NOTICE is hereby given that the Fifth Annual Meeting of Shareholders of Sagicor Financial Corporation ("the Company") will be held at Hilton Barbados, Needham's Point, St Michael, Barbados, on Thursday June 26, 2008 at 5.30 pm to transact the following business:-

1. To receive and consider the Statement of Accounts and the Balance Sheet for the year ended December 31, 2007 and the Auditors' Report thereon.
2. To elect Directors.
3. To re-appoint the incumbent Auditors for the ensuing year and to authorise Directors to fix their remuneration.
4. To transact such other business as may properly come before the Meeting.

By Order of the Board of Directors.

Sandra Osborne, QC
Corporate Secretary

May 30, 2008

PROXIES:

Shareholders who are unable to attend the Meeting in person may complete and return the enclosed form of proxy at least 48 hours before the appointed time of the Meeting or adjourned Meeting to either:

- the Corporate Secretary, Sagicor Financial Corporation, Sagicor Corporate Centre, Wildey, St Michael, Barbados, or
- the Corporate Secretary, Sagicor Financial Corporation, c/o Sagicor Life Inc, Sagicor Financial Centre, 16 Queen's Park West, Port of Spain, Trinidad.

DOCUMENTS AVAILABLE FOR INSPECTION:

There are no service contracts granted by the Company, or its subsidiaries, to any Director of the Company.

MANAGEMENT PROXY CIRCULAR

SAGICOR FINANCIAL CORPORATION

Company No 21849

Management is required by the Companies Act Chapter 308 of the Laws of Barbados (hereinafter called "the Act") to send with the Notice convening the Meeting, forms of proxy. By complying with the Act, Management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the Fifth Annual Meeting of Shareholders of Sagicor Financial Corporation ("the Company") to be held on June 26, 2008 at 5:30 pm ("the Meeting") and is furnished in connection with the solicitation of proxies by the Management of the Company for use at the Meeting, or any adjournments thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to sign, date and return the proxy. Proxies to be exercised at the Meeting must be deposited not later than 5:30 pm on June 24, 2008.

Any Shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the Shareholder or his/her attorney authorised in writing, or, if the Shareholder is a body corporate, partnership, estate, trust, or association, by any officer or attorney thereof duly authorised, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof with:

- the Corporate Secretary at the registered office of the Company at Sagicor Corporate Centre, Wildey, St Michael, Barbados, or
- the Corporate Secretary, Sagicor Financial Corporation, c/o Sagicor Life Inc, Sagicor Financial Centre, 16 Queen's Park West, Port of Spain, Trinidad.

The persons named in the enclosed form of proxy are Directors of the Company. If you wish to appoint some other person to represent you at the Meeting, you may do so by inserting the name of your appointee, who need not be a Shareholder, in the blank space provided on the proxy form.

RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed May 8, 2008 as the record date for determining the Shareholders entitled to receive Notice of the Meeting, and have given notice thereof by advertisement as required by the Act. Only the holders of common shares of the Company of record at the close of business on that day will be entitled to receive Notice of the Meeting.

Common shareholders are voting on the election of Directors and the re-appointment of the incumbent Auditors and Directors' authorisation to fix their remuneration.

Only the holders of common shares of the Company will be entitled to vote at the Meeting. On a show of hands, each Shareholder has one vote. On a poll, each holder of a common share is entitled to one vote for each share held. As at May 8, 2008, there were 277,543,397 common shares of the Company outstanding.

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2007 and the Auditors' Report thereon are included in the 2007 Annual Report.

ELECTION OF DIRECTORS

The Board of Directors consists of twelve members. The number of Directors to be elected at the Meeting is four. Professor Sir Hilary Beckles and Messrs Andrew Aleong, David Walter Allan and Christopher Dennis deCaires will retire at the end of the Meeting. The retiring Directors, with the exception of David Walter Allan who has reached the age of compulsory retirement, will be seeking re-election. Following are the names of the qualified persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast pursuant to the form of proxy hereby enclosed:

ANDREW ALEONG
SIR HILARY BECKLES, K.A.
CHRISTOPHER DENNIS DECAIRES
JOHN FRANCIS SHETTLE, JR.

Andrew Aleong, MBA, aged 47, is a Citizen of Trinidad and Tobago and has been an independent Director since June 2005. He holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada, and has spent his entire professional career in various management positions within the Albrosco Group of Trinidad and Tobago. He is currently the Director, Sales and Marketing and a Director of several companies within that group. Mr Aleong is a past President of the Trinidad and Tobago Manufacturers' Association. He was elected a Director of Sagicor Life Inc in 2005.

Sir Hilary Beckles, K.A., PhD, is 52 years of age and is a Citizen of Barbados. He has been an independent Director since June 2005. Sir Hilary earned his PhD from Hull University, United Kingdom, and received an Honorary Doctorate of Letters from the same University in 2003. He has served as the Head of the History Department and Dean of the Faculty of Humanities, University of the West Indies. In 1998, he was appointed Pro-Vice-Chancellor for Undergraduate Studies, and, in 2002, the Principal of Cave Hill Campus. Sir Hilary has published widely on Caribbean economic history, cricket history and culture and higher education, and serves on the editorial boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas. He was elected a Director of Sagicor Life Inc in 2005 and is also a Director of Life of Jamaica Limited.

Christopher Dennis deCaires, FCCA, MBA, aged 52, is a Chartered Accountant and holds an MBA from Henley Management College, United Kingdom. He has over 25 years' professional and management consulting experience in Barbados and the wider Caribbean, United Kingdom and Brazil. He is the Managing Director of Fednav International Limited, and his areas of expertise include corporate finance, international taxation, financial management, mergers and acquisitions, information systems, organisational design and business planning. Mr deCaires is Chairman of World Cup Barbados and is a former partner of PricewaterhouseCoopers, Barbados, where he was responsible for corporate finance, business advisory, corporate secretarial and trust services. He has been an independent Director since June 2005 and was also elected a Director of Sagicor Life Inc in 2005.

John Francis Shettle, Jr, is 53 years of age and is a citizen of the United States. He received his undergraduate degree from Washington & Lee University and holds an MBA from the Sellinger School of Business at Loyola College, Maryland. He is Senior Advisor, Lightyear Capital, a private equity investment firm providing buyout and growth capital to companies in the financial services industry. He has over 20 years' experience in senior management positions in the property/casualty, health and insurance-related services industry. Most recently, he served as President and Chief Executive Officer of the Victor O Schinnerer Company. Prior to that, he was the Chief Executive Officer of Tred Avon Capital Advisors, Inc, a firm providing advisory services to companies and private equity firms focused on the insurance sector. He previously held senior management positions at Securitas Capital, Swiss Reinsurance Company and Frederick, the Maryland-based AVEMCO Corporation (NYSE). Mr Shettle was appointed a Director of the Group's US subsidiaries, Sagicor USA Inc, Laurel Life Insurance Company and Sagicor Life Insurance Company in 2006.

Sir Hilary Beckles and Messrs Aleong and deCaires each brings a wealth of relevant experience to the Board of Directors. They continue to be effective and demonstrate commitment to the role of Director, including commitment of time for Board and Committee meetings. Mr Shettle, with over 20 years' experience in the property/casualty, health and insurance-related services industry, will bring to the Board a US and international perspective on insurance. The Management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Director.

Having regard to the core competency requirements of the Board as a whole, the skills and experience of each nominee, their independence as defined by the Board and their willingness and ability to devote the time necessary to fulfil their role as Directors, the Board of Directors recommends that Shareholders vote FOR the election of the above-named nominees.

RE-APPOINTMENT OF INCUMBENT AUDITORS

PricewaterhouseCoopers, Chartered Accountants, of The Financial Centre, Bishop's Court Hill, St Michael, Barbados, are the incumbent Auditors of the Company. It is proposed to re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office until the next Annual Meeting of Shareholders.

The Directors recommend that Shareholders vote FOR the re-appointment of PricewaterhouseCoopers and the authorisation of Directors to fix the Auditors' remuneration.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by any proxy given on the enclosed form of proxy to the persons named in the proxy will be voted or withheld from voting on any ballot in accordance with the instructions contained therein.

In the absence of shareholder instructions, common shares represented by proxies received will be voted FOR:

- The election as Directors of Andrew Aleong, Sir Hilary Beckles, Christopher Dennis deCaires and John Francis Shettle, Jr.

- The re-appointment of the incumbent Auditors, PricewaterhouseCoopers, and the authorisation of Directors to fix their remuneration.

The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. The Management of the Company knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matters which are not now known to Management should properly come before the Meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgement.

Unless otherwise noted, a simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of any matter submitted to a vote.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2) of the Act.

No Auditors' statement is submitted pursuant to Section 163(1) of the Act.

Dated May 30, 2008.

Sandra Osborne, QC
Corporate Secretary

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