

2013

2012

2011

2010 **ANNUAL
REPORT**

2009

2008

2007

2006

2005

2004



Our Vision:
to be a great company,
committed to
improving the lives
of people in the
communities in
which we operate.

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1840 The Beginning

– The Establishment of Barbados Mutual Life Assurance Society

Sagicor's legacy company, Barbados Mutual Life Assurance Society (The Mutual) launched in 1840, amidst financial uncertainty. It was a time when the sugar plantation-based society of the West Indies was struggling with socio-economic changes following emancipation in 1834.

From its inception, The Mutual made significant contributions to capital formation and investment in Barbadian sugar plantations and cocoa estates in Trinidad and Grenada, keeping both industries afloat amidst this period of crisis. In addition, all classes, including upper mercantile, planter elites, working, and middle classes used The Mutual's policies as collateral.

Some see things as they are and say, “Why?”
Others dream of things that never were, and say, “Why not?”



OVERVIEW

2010 marked 170 years of our Company's existence, first as The Barbados Mutual Life Assurance Society, and then as Sagicor, following our demutualisation in 2002.

We are justifiably proud of our longevity as one of the oldest insurance companies in the Americas and the second oldest in the Commonwealth.

We are equally proud that the vision, tenacity, intrepid spirit and strong belief in, and commitment to the region which led to the start of our Company, has remained a guiding force more than a century and a half later.

Over the years, our Company has played a critical role in the seminal periods of financial development in our region. From inception, we made significant contributions to capital formation and investment and for several decades we were a net importer of capital, at a time when capital for investment anywhere in the region was in short supply.

We led the consolidation of the Caribbean life insurance industry between the late 1990s and early 2000s, emerging as the Region's leading insurance company. Following a carefully crafted business strategy, we transformed our company from a local single-line life insurance company into a regional financial services Group. Having built a strong regional base, we expanded into the international financial services market.

Sagicor now operates in 22 countries in the Caribbean, Latin America, the UK and the US. Our assets moved from US \$150 million at the beginning of the 1990s to US \$4.9 billion by end of year 2010. Our Revenue moved from US \$40 million to US \$1.3 billion and our profits from US \$2 million to US \$42 million. Our policies in force have also grown substantially, moving from 60,000 to over 600,000.

Today, our company is synonymous with world-class financial services, and is seen as a dynamic, indigenous Group which has been re-defining financial services in the Caribbean. It is not surprising therefore, that the proposed investment by the International Finance Corporation in our Company will be IFC's largest investment to date in a single Caribbean entity as well as in the insurance industry.

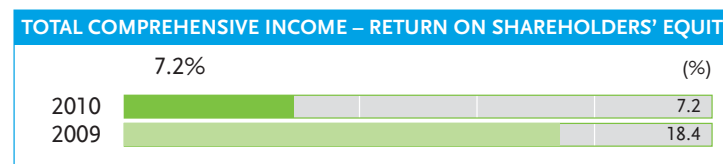
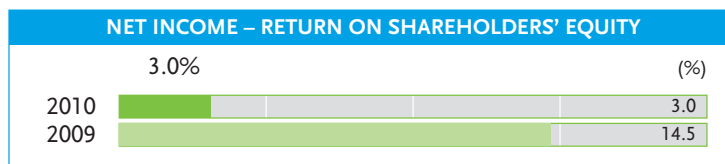
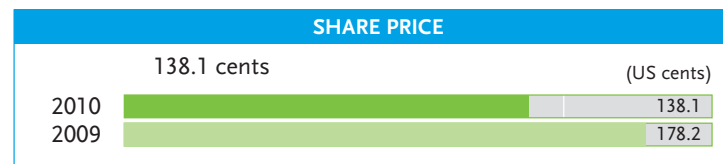
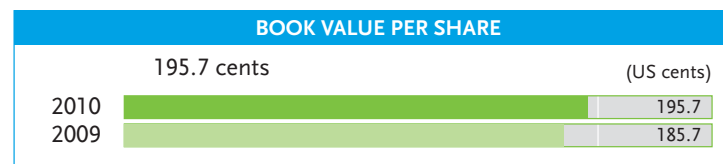
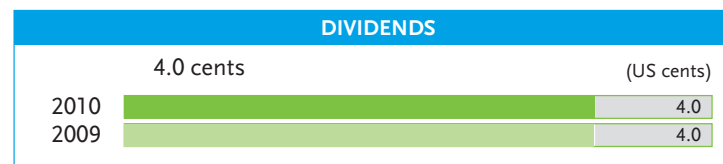
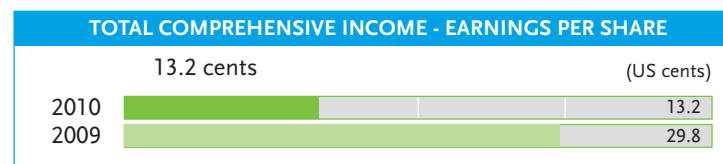
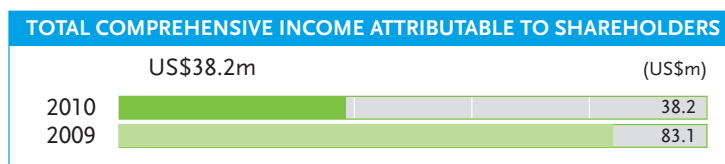
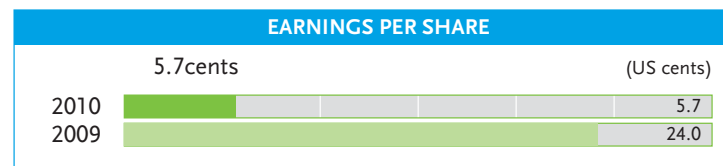
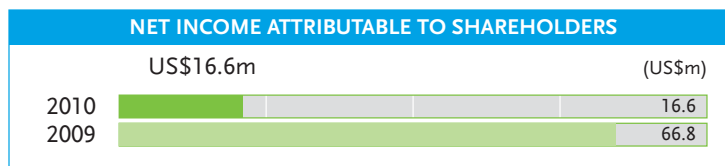
As we stand on the threshold of yet another extremely important and critical time in the economic life of our region and indeed, the rest of the world, Sagicor will continue to be at the vanguard of providing a wide range of financial products and services, while at the same time renewing our commitment to our vision, "To be a great Company, improving the lives of the people of the communities in which we operate."

If you can imagine it, you can create it.



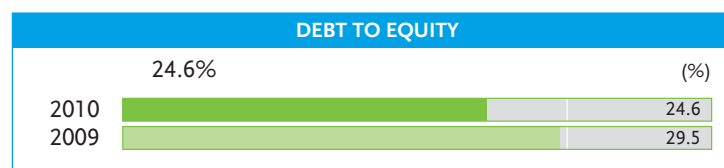
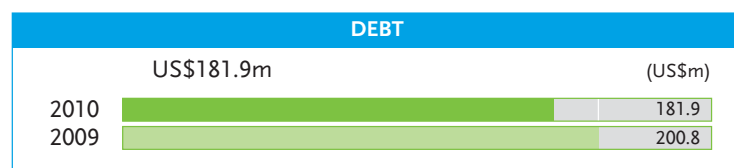
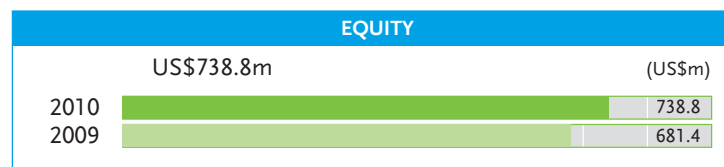
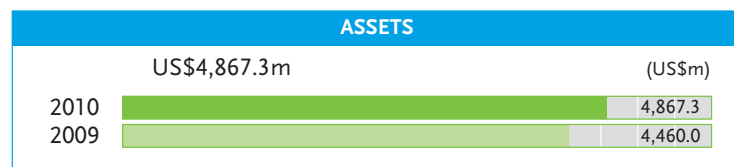
FINANCIAL HIGHLIGHTS

SHAREHOLDER RETURNS AND SHAREHOLDER INFORMATION

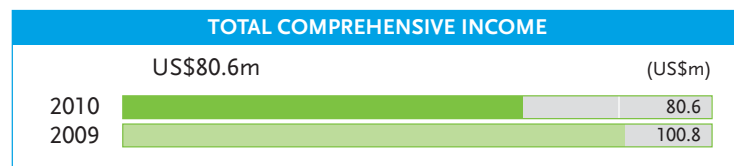
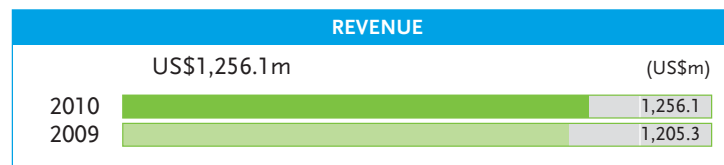
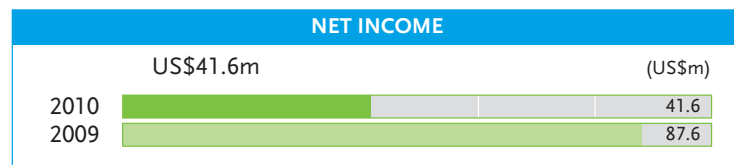


FINANCIAL HIGHLIGHTS

GROUP FINANCIAL POSITION

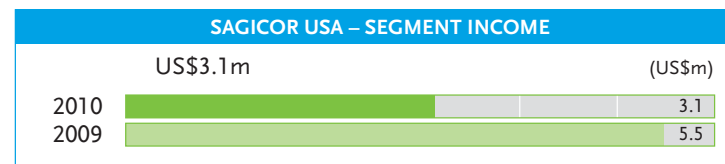
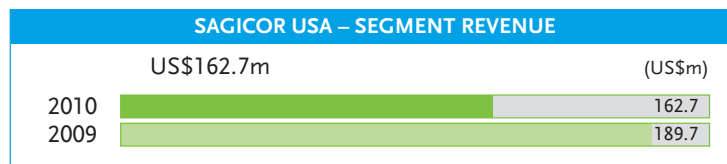
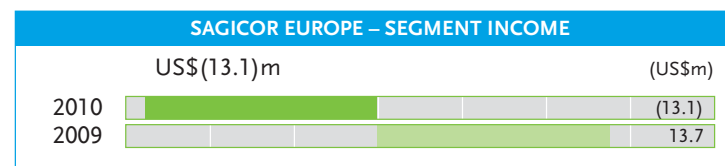
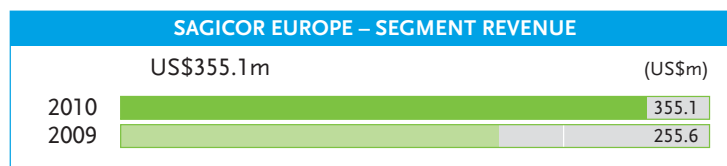
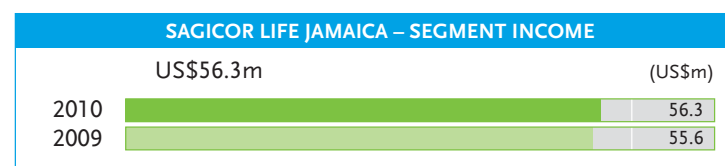
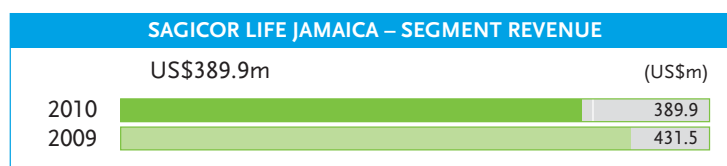
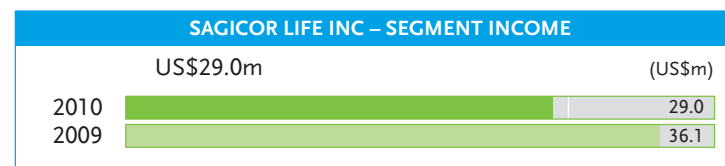
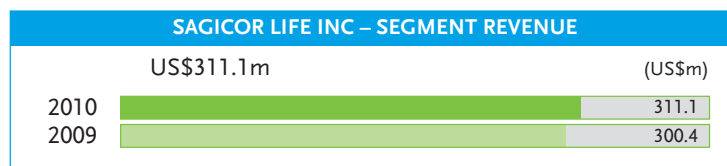


GROUP PERFORMANCE



FINANCIAL HIGHLIGHTS

SEGMENT PERFORMANCE



The beginning
is the most important part
of the work.



CHAIRMAN'S STATEMENT



Stephen McNamara
Chairman

OPERATING RESULTS: The financial year 2010 was a disappointing one for the Sagicor Group. Strong financial results from our core Caribbean operations were offset by losses in our global property and casualty (P&C) business written through our Lloyds Syndicate Sagicor at Lloyds, increased financing costs, and lower future investment yields which had a negative impact on actuarial liabilities. Group Net income for the year amounted to US \$41.6 million, down from a restated US \$87.6 million for 2009. Consequently, Net Income attributable to shareholders was US \$16.6 million, compared to a restated US \$66.8 million for 2009. Group total comprehensive income amounted to US \$80.6 million, of which US \$38.2 million was attributable to shareholders. The comparable restated 2009 figures were US\$100.8 million and US\$83.1 million respectively.

Earnings per Share amounted to 5.7 US cents, down from the restated 2009 earnings of 24.0 US cents. The average Return on Shareholders' Equity in 2010 was 3.0%, compared to the 2009 restated percentage of 14.5%.

FINANCIAL CONDITION: The Group's financial condition remains strong with Total Assets increasing 9.1% from US \$4.5 billion to US \$4.9 billion. Shareholders' Equity grew 5.1% from US \$538.1 million to US\$565.6 million, whilst Book Value per Share moved up 5.4% from US\$1.86 to US\$1.96. The Group's Debt to Equity Ratio was 24.6% at the end of the year compared to 29.5% one year earlier.

ANALYSIS: The primary source of the disappointing operating results was the very poor returns from our global P&C business, operated through our UK subsidiary Sagicor at Lloyds. Presented by principal operating segments and summary analysis, the Group net income attributable to shareholders for 2010 and 2009 was as follows:

Income attributable to Shareholders		
<i>(in US\$000)</i>	2010	2009
		<i>(restated)</i>
Operating Segments		
Sagicor Life Inc	30,236	40,437
Sagicor Life Jamaica	31,960	34,155
Sagicor Europe (Sagicor at Lloyd's)	(13,124)	13,693
Sagicor USA	3,144	5,461
Other Operating Companies	2,130	4,257
Group financing costs	(18,835)	(15,105)
	<u>35,511</u>	<u>82,898</u>
Head office function and adjustments	(18,951)	(16,052)
Total net income attributable to shareholders	16,560	66,846

Sagicor at Lloyds, like other Lloyds Syndicates, had an extremely difficult year incurring a significant increase in claims from both global catastrophes and UK motor liability. I have already made mention in previous quarters of the significant impact of

the February 2010 Chilean and September 2010 New Zealand earthquakes. In addition it also became necessary to increase substantially the claims provision for the UK direct motor insurance class, due to the worsening claims experience in that market, as a result of unfavourable winter conditions. These adverse claims experiences combined to produce a net loss for the year at Sagicor at Lloyds of US \$13.1 million, compared to a net profit for 2009 of US \$13.7 million.

On the other hand, Sagicor Life Jamaica and its subsidiaries Sagicor Life Cayman and PanCaribbean Financial Services had a very good year despite a lower interest rate environment. After the Jamaica Government implemented the debt exchange programme in early 2010 (wherein higher yielding government debt securities were exchanged for lower yielding securities), interest rates and inflation have declined, and the Jamaica dollar has maintained its exchange rate with the US dollar. Net income (before allocation to shareholders) in 2010 was US \$56.3 million compared to US \$55.6 million in 2009. However, since the Group reduced its effective holding in PanCaribbean Financial Services in the segment, from 64% to 51% in late 2009, the resulting net income attributable to shareholders fell to US \$32.0 million from US \$34.2 million in 2009.

The Sagicor Life Inc segment, which comprises the Barbados, Trinidad, Eastern Caribbean, Dutch Antilles and Belize life insurance operations, also had a good year earning net income of US \$30.2 million, compared to US \$40.4 million for 2009. The decline in net income from 2009 is mainly as a result of the impact of changes in actuarial assumptions, which had a less beneficial impact on income in 2010. In particular, because of the general weak economic conditions, future investment yields were anticipated to decline in most territories comprising the segment and gave rise to an increase in the actuarial liabilities and a corresponding reduction in net income for 2010.

The Sagicor USA operations continue to make progress in the US writing annuity, single premium life and periodic life business in that market. During financial year 2010, the company wrote settled annualised premium totalling US \$115.5 million, comprising 64% annuity products and 36% life products. Sagicor US contributed US \$3.1 million, compared to a restated US \$5.5 million for the previous year.

Other operating companies comprise other subsidiaries not managed as part of the principal operating segments and in particular include Sagicor General Insurance Inc and Barbados Farms Limited. These entities contributed net income of US \$2.1 million in 2010, compared to US \$4.3 million in 2009. The reduced contribution reflects the lower earnings of Sagicor General as a result of reduced investment gains and increased claims resulting from hurricane Tomas.

The Group financing expense comprises the cost of the Sagicor 7.5% senior notes, and of banking and reinsurance financing facilities. These principally finance our UK and USA operations. The increase for the year arises primarily from interest on a new bank loan taken out in late 2009 and from the cost of additional reinsurance financing.

In the statement of income, total revenue for the year was US \$1,256.1 million (2009 - US \$1,205.3 million) and was distributed 59% (2009 – 63%) across the Caribbean region, 28% (2009 – 21%) in the UK and 13% (2009 – 16%) in the USA. Property and casualty premium increased to US \$350.2 million from US \$249.5 million in 2009, while annuity premium fell to US \$127.7 million from US \$172.4 million in 2009. These amounts reflect the increased business in the UK and a reduction in annuity business written in the USA.

Net policy benefits totalled US \$691.7 million for the year, up from US \$606.3 million in 2009. Property and casualty claims increased significantly to US \$243.3 million from US \$135.8 million. However interest expense declined to US \$78.0 million from US \$101.9 million in 2009. This is largely a consequence of the reduction in interest rates in Jamaica.

Total expenses recorded were US \$429.4 million (2009 – US \$390.2 million). Increased commission and administrative expenses arose directly as a consequence of the shift in premium to the UK operations in 2010.

Other comprehensive income consists of net gains or losses resulting from movements in fair value of assets, and currency translation gains or losses from holding foreign currency subsidiaries. The Group recorded net gains of US \$33.3 million resulting from movements in the fair value of assets and net gains of US \$6.0 million in respect of currency translation. Other comprehensive income totalled US \$39.0 million for the period, of which US \$21.6 million was attributable to shareholders.

OUTLOOK: 2010 was the seventh most expensive year for catastrophes for the P&C insurance industry since 1970, according to the latest sigma study by Swiss Re. Insurance losses were up 60% over 2009 which was a relatively benign year. The Sagicor at Lloyd's business as a part of the Lloyds environment has exposures to global insurance catastrophes. 2011 is also shaping up to be an active year for catastrophes. Events have occurred in 2011 to date include the Queensland Australia floods and cyclone, and the earth quake in Christchurch New Zealand, and the earthquake and tsunami across parts of Japan. We anticipate that Sagicor will incur insurance claims arising out of these events. Though we have significant reinsurance coverage in place, the magnitude and number of these events within a space of three months will have an adverse effect on our first quarter 2011 results. Notwithstanding this, Sagicor at Lloyd's has more than adequate resources and

capital to meet these anticipated obligations. Management have reviewed the current risk profile of the Syndicate and are in the process of taking corrective actions to reduce the level of exposure to global catastrophes. We expect that these changes will take effect from the second half of the year.

The global economy continues to show signs of improvement. Despite civil unrest in several areas and increasing oil prices we remain optimistic that 2011 will be a year of moderate growth for the global economy. Caribbean economies continued to experience difficulty during 2010 as the benefits from the global up turn are yet to be felt in our region. Going forward, we expect that the region will gradually emerge from the global economic down turn and return to a period of modest growth.

For the Sagicor Group, our traditional operations performed well during 2010 despite challenging economic circumstances. We are confident of a similar performance in 2011. Once the corrective action at Sagicor at Lloyds begins to impact our Group, we expect our results to return to the strong levels of previous years.

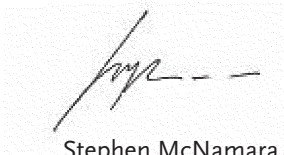
DIVIDEND: Despite the reduced operating results in 2010, and the challenging prospects arising from the property and casualty experience in the first quarter of 2011, the Group remains in strong financial condition. Accordingly, the Board has decided to declare a final dividend of US 2 cents for 2010 which taken with the interim dividend paid in October 2010 maintains a total dividend of US 4 cents for the year.

In 2005, Mr Christopher de Caires was elected as a Director of SFC, and subsequently served as a Director on a number of other subsidiaries within the Sagicor Group. He became Chairman of the Human Resources Committee of the SFC Board from June 2006. Mr de Caires will not be seeking re-election at this Annual Meeting. On behalf of the Directors, Management and Staff of the Sagicor Group, I wish to thank Mr de Caires for his yeoman service to the

Sagicor Group, and his many valuable contributions as Chairman of the HR Committee.

On behalf of the Board, I would also like to sincerely thank our Staff and Advisors for their continuing support and hard work during the year. I would particularly like to extend congratulations to those Staff members and Advisors throughout the Group who excelled in their performance during 2010, and were recipients of our highest awards and accolades.

Finally, on behalf of the Board, I sincerely thank our Policyholders, Clients, and Business Partners for their continued and valued support to Sagicor in 2010.

A handwritten signature in black ink, appearing to read 'S. McNamara', is written over a light blue, textured rectangular background.

Stephen McNamara
Chairman

1849 – 1896 Caribbean Expansion

Barbados was the major port for lively trade between the Caribbean islands, and it was a natural progression for The Mutual to branch out for new clients. Over the next 20 years, The Mutual expanded its operation, and branches were opened in St. Vincent (1849), Trinidad and Tobago (1858), Grenada (1858), St. Kitts (1861), Antigua (1863), Montserrat (1863), Guyana (1866), Dominica (1868), and Jamaica (1896). The Mutual was the only indigenous life insurance company to establish agencies throughout the British Caribbean, with the largest operations and investments during the entire nineteenth and early twentieth century.

You cannot aspire
if you look down;
you must look up.



CORPORATE SOCIAL RESPONSIBILITY

Sagicor has always recognised the importance of social investment, and that is why, from the very beginning, we have been committed to enhancing the long-term quality of life in the communities we serve. For over several decades, we have provided financial support and voluntary assistance to several organisations and institutions.

Sagicor's social responsibility initiatives stretch across multiple countries, and focus on a number of pillars within each community. We actively seek opportunities and charitable organisations that focus on the youth in our societies - specifically in the areas of education, health, sports and community development. In addition to providing wise financial counsel, we wish to ensure that the legacy we pass on to future generations is an appreciation for education in a world filled with opportunity, health and wellbeing.

On January 12, 2010, Sagicor, like the rest of the world, was profoundly moved by the earthquake in Haiti which wrought massive devastation. In addition to pledging US\$250,000 to assist the Haitian people, Sagicor offered to match all donations made by staff members across the Group. The full amount contributed by Sagicor and its staff totaled US\$309,456.

Donations were made to several organisations working in Haiti. The largest of these – US\$155,212 – was made to UNICEF. Immediately after the earthquake, UNICEF was one of the first responders. They focused their attention on the children of Haiti, addressing their urgent nutritional and health needs, while simultaneously creating a programme for re-registering and ensuring that they returned to school as soon as possible.

As a result of the UNICEF programmes, the children of Haiti are given the opportunity to receive an education and much-needed health services. UNICEF places a great emphasis on education because they believe that, by educating children from early childhood, they will have a better start in life and greater opportunities.

In addition to the donation to UNICEF, Holy Seed International, a non-profit organisation that supports an orphanage in Marigot, Haiti received US\$16,500 from Sagicor Life Inc. We thought that this orphanage, Arc en Ciel (French for 'Rainbow') was special, as it supports children who have been orphaned or abandoned and children who are already fighting against the odds, having lost their parents either to tuberculosis and HIV/Aids, or the recent earthquake. The orphanage provides care for children between the ages of five and nine years old who are in need of basic food, clothes and other personal items.

Sagicor Jamaica and PanCaribbean Financial Services donated US\$50,744 to the Red Cross and the Salvation Army relief efforts in Haiti.

Our United States operation, Sagicor Life Insurance Company, donated a total of US\$ 87,000 to two organisations, Partners in Health and Project 81. Partners in Health has been working in Haiti for over 20 years. The organisation is based in Boston, and brings modern medical care to poor communities. Project 81 is the brainchild of Annie and Jared Brown, two volunteers at a Haitian orphanage, who are themselves former Sagicor producers. The organisation was named after Village 81, a poor community in which they installed a well to provide clean water, and also distributed food and parasite-fighting medicine to young children. They still use the arts and other creative media to raise awareness about Haiti.

Sports:

Sagicor has a vision which sees our people and our institutions, including our sporting teams, competing as equals in the global arena. On 6 March, the Sagicor West Indies Cricket High Performance Centre, the first cricket academy of its kind in the Caribbean, based at the Cave Hill Campus of the University of the West Indies in Barbados, was officially opened. Sagicor,

having first strengthened its base in the Caribbean, now operates in 22 countries, including the United States and the United Kingdom. Our investment in the Sagicor West Indies Cricket High Performance Centre must therefore be viewed within the context of this vision. We believe that the return of West Indies cricket to its rightful place on the world stage is a necessary part of the restoration of the rapidly declining pride once associated with the region's superior cricketing standards, and of our people. The High Performance Cricket Centre is an important part of this process. It will provide the much-needed strategic guidance and stimulating environment necessary to hone the competitive skills required in today's cricketer, and we hope that this will be the catalyst which sparks the beginning of the re-emergence of high-quality West Indies cricket. Sagicor is proud to be a part of this initiative, and is working with the University of the West Indies and the West Indies Cricket Board to make this vision a reality.

The Sagicor West Indies Cricket High Performance Centre provides a unique educational and training facility, designed to create well rounded, multi-skilled young cricketers. It offers support in physical, technical, psychological and lifestyle areas of the game, and players follow a programme specifically tailored to their individual needs.

As a Group, Sagicor has continued nurturing proficiency in several sporting disciplines. In the USA, 2010 marked the third year of our Sagicor USA partnership with the University of South Florida (USF) Tampa as one of the sponsors of USF's Athletics, with concentration on the "Bulls" Football Team.

Sagicor USA is also a proud corporate partner with Major League Baseball's Tampa Bay Rays and the National Football League's Arizona Cardinals. Through these partnerships, Sagicor USA is active in a number of community outreach programs both in Tampa Bay, Florida, and metro Phoenix, Arizona.

Sagicor USA's association with the Tampa Bay Rays allows players to arrange a series of visits, throughout the baseball season, to the children undergoing medical treatment at the All Children's Hospital in St. Petersburg, Florida. With the Arizona Cardinals, Sagicor USA was the corporate sponsor for the annual St. Mary's Food Bank Alliance food drive. Just prior to the U.S. Thanksgiving holiday, Arizona Cardinal fans were asked to bring canned food donations which are then distributed to those in need throughout the Phoenix metropolitan area.

In the United Kingdom, Sagicor at Lloyd's (SaL) raised funds for several charities by sponsoring staff participation in several sporting activities including netball, cricket and golf. In addition, we supported three staff teams for the Insurance Endurance Go-Kart race which lasts for well over 6 hours.

Sagicor Life Jamaica (SLJ) concentrated on training young athletes during the year. The highlight of their several initiatives was the Jamaica Teachers Association/Sagicor National Primary, All Age & Junior High Meet, an annual sporting event for all age schools with participation of over 5,000 students in the lead up to the event. At the championships, over 1,200 students compete to be crowned national champions. Still in the area of sports, PanCaribbean Financial services (PCFS) focused on the Junior Tennis Championships and Development Tournament. However their single largest project, the PanCaribbean's Sigma Corporate Run, attracted over 11,000 participants and, as a result, PCFS were able to donate money to the Sir John Golding Rehabilitation Centre, the Jamaica Association for the Deaf and the Jamaica Society for the Blind.

Sagicor Life Inc (SLI) supported several sporting disciplines, including golf, game fishing, Special Olympics, an annual summer camp and the uniquely Barbadian sport, Road Tennis. SLI continued its support to the Primary Schools Chess Championships. The tournament is the nucleus for developing

junior chess players, some of whom go on to represent Barbados regionally and internationally. Participation allows the children to meet new people and make new friends, while encouraging sportsmanship; striving for excellence and surpassing their personal best. Chess also prepares them for certain aspects of their life, since it exposes them to a healthy level of competition. SLI in Trinidad and Tobago continued its long association with the Sagicor Junior Tennis Tournament for 8 to 18 year olds, and the St Andrew invitational Golf Tournament. Trinidad also sponsored the new Bago Sports Beach Football Invitational Tournament. This new tournament, which was held at Turtle Beach in Tobago, was an overwhelming success and attracted several teams from Tobago, Antigua, Barbados and Trinidad. In the Eastern Caribbean, SLI entered its nineteenth year of support for the OECS Swimming Championships, one of the region's premier sporting events.

The centerpiece of Sagicor General's commitment to sport continued to be the Sagicor General Super-Cup, Shield and Twenty/20 competitions. In 2010, they also supported the Junior National Squash Championships, the National Junior Track and Field Championships in Trinidad, and the Somerset Cricket Team in Dominica.

Health:

During 2010, Sagicor continued to provide significant support in the area of Health. Emphasis was placed on the prevention of non-communicable diseases, the promotion of healthy living and facilitating access to health-care. Throughout the Sagicor Group, funds were raised for organisations which are advocates for specific health issues. Sagicor Life supported the Trinidad and Tobago Cancer Society programme, which builds awareness about the disease in primary and secondary schools, and teaches about the lifestyle changes that can assist in preventing various forms of cancer. Sagicor Life Jamaica supported the Consie Walters Cancer Care Hospice, the Jamaica Cancer Society and MacMillan Cancer

Support in the United Kingdom, an organisation that provides practical, emotional and financial support to people who live with cancer.

Another area supported was health care facilities catering specifically to children. These included the Bustamante Hospital for Children in Jamaica, for whom funds were raised through the Shakti Love Fest. This annual one-day health and fitness event was the brainchild of the Shaggy Make a Difference Foundation.

Sagicor Life (USA) participated once again in the annual telethons for Tampa Bay's All Children's Hospital and the Phoenix Children's Hospital annual "Give for Kids" telethon. In addition to a corporate donation to each cause, staff members volunteered their time to make the telethons a success. The funds raised from both telethons go to ongoing support of the hospitals, purchase of advance medical technology and specialised medical treatments.

SaL supported the Great Ormond Street Hospital, so that it may remain at the forefront of international paediatric medicine, and continue to offer specialist, world-class care to thousands of patients every year.

The Stroke Association also benefitted from SaL. It is the only UK-wide charity solely concerned with combating stroke in people of all ages. Recognising that strokes have a greater disability impact than any other medical condition, the Stroke Association funds research into prevention, treatment and better methods of rehabilitation. It also helps stroke patients and their families cope with the effects of the disease through its Life After Stroke Services. These include Information, Advice and Support, Communication Support and Life After Stroke grants. In addition, the Association also crafts campaigns to educate, inform and increase knowledge and awareness of the disease at all levels of society.

2010 was the first year of a commitment made by SLI Trinidad and Tobago towards the upkeep of the Vitas House facility, which provides a sanctuary for those afflicted with cancer.

Education

The “Read with Big Red” program is sponsored by Sagicor USA. An Arizona Cardinals player and the Cardinals’ mascot, “Big Red”, visit elementary schools in the Phoenix area, where they read story books to the children. This program provides a fun and exciting way for young students to experience the joy of reading.

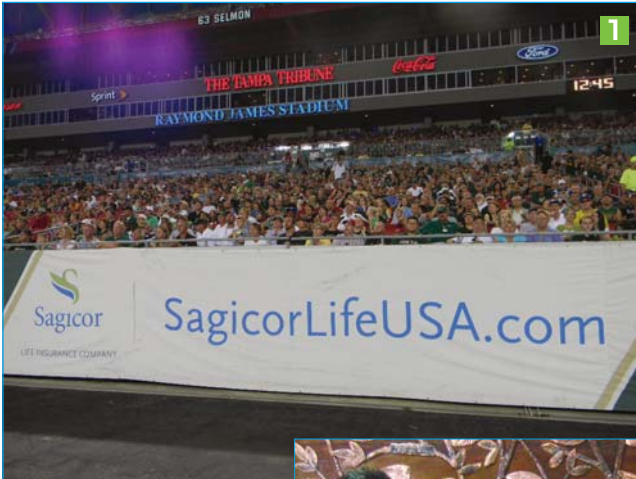
Sagicor USA also continues to collaborate with USF’s College of Business in a special project with the Marketing Faculty.

Sagicor Life Inc and PanCaribbean provided scholarships for University students. In the case of Sagicor Life Inc, Barbados, the awarding of these scholarships started approximately 20 years ago. In Trinidad and Tobago, Sagicor’s sponsorship of the Fulbright Scholarship stands as testimony to the fact that Education remains high on the company’s agenda. Supplementary to this effort was the establishment of a scholarship for studies in insurance at the University of the West Indies under the auspices of the Trinidad and Tobago Association of Insurance and Financial Advisors.

Sagicor Life Jamaica awarded scholarships to outstanding children of public sector workers for the duration of their high school career. They also continued their Adopt-A-School projects, in which company branches execute building projects and repair and beautification work for 12 basic schools across the Island. In-house health checks for vision, hearing and general health were conducted at each of the schools.

Several other organisations, schools, specific interest groups, community projects and sporting associations were supported by the Sagicor Group during the year. Trinidad and Tobago’s

continued sponsorship of Sagicor Exodus, one of the island’s premier steel orchestras, entered its 6th year in 2010 and remains a rewarding community engagement. Other activities included support for Special Olympics, the B.T. Washington Elementary School in Tampa, Florida, Arthritis Foundation, Habitat for Humanity, and Lowery Park Zoo in the USA; British Heart Foundation, Royal British Legion, Lloyd’s Patriotic Fund and First Central Charity Auction in the United Kingdom; Scout Association of Jamaica, West regional Foundation for Disabled Children, Dare-to-Care children homes, the Jamaica Defence and Jamaica Constabulary Forces and Camp Yellow Bird, Wolmer Boys and William Knibb High Schools in Jamaica; The Optimists, Crime stoppers, Small Business Association.



1. Sagcor branding at the Raymond James Stadium, home of the USF Bulls.
2. Participants warming up before the 2010 Sigma Corporate Run in Jamaica.
3. Presentation of cheque to the Trinidad & Tobago Cancer Society.
4. Presentation of cheque to UNICEF Regional Representative towards their Haiti Relief Fund.
5. Participants after a fundraising event for the Arthritis Foundation in Florida.



1. Young players and their coaching staff at the Sagikor West Indies Cricket High Performance Centre, 3W's Oval in Barbados.
2. The winning team of the Bago Sports Beach Football Invitational Tournament in Trinidad.
3. Presentation of cheque to the Jamaica Red Cross towards their Haiti relief efforts.
4. A member of the Sagikor-sponsored Major League Baseball's Tampa Bay Rays at a community outreach event.

HUMAN RESOURCES

Modern organisations can survive in the dynamic, competitive environment of today only if they capitalize on the full potential of each employee. In this regard, the Sagicor Group continues its focus on employee development through education, training and various programmes geared towards employee engagement, many of which are available online for convenience and ease of use. Many of our staff have successfully pursued, and have been awarded key industry designations during 2010. These include Fellow, Life Management Institute (FLMI), Associate, Insurance Agency Administration (AIAA) and Professional, Customer Service (PCS). In addition, Sagicor employees across the Group have gained Masters of Business Administration degrees and other degrees, at Masters level, across a spectrum of disciplines.

In addition to the above training programmes, Sagicor initiated a Memorandum of Understanding with the University of the West Indies in Trinidad and Tobago, for a Bachelor's Degree in Risk Management and Insurance. The degree programme is expected to become part of the curriculum for the academic year, September 2011. We will leverage opportunities for similar programmes for Management and Staff development in other regions.

In 2010, training facilitators embraced available technologies for remote training, using video conferencing facilities and "GoToMeeting", for delivering Corporate Induction, Performance Management and Time Management programmes. Ongoing workshops on Anti-Money Laundering and our Code of Ethics and Business Conduct will be moving to online facilitation, thereby making delivery more convenient. These programmes are key to ensuring that our Management, Advisors and Staff are able to deliver a high quality of service to Customers, whilst maintaining the highest standards of integrity and full compliance with all legal and regulatory requirements.

During 2010, the Global Human Resources Task Force successfully introduced a new Group-wide talent management system internally

branded 'Sagicor Success'. The system includes modules in performance, talent and recruitment management, succession planning, and learning and development. It is anticipated that implementation will improve performance and productivity, enhance training, career development and succession planning, and provide Management with analytical reports for critical decision-making of our human capital. As part of this exercise, the Sagicor Group also moved to a new nine (9) grade salary structure. This initiative provides the following benefits:

- Equity - all positions that require similar skills and experience are classified in the same grade.
- Standardisation of competency requirements for each grade to facilitate consistent job evaluations,
- A foundation for the standardisation of jobs, employee training and development programmes, and the harmonisation of benefits and rewards.

Sagicor Life Jamaica launched a three-year Customer Service Training programme to strengthen its customer service culture. Under the theme, "Service First", it included workshops and themed programmes for all staff. Similar initiatives will be launched in other Group Companies in 2011.

Sagicor Life Inc launched the pilot for a Coaching Program facilitated by the Cave Hill School of Business. Initially rolled out in Barbados and Trinidad, this initiative will be expanded across Group companies in 2011. Managers will participate in practical, hands-on workshops which will focus on group-work and role-play. Coaching and mentoring enhance morale, motivation, productivity, and will support our efforts to improve employee engagement.

Employee engagement continued to be at the forefront of initiatives across the Group for 2010. Using the independent services of LOMA, Group companies conducted employee opinion surveys. These reports provided employee feedback on key issues,

and helped to guide Management's decisions for employee participation and satisfaction. Sagicor USA focused their efforts on benefits education for Staff and introduced "Benetrac", a system allowing for Online Benefits Enrolment and Maintenance. Sagicor Life Jamaica hosted a motivational seminar, which included internationally renowned speakers, Les Brown and Susan Taylor.

During the year, multiple events were hosted across the Group to recognise and reward team members for their dedication and high performance, and to foster social interaction. Our Family Fun Days, our Wellness Programmes and Healthy Lifestyle activities have become important social events on our calendar.

Our reward and recognition programmes culminated in recognising the best employees across geographical boundaries. These Group- level awards are judged by an external panel of three regionally eminently qualified persons. The Contributor of the Year,

won by Kareem Prescod from Trinidad, is awarded for outstanding contribution in the areas of new business, service above and beyond the call of duty and/or commitment to excellent service.

The Employee of the Year Award recognises outstanding contribution for customer service, creativity and innovation and demonstrating all the qualities that best exemplify the Sagicor Spirit including sound knowledge of our business, wise judgment that has led to business development and good corporate citizenry. For 2010, the winners were Maritza Pottinger, USA; Earlene Davis, Trinidad; Victoria Dalrymple, Barbados and Wayne Thorpe of Jamaica.

The Sagicorian is recognised as the most outstanding Employee of the Year in the Sagicor Group. Wayne Thorpe of Sagicor Life Jamaica won this coveted title in 2010.



Maritza Pottinger



Earlene Davis



Victoria Dalrymple



Wayne Thorpe

Amongst our Advisors, the leading producers in individual life sales, in their specific territory were Patricia Gilding, Barbados; Rudolf Coelho, Capital Life; Cheryl Rolle, Eastern Caribbean; Rosa Rengifo, Panama, and Winston Williams, Trinidad & Tobago. USA. In the area of Group Life & Health, the leading producers for 2010 were Gay Griffith, Barbados; Abel Simpson, Capital Life; Dane Vigo, Eastern Caribbean and Patti Hudson, Trinidad & Tobago.

Sagicor continues to focus heavily on rewards and recognition as we believe that these programmes and initiatives foster a performance based culture and encourage our Managers, Advisors and Staff to give of their best, especially in these challenging times.



Patricia Gilding



Rudolf Coelho



Cheryl Rolle



Rosa Rengifo



Winston Williams

**Your aspirations are
your possibilities.**



1987 – 1999 Winds of Change – Demutualisation

The mid-1980's was the springboard for the development of the modern company and The Mutual saw unprecedented growth. In 1987 it established Mutual Finance and acquired Travelers Overseas, renamed Capital Life. This acquisition expanded its portfolio by 30%, added 10,000 new policyholders, and extended its operations from eight to fifteen territories, by adding Aruba, Curacao, St Maarten, Belize, Haiti, Cayman Islands, and the Bahamas.

In 1999, two more acquisitions were made in the Caribbean - Island Life in Jamaica and Nationwide Insurance Company in Trinidad and Tobago

During this period, The Mutual also increased its commitment to community affairs and built its reputation role as a good corporate citizen.

Let go of the past and go confidently in the direction of your dreams.



OPERATING AND FINANCIAL REVIEW

(amounts expressed in US currency unless otherwise stated)

Overview

2010 was a year in which the economic environment remained difficult for many of the major economies. Growth remained slow and unemployment levels remained high. In the Caribbean, the international effects were felt as many economies which are dependent on tourism saw a significant decline in earnings from this sector.

In this environment, the Sagicor Group made steady progress. Our Caribbean operations continue to enjoy a strong position in the marketplace and generated good results. The Sagicor at Lloyd's operations suffered from international property claims arising from natural disasters and from a very poor experience in motor insurance.

Group net income for the year was \$42 million, contributing to total comprehensive income of \$81 million. The restated 2009 results were Group net income of \$88 million and total comprehensive income of \$101 million.

The tables below summarise the components of income and comprehensive income for 2010 and 2009.

INCOME - \$ millions	2010	2009
	restated	
Net premium revenue	901	843
Net investment income	293	294
Fees and other revenues	62	68
Total revenue	1,256	1,205
Net benefits	(770)	(708)
Expenses	(429)	(390)
Income taxes	(15)	(19)
Group net income	42	88
Fair value reserve gains (net)	33	26
Retranslation of foreign currency operations	6	(13)
Total comprehensive income	81	101

Revenue

Sagicor recorded total revenue of \$1,256 million for 2010, an increase of \$51 million or 4% over 2009's total.

Net premium revenue in 2010 totalled \$901 million, up from \$843 million recorded in 2009. The components of this revenue are as follows:

NET PREMIUM REVENUE – \$ millions	2010	2009
Life insurance	294	280
Annuity	128	173
Health insurance	129	141
Property and casualty insurance	350	249
Net premium revenue	901	843

Life insurance premium grew by 5% to \$294 million. Annuity premium, which has a substantial proportion of single premiums, declined by 36% to \$128 million. Health insurance premium declined by 9% to \$129 million; the decline is a consequence of the Group's exit at the end of 2009 from this market in the Cayman Islands. Property and casualty insurance premium grew substantially by 41% to total \$350 million in 2010. This growth came principally from Sagicor at Lloyd's.

Net investment income for 2010 amounted to \$293 million, a decrease of \$1 million from 2009's total. Interest income is the main component of investment income. Investment yields were lower especially in the Jamaica market where the Government introduced a debt exchange program and issued lower yielding securities. The interest yields of the principal assets classes are summarised in the table below.

INTEREST YIELDS	2010	2009
Debt securities	8.1%	9.8%
Mortgage loans	8.3%	8.6%
Policy loans	8.6%	8.6%
Finance loans and finance leases	11.4%	12.9%
Securities purchased under agreements to resell	5.6%	15.5%
Deposits	2.5%	2.9%

Fees and other revenue totalled \$62 million in 2010 as compared to \$68 million in 2009. With the strengthening of the Jamaica dollar in 2010, there was a reversal of the foreign exchange gains traditionally recorded by Sagicor's Jamaica operations.

Benefits, expenses and taxes

The Group recorded net insurance benefits of \$692 million in 2010, an increase of \$86 million over 2009's total. Insurance benefits

represent (i) the amounts due to policyholders which arise during the year and (ii) the amounts expensed during the year for future amounts payable to policyholders. After deducting reinsurance recoveries, the net amounts are disclosed in the next table.

Interest expense represents the interest returns to contract-holders and financial institutions which place or advance funds to the Group to earn interest and, in some instances, capital returns.

The table below summarises the net insurance benefits and interest expense for 2010 and 2009.

NET BENEFITS – \$ millions	2010	2009
		restated
Life insurance	132	118
Annuity	78	73
Amounts expensed for future benefits	145	164
Health insurance	94	115
Property and casualty insurance	243	136
Net insurance benefits	692	606
Interest expense	78	102
Net benefits	770	708

In the foregoing table, life insurance and annuity benefits comprise amounts which become due to policyholders and beneficiaries during the year. Life insurance benefits grew by 11% when compared to the previous year. Annuity benefits grew by \$5 million to \$78 million in 2010. The amounts expensed for future benefits are principally in respect of life insurance and annuity policies. These represent the amounts the Group should prudently set aside in order to fund future benefits of inforce policies. The amount expensed in 2010 amounted to \$145 million, a decrease of \$19 million from 2009. The amount expensed is influenced by the

quantum of single premiums written which were significantly lower in 2010.

Health insurance benefits declined by \$21 million in 2010 in comparison to 2009's total. \$15 million of the decline is attributable to the Group's exit at the end of 2009 from this market in the Cayman Islands. In addition, the Group experienced improved claims ratios on its continuing health business.

Property and casualty (P&C) insurance benefits comprise amounts due and paid on policy contracts during the year and the estimates of claims incurred during the year, but not reported to the Group. P&C benefits grew substantially to \$243 million in 2010. Included in this growth is a worsening net claims ratio, which increased to 69% in 2010 from 55% in 2009.

There was a reduction in interest expense in 2010 when compared to 2009. This reflects the trend of reduced investment yields, particularly in Jamaica, where the Group has a significant banking operation. The interest yields of the principal liability classes are summarised in the following table.

INTEREST YIELDS	2010	2009
Investment contracts	8.3%	8.1%
Other funding instruments	2.0%	2.4%
Customer deposits	5.3%	6.7%
Securities sold under agreements to repurchase	7.4%	11.8%

In 2010, the Group recorded total expenses of \$429 million. These included administrative expenses of \$212 million and commissions and related expenses to agents and brokers of \$174 million. Administrative expenses increased 7% over 2009's total and commissions increased 16% over 2009's total. The growth

in these expenses is consistent with the growth experienced in premium revenue.

Income taxes are levied on the investment income of certain life insurance subsidiaries of the Group, and on net income before tax on most of the remaining Group companies. Total investment income and net income subject to taxation declined to \$128 million compared to \$133 million in 2009. The resulting tax charge in 2010 was \$15 million, a reduction of \$4 million from the previous year.

Group net income and total comprehensive income

During the year, the Group changed its accounting policy for recording changes in actuarial liabilities which result directly from the fair value movements of assets which are booked in other comprehensive income. The new policy is to record those movements in actuarial liabilities in other comprehensive income. The policy achieves a better matching of asset fair value movements and the consequential changes in actuarial liabilities. The 2009 results have been restated to conform to the revised accounting policy, resulting in a decrease in net benefits of \$24 million and an increase in income tax of \$7 million. These amounts which net to \$17 million have been reclassified to other comprehensive income under the revised accounting policy.

Group net income for 2010 totalled \$42 million as compared to a restated \$88 million for 2009.

In other comprehensive income, the Group recorded in 2010 an increase of \$33 million in the fair value reserves (including the consequential movements in actuarial liabilities). The comparable result for 2009 was \$26 million. The Group also recorded gains on the retranslation of foreign currency operations in 2010 of \$6 million (2009 – losses of \$13million). The turnaround is a result of the strengthening of the Jamaica dollar.

In summary, the Group's total comprehensive income for 2010 was \$81 million, a reduction of \$20 million from the prior year's result.

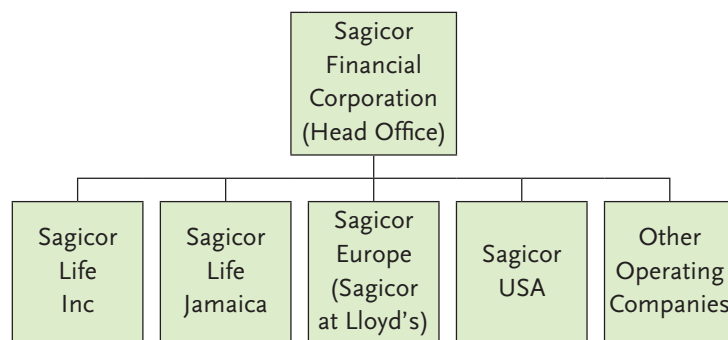
Allocation of income to shareholders

The Group's net income and comprehensive income are allocated ultimately to the equity owners of the respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in Jamaica, the Group's net income is allocated accordingly between Sagicor shareholders and the minority interest shareholders. There is also an allocation to Sagicor Life Inc policyholders who hold participating policies. This latter arrangement was established on the demutualisation of Sagicor Life Inc.

Accordingly, the income attributable to shareholders was \$17 million (2009 - \$67 million), representing earnings per share of 6 cents and a modest return on shareholders' equity of 3%. Other comprehensive income attributable to shareholders totalled \$21 million (2009 - \$16 million).

Operating Segments

The table below presents the management structure of the Group.



Sagicor Financial Corporation is a holding company and does not engage directly in trading activities. Most trading activities are carried out by Group companies within the principal operating segments, namely Sagicor Life Inc, Sagicor Life Jamaica, Sagicor Europe and Sagicor USA. The contribution of each of these to income and comprehensive income is considered and discussed in the following sections.

Sagicor Life Inc Segment

The Sagicor Life Inc segment consists of the life insurance subsidiaries which conduct business in Barbados, Trinidad and Tobago, the Eastern and Dutch Caribbean islands, Belize and Panama.

The main activities of the segment are the provision of life and health insurance, retirement accumulation savings, annuities, mortgages, pension investment and pension administration services.

This segment generated \$311 million in total revenue for 2010, a marginal increase over the prior year. Net premium revenue advanced to \$216 million, with growth being recorded in the Trinidad and Tobago and Dutch Caribbean markets.

Net benefits incurred totalled \$185 million in 2010, as compared to \$173 million in the previous year. Compared to 2009, declining investment yields was a feature in most territories. This impacted the actuarial assumptions used for valuation of life insurance and annuity liabilities, generating a higher liability as a result.

Administrative and commission expenses recorded increases of \$5 million.

SAGICOR LIFE INC SEGMENT

INCOME - \$ millions	2010	2009 restated
Net premium revenue	216	209
Net investment income	80	77
Fees and other revenues	15	14
Segment revenue	311	300
Net benefits	(185)	(173)
Expenses	(92)	(86)
Income taxes	(5)	(5)
Segment income	29	36
Income attributable to shareholders	30	40
Comprehensive income attributable to shareholders	30	44

The overall Segment net income totalled \$29 million as compared to a restated \$36 million for 2009. After adjusting for the net income or loss attributable to the participating policyholders of Sagicor Life Inc, the net income attributable to shareholders totalled \$30 million and \$40 million for 2010 and 2009 respectively. Notwithstanding the decline from 2009, the 2010 performance is in line with management's expectations since the favourable investment yield assumption for 2009 was not projected to continue.

Unrealised investment gains had a more beneficial impact on other comprehensive income in 2009 than in 2010.

In summary, the Sagicor Life Inc segment recorded total comprehensive income attributable to shareholders of \$30 million in 2010, a reduction from the 2009 result of \$44 million.

Sagicor Life Jamaica segment

This segment comprises Group subsidiaries in Jamaica and Cayman Islands conducting insurance under the Sagicor brand, and banking and other financial services under the PanCaribbean Financial Services (PCFS) brand. The principal products of the segment are the provision of life, critical illness and health insurance, annuities, pension administration, investment management, securities dealing and commercial banking.

During 2010, the Government of Jamaica (GOJ) implemented the Jamaica Debt Exchange program (JDX). The JDX was a program to exchange the majority of existing GOJ domestic debt instruments for new debt instruments having longer maturities and lower coupon rates. The exchange date for the new debt instruments was February 24, 2010. Sagicor's Jamaica operations participated in the JDX.

As a large holder of long-term GOJ bonds, the JDX program had a negative impact on current and expected future bond yields. This reduction in bond yields affected the segment's 2010 investment income. The future bond yields impact the assumptions used in computing the actuarial liabilities. This was reflected in the 2009 computation of actuarial liabilities and remained effective for the 2010 computation. In addition, the interest rates payable on non-insurance liabilities also declined in 2010.

With the implementation of the JDX and other fiscal and economic measures by the GOJ under an International Monetary Fund Standby Agreement, Jamaica in 2010 continued to experience lower inflation than in the relatively recent past. In 2010 the Jamaica dollar currency (JMD) experienced an overall strengthening when

translated to the US dollar (USD), moving from an exchange rate of JMD89:USD1 to JMD86:USD1 over the course of the year.

Net premium revenue totalled \$213 million a reduction of \$19 million from 2009's total. The reduction is a consequence of the disposal effective January 1, 2010 of Sagicor General Insurance (Cayman) Limited (SGC), which generated \$22 million in premium revenue in 2009. Net investment income recorded was \$157 million in 2010, a decrease of \$10 million over 2009's total. Fees and other revenue totalled \$20 million in 2010, a decline of some \$13 million when compared to 2009. A reversal of foreign exchange gains and the disposal of SGC are contributing factors for this variance.

As a result of the foregoing, total revenue in the segment declined by \$42 million in comparison to 2009.

Net benefits incurred in 2010 were \$213 million, a decline of \$39 million when compared to 2009. \$17 million of this reduction is attributable to the disposal of SGC. Interest expense declined by \$21 million as explained in a foregoing paragraph.

Expenses recorded a slight decline of \$3 million and income taxes remained constant at \$9 million.

SAGICOR LIFE JAMAICA SEGMENT

INCOME - \$ millions	2010	2009
Net premium revenue	213	232
Net investment income	157	167
Fees and other revenues	20	33
Segment revenue	390	432
Net benefits	(213)	(252)
Expenses	(112)	(115)
Income taxes	(9)	(9)
Segment income	56	56
Income attributable to shareholders	32	34
Comprehensive income attributable to shareholders	54	31

The segment achieved net income of \$56 million in 2010, which remained unchanged in comparison to 2009. After adjusting for minority interests, the income attributable to shareholders for the two years totalled \$32 million and \$34 million respectively. It should be noted that the Sagicor Group reduced its effective interest in the PCFS Group of companies from 64% to 51% in November 2009. This resulted in the reduction in income attributable to shareholders.

Other comprehensive income included \$28 million (2009 - \$21 million) in unrealised investment gains. Due to the strengthening of the JMD in 2010, the segment recorded a currency translation gain of \$10 million as compared to a currency translation loss of \$22 million in 2009. These movements contributed to the overall \$22 million other comprehensive income attributable to shareholders.

In summary, the segment contributed \$54 million total comprehensive income attributable to shareholders in 2010, in contrast to the corresponding figure of \$31 million for 2009.

Sagicor Europe Segment

This segment comprises the Sagicor at Lloyd's business which consists primarily of property and casualty (P&C) insurance business written through Lloyd's of London Syndicate 1206. The principal insurance lines underwritten by this syndicate are in respect of personal accident, property, liability and motor risks. The Lloyd's of London franchise enables the syndicate to write international business outside of the United Kingdom. A substantial proportion of the syndicate's property business is international.

2010 was a very disappointing year for this segment. Earthquakes were recorded in Chile in February and in New Zealand in September. While there were no major hurricanes affecting North America and the Caribbean, the claims generated from the aforementioned earthquakes adversely affected the 2010 results.

In addition, the direct motor insurance class, underwriting motor risks in the UK, experienced exceptionally high levels of incurred claims. A trend of escalating claims became critical late in the year. Notwithstanding the implementation of premium rate increases as the year progressed, the claims experience continued to worsen. Other syndicates in the Lloyd's UK insurance market also experienced very poor results.

Net premium revenue for the year totalled \$345 million, an increase of \$94 million over 2009's figure. Increases were recorded across motor, property and liability insurance lines. Foreign exchange gains contributed to the increase in other revenue of \$4 million.

Net benefits grew to \$236 million from \$127 million in 2009. The overall net claims ratio incurred in 2010 for the P&C insurance lines was 70%, an increase of 17% from the 53% net claims ratio incurred in 2009.

Total expenses increased in 2010 over 2009's total by \$33 million. Additional commissions costs and administrative expenses were incurred in support of the increase in premium revenue recorded.

International Financial Reporting Standards (IFRS) require that non-monetary deferred premiums and commissions are brought into the income statement at the rates of exchange prevailing on the dates of inception of the premiums. Because this applies to premium and commissions, and not to the corresponding claims and administrative expenses, it means that IFRS requires different rates of exchange for different types of transactions in the income statement.

The items in the table below, up to and including segment income before FX (foreign exchange) unwinding, have all been converted at consistent rates of exchange. The amount of FX unwinding disclosed in the table below is the net adjustment required to comply with IFRS.

The amount of FX unwinding was minimal in 2010 as exchange rate movements of the Pounds Sterling to the other operating currencies did not have a significant impact. In 2009, the impact was quite significant, generating an expense of \$9 million.

SAGICOR EUROPE SEGMENT

INCOME - \$ millions	2010	2009
Net premium revenue	345	251
Net investment income	3	2
Fees and other revenues	7	3
Segment revenue	355	256
Net benefits	(236)	(127)
Expenses	(136)	(103)
Income taxes	3	(3)
Segment (loss) / income before FX unwinding	(14)	23
FX unwinding	1	(9)
Segment (loss) / income	(13)	14
(Loss) / income attributable to shareholders	(13)	14
Comprehensive (loss) / income attributable to shareholders	(15)	18

Other comprehensive income includes a charge of \$2 million for the retranslation of the Group's investment in the segment. The retranslation is done from Pounds Sterling, which is the functional currency of the segment, to USD. In 2009, a retranslation gain of \$4 million was recorded.

Accordingly, in 2010 the total comprehensive loss for this segment totalled \$15 million (2009 – income of \$18 million).

Sagicor USA segment

This segment comprises the USA operations of Sagicor. Life insurance and annuity products are offered in this segment. The USA market has a strong appetite for single premium policies, as

opposed to periodic premium policies which prevail in Sagicor's Caribbean markets.

Sagicor has continued to maintain the success in this market which was established in 2009. Total settled annualised premium in 2010 was \$116 million, of which \$74 million comprised annuities and \$42 million comprised life insurance products. Settled premium for 2009 totalled \$143 million, comprising annuities \$94 million and life insurance \$49 million. Consequently, net premium revenue in 2010 totalling \$120 million declined from 2009's total of \$153 million.

Net investment income grew by \$6 million to \$41 million in 2010, the increase arising from the larger quantum of assets invested throughout 2010.

Consistent with the reduction in premium revenue, total net benefits declined by \$23 million to \$122 million.

In 2010, expenses and income taxes were broadly consistent with the prior year amounts.

SAGICOR USA SEGMENT

INCOME - \$ millions	2010	2009
		restated
Net premium revenue	120	153
Net investment income	41	35
Fees and other revenue	2	2
Segment revenue	163	190
Net benefits	(122)	(145)
Expenses	(36)	(37)
Income taxes	(2)	(3)
Segment income	3	5
Income attributable to shareholders	3	5
Comprehensive income attributable to shareholders	7	10

The segment generated net income of \$3 million for 2010, compared to a figure of \$5 million in 2009. In other comprehensive income unrealised investment gains were the principal feature.

In summary, the total comprehensive income attributable to this segment for 2010 was \$7 million.

Statement of Financial Position

In the Group's consolidated statement of financial position, assets totalled \$4,867 million, an increase of \$407 million during 2010. Liabilities grew by \$350 million during the year to reach \$4,128 million. This growth in assets and liabilities has been generated internally from operations.

As of December 31, 2010, total equity amounted to \$739 million, of which shareholders' equity amounted to \$566 million.

With 289 million common shares outstanding, the book value per share was \$1.96, up from \$1.86 at the beginning of the year.

Consolidated assets, liabilities and capital are discussed in the following three sections.

Assets

The Group's primary assets are its investments comprising debt securities, loans, deposits, equity securities and investment property. These investments back the insurance and financial liabilities assumed by the Group. The distribution of investments and cash is summarised in the following table.

INVESTMENTS & CASH	2010		2009	
	\$ millions	%	\$ millions	%
Government debt securities	1,497	37	1,350	38
Corporate and other debt securities	1,111	28	874	24
Total debt securities	2,608	65	2,224	62
Loans and finance leases	565	14	572	16
Deposits and repo securities	340	9	357	10
Cash	219	5	196	5
Equity securities	112	3	117	3
Investment property	119	3	117	3
Associated companies and other items	45	1	37	1
	4,008	100	3,620	100

Debt securities remain the principal class of investment held by the Group, comprising 65% of the total. Of this percentage, 37% comprises government securities, while corporate and other securities comprise 28%.

The remaining assets totalled \$859 million (2009 - \$840 million). The more significant balances comprising this total are reinsurance assets of \$282 million, property plant and equipment of \$131 million, premium receivables of \$145 million, and intangible assets of \$123 million.

Liabilities

The Group's principal activities consist of accepting insurance risks from policyholders and of accepting funds from depositors and lending institutions. The liabilities which arise from these activities are summarised in the following table.

OPERATING LIABILITIES	2010		2009	
	\$ millions	%	\$ millions	%
Life and annuity insurance contracts	1,840	50	1,689	51
Health insurance contracts	41	1	41	1
Property and casualty insurance contracts	537	14	385	12
Investment contracts	294	8	304	9
Securities sold under agreements to repurchase	576	16	501	15
Customer deposits	174	5	168	5
Other funding instruments and other items	234	6	238	7
	3,696	100	3,326	100

The provision of life insurance and annuity contracts remains a core product line of Sagicor. Liabilities from these contracts represent some 50% of the Group's operating liabilities. Property and casualty insurance contracts are a significant product line forming 14% of operating liabilities. Investment contracts carry

no significant insurance risk, and supplement our life insurance and annuity suite of products. Securities sold under agreements to repurchase, customer deposits and a significant proportion of other funding instruments represent the liabilities arising from our banking, investment management and securities dealing operations.

The remaining liabilities totalled \$432 million (2009 - \$452 million). Included in this total are notes and loans payable of \$182 million, amounts due to reinsurers and policyholders of \$80 million and general payables and accruals of \$108 million.

Capital

The capital resources of the Group consist of equity, debt and off balance sheet contingent debt. Capital resources are summarised in the following table.

CAPITAL RESOURCES - \$ millions	2010	2009
Sagicor shareholders' equity	566	538
Minority shareholders' equity	169	138
Total equity	735	676
Total debt	182	201
Off balance sheet contingent debt	34	35
Total capital resources	951	912

There have been no new external sources of capital during the year. There were however debt repayments of \$14 million during the year as a Group company partially repaid its preference shares and as certain other debt obligations were repaid. The result is a debt to equity ratio of approximately 25% at the end of 2010 compared to a ratio of 29% a year before.

Shareholders' equity increased by \$28 million during the year. The increase largely arose from total comprehensive income of \$38 million which was offset by dividends declared of \$12 million. Minority interests increased during the year to \$169 million from \$138 million. The increase is explained by total comprehensive income generated of \$44 million offset by dividends paid of \$9 million and a disposal of \$4 million.

The Group maintained its off balance sheet letter of credit facility which supports the Sagicor at Lloyd's operations. The change in the balance is attributable to exchange rate movements.

The Group is subject to a number of capital adequacy standards for its insurance, banking, investment management and securities dealing 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 meets the prevailing capital adequacy standards and the standards it has voluntarily adopted.

The principal standard followed by the Group is the Canadian Minimum Continuing Capital and Surplus Ratio (MCCSR), which was a consolidated 224% for the Group as of December 31, 2010, well in excess of the minimum recommended requirement of 150%. The MCCSR is a standard for life insurance operations. The Group's major property and casualty operation is Sagicor at Lloyd's, which is subject to and complies with the capital standards established by Lloyd's of London and by the Financial Services Authority of the United Kingdom.

Conclusion

For Sagicor 2010 was a year of mixed results. Our Caribbean businesses performed well in a weak economic environment. Our US business continues to demonstrate promise. The

performance of Sagicor at Lloyd's was a major disappointment. The combination of earthquakes in two countries with a history of infrequent exposure to such disasters and an adverse claims experience in underwriting UK motor risks meant that this segment of our business incurred a significant loss.

The economic and financial landscape continues to exhibit challenges which will influence the Group's performance in the foreseeable future. Particular attention has to be drawn to the natural disasters which have occurred early in 2011 in Queensland Australia, Christchurch New Zealand and in Japan. Unfortunately, these events will adversely affect the results of Sagicor at Lloyd's in 2011.

In recent years, Sagicor's operations have become more diverse, entering the USA and Lloyd's insurance markets. Management believes that diversification strengthens the Group's ability to deliver consistently favourable results to shareholders over time. In 2011, the Group will continue to refine its strategies to take advantage of the opportunities available and to make adjustments when it is fitting to do so.

Believe you can and
you're half way there.



2000 Rebirth Sagicor

In 2001, Sagicor acquired Life of Jamaica. Operations of Island Life and Life of Jamaica were amalgamated and the company was subsequently rebranded to Sagicor Life Jamaica Limited in 2008.

In November 2002, after 162 years as a mutual company, policyholders overwhelmingly agreed to demutualise. To mark the rebirth the Company was rebranded Sagicor, a combination of two words: “Sage” meaning wise and “Cor” for heart or judgment.

Sagicor Financial Corporation was established in 2002 with 45,000 of its policyholders as shareholders. The company’s Initial Public Offering was oversubscribed by 162%. Sagicor was first listed in 2003 on the Barbados Stock Exchange and a year later on the Trinidad and Tobago Stock Exchange.

To accomplish
great things,
we must not only act,
but also dream;
not only plan,
but also
believe.



BOARD OF DIRECTORS



STEPHEN McNAMARA, 60, was appointed Non-Executive Chairman on January 1, 2010, having formerly served as Vice-Chairman since June 2007. He has been an independent Director since December 2002, and is a citizen of

St Lucia and Ireland. He is a British-trained Attorney-at-law, and is the Senior Partner of McNamara & Company, Attorneys-at-Law of St Lucia. Mr McNamara was elected to the Board of Sagicor Life Inc in 1997. He is Chairman of the Group's main operating subsidiary, Sagicor Life Inc, and also of Sagicor Capital Life Insurance Company Limited, Sagicor USA, and Sagicor Finance Inc. He is also a Director of a number of other subsidiaries within the Group.



ANDREW ALEONG, 50, has been an independent Director since June 2005, and is a citizen of Trinidad and Tobago. He holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada. Mr Aleong is

Group Managing Director of the Albrosco Group of Companies, Trinidad and Tobago, and has served the Trinidad and Tobago manufacturing industry for over 20 years. He is a former President of the Trinidad and Tobago Manufacturers' Association. Mr Aleong also serves as a Director of a number of private companies. He was elected a Director of Sagicor Life Inc in 2005, and is also a Director of Sagicor Capital Life and a number of other subsidiaries within the Group.



**PROFESSOR
SIR HILARY BECKLES,**
K.A., 55, has been an independent Director since June 2005, and is a citizen of Barbados. 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 Sagicor Life Jamaica and a number of other subsidiaries within the Group.



PETER CLARKE, 56, has been an independent Director since June 2010, and is a citizen of Trinidad and Tobago. He obtained a Bachelor of Arts degree from Yale University and a Law degree from Downing College, Cambridge

University. He was called to the Bar as a member of Grays Inn, London, in 1979, and to the Bar of Trinidad and Tobago in 1980. He is a Financial Consultant with a 22-year career in stockbroking. From 1984 to 2000 he was the Managing Director of Money Managers Limited, one of the leading stockbrokers in Trinidad and Tobago. On the acquisition of Money Managers by West Indies Stockbrokers Limited (WISE), he became Managing Director of WISE in 2000 and was appointed its Chief Executive in 2001 until his retirement in 2005. Between 1980 and 1984 he practised as a Barrister-at-Law in private practice in Trinidad and Tobago. Mr Clarke is a Director of a number of companies in Trinidad and Tobago, and a former Chairman and Director of the Trinidad and Tobago Stock Exchange. He is also a member of the University of the West Indies Development and Endowment Fund and the Finance Council of the Roman Catholic Archdiocese of Port of Spain. From 2002 to 2005 he was a Director of the Trinidad and Tobago Chamber of Industry and Commerce, and from 1992 to 1995 was a member of the Betting Levy Board and Deputy Chairman of the Trinidad and Tobago Free Zones Company. Mr Clarke was elected a Director of Sagicor Life Inc in August 2010, and is also a Director of a number of other subsidiaries within the Group.



[DR JEANNINE COMMA](#), 60, has been an independent Director since June 2007, and is a citizen of Trinidad and Tobago. She holds a PhD from George Washington University, Washington, DC, USA, and is also a graduate

of the University of the Virgin Islands. 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. She has made significant contributions to the sustainable development of human capital within the regional business community. Dr Comma has extensive experience in 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. She is a member of The American Society for Training and Development and the Commonwealth Association of Public Administration and Management (CAPAM). Dr Comma was elected a Director of Sagicor Life Inc in 2006, and is also a Director of Sagicor Capital Life and a number of other subsidiaries within the Group.



[CHRISTOPHER DE CAIRES](#), 55, has been an independent Director since June 2005, and is a Citizen of Barbados, Guyana and the United Kingdom. He is a Chartered Accountant and holds an MBA from Henley Management

College, United Kingdom. He is the Managing Director of the Fednav Group, a private international shipping company, and has significant experience in management and financial services. Mr de Caires is a former Partner of PricewaterhouseCoopers where he was responsible for corporate finance, business advisory, international business and trust services in the Caribbean. He has also served as President of the Institute of Chartered Accountants of Barbados, and as Chairman of a number of Government and national institutions. He was elected a Director of Sagicor Life Inc in 2005, and is also a Director of PanCaribbean Financial Services, Sagicor USA, and a number of other subsidiaries within the Group.



JOYCE DEAR, 67, has been an independent Director since August 2006, and is a citizen of Barbados. She 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 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 programs and projects. Mrs Dear was the PricewaterhouseCoopers Industry Lead Partner for the public service assignments, and is a past President of the Institute of Chartered Accountants of Barbados. She is a former Director of a general insurance company in Barbados, and is also the Vice-Chair of the subsidiary, Globe Finance Inc.



MARJORIE FYFFE-CAMPBELL (formerly Marjorie Chevannes-Campbell), 59, has been an independent Director since June 2005, and is a citizen of Jamaica. She 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, Jamaica, a large property-owning company that 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 Fyffe-Campbell is a part-time Lecturer in Financial and Management Accounting at the Mona School of Business of the University of the West Indies, where she is also pursuing a Doctorate in Business Administration with emphasis on corporate governance. She was elected a Director of Sagicor Life Jamaica in 2002, and is also a Director of other subsidiaries within the Group.



RICHARD KELLMAN, 59, was elected as a Director in June 2009, and was appointed Group Chief Operating Officer on November 1, 2009. He is a citizen of Guyana and of the United Kingdom. He holds a BSc in Statistics from University

College, London University, and is a Fellow of the Institute of Actuaries and an Associate of the Society of Actuaries. He has also attended training programs at Harvard Business School and has completed other financial, investment and management training courses. Mr Kellman is a financial services professional with wide knowledge regionally in the areas of finance, pensions, insurance and investments. He has business experience at board level, and is a former CEO of a quoted diversified Group with interests in insurance, banking and real estate. He has also held senior actuarial positions and served on several boards.



WILLIAM LUCIE-SMITH, 59, has been an independent Director since June 2005, and is a citizen of Trinidad and Tobago. He 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 Advisor 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 Sagicor USA, Sagicor at Lloyd's, Sagicor Life Jamaica, and a number of other subsidiaries within the Group.



DODRIDGE MILLER, 53, was appointed Group President and Chief Executive Officer in July 2002, and has been a Director since December 2002. A citizen of Barbados, Mr Miller is a Fellow of the Association of Chartered Certified

Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 25 years' experience in the banking, insurance and financial services industries. Prior to his appointment as Group President and Chief Executive Officer, he 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 is the Chairman of Sagicor at Lloyd's, and is also a Director of Sagicor Life Inc, Sagicor USA, Sagicor Life Jamaica, PanCaribbean Financial Services and a number of other subsidiaries within the Group.



JOHN SHETTLE, Jr, 56, has been an independent Director since June 2008, and is a citizen of the United States of America. He received his undergraduate degree from Washington & Lee University, and holds an MBA from the Sellinger

School of Business at Loyola College, Maryland. Mr Shettle is an Operating Partner of Stone Point Capital, a private equity firm in the global financial services industry. He has over 20 years' experience in senior management positions in the property/casualty, health and insurance-related services industry. More recently, he served as Senior Advisor, Lightyear Capital, a private equity firm, and 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 has held senior management positions at Securitas Capital, Swiss Reinsurance Company and Frederick, the Maryland-based AVEMCO Corporation (NYSE). Mr Shettle is also a Director of Sagicor USA and a number of subsidiaries within the Group.

DIRECTORS' INTERESTS

Directors' interests as at December 31, 2010 and as at the record date, April 15, 2011, are as follows:

	Shares as at 31-Dec-10		Shares as at 15-Apr-11			
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
Non-Executive Directors:						
Stephen McNamara	9,834	Nil	16,218	Nil		
Andrew Aleong	505,002	Nil	505,002	Nil		
Professor Sir Hilary Beckles	9,579	Nil	9,579	Nil		
Peter Clarke	10,000	Nil	10,000	Nil		
Jeannine Comma	11,523	Nil	11,523	Nil		
Christopher de Caires	22,378	Nil	22,378	Nil		
Joyce Dear	25,000	Nil	25,000	Nil		
Marjorie Fyffe-Campbell	7,484	Nil	7,484	Nil		
William Lucie-Smith	40,000	Nil	45,000	Nil		
John Shettle, Jr	1,000	Nil	1,000	Nil		
Group Chief Operating Officer:						
Richard Kellman	1,000	Nil	1,000	Nil		
President and Chief Executive Officer:						
Dodridge Miller	As at 31-Dec-10		As at 15-Apr-11			
	Shares		Shares			
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
	912,050*	Nil	912,050*	Nil		
	Restricted Stock Grants		Restricted Stock Grants			
	Vested	Unvested	Vested	Unvested		
	924,349	167,208	924,349	167,208		
	Stock Options			Stock Options		
	Vested	Exercised	Unvested	Vested	Exercised	Unvested
	519,012	Nil	624,655	519,012	Nil	624,655
	* Includes vested Restricted Stock.					

CORPORATE GOVERNANCE REPORT

Board Composition and Structure

The maximum number of Directors permitted by the Articles of Incorporation of the Company is 12 and the minimum is 7. The Board of Directors presently consists of 12 Members, 10 of whom are independent Non-Executive Directors. The remaining 2 are the President and Chief Executive Officer and the Group Chief Operating Officer. Biographical information on the Directors and details of their interests in the Company as at December 31, 2010 and as at the record date, April 15, 2011, are set out earlier in this Report. Non-Executive Directors do not participate in performance-related incentive plans, and their remuneration consists solely of cash. The Board Chairman and Directors are paid fees, and Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Executives who are Directors are not paid fees.

Board and individual Director core competencies, knowledge, experience and skills are as illustrated on the following Board Core Competency matrix:

Directors' Skills and Experience	Stephen McNamara	Andrew Aleong	Prof Sir Hilary Beckles	Dr Jeannine Comma	Peter Clarke	Christopher de Caires	Joyce Dear	Marjorie Fyffe-Campbell	Richard Kellman	William Lucie-Smith	Dodridge Miller	John Shettle, Jr.
General Management												
International Business												
Finance/Accounting												
Corporate Finance, Mergers & Acquisitions												
Strategic Marketing												
Corporate Law												
Banking												
Asset Management												
Insurance												
Human Resource Management												
Property Management and Development												
Regulatory												
Information Technology												
Other: Education												

Rotation and Re-election of Directors

The Company's Bylaws provide that at least one-third, or the number nearest thereto, of the Directors must retire every year, but a Director shall not be required to retire unless he has been in office for three years.

Professor Sir Hilary Beckles, and Messrs Andrew Aleong, Christopher de Caires and John Shettle, Jr will retire at the Eighth Annual Meeting and, with the exception of Mr de Caires, have offered themselves for re-election. The Corporate Governance and Ethics Committee considered the candidates who are standing for election or re-election at the Eighth Annual Meeting of Shareholders, and recommends to Shareholders that all the nominees be re-elected. Profiles of the nominees are contained in the Management Proxy Circular accompanying the Notice of the Meeting. 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 our Corporate Governance Policy and their willingness and ability to devote the time necessary to fulfil their role as Directors.

Board Responsibilities

The Board of Directors is collectively responsible for providing 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's six main responsibilities, which it executes through decision-making and oversight, are strategic planning, enterprise risk management, executive succession planning and performance evaluation, Shareholder communications and public disclosures, internal controls, and Corporate Governance.

The four Committees of the Board - Audit, Corporate Governance and Ethics, Human Resource, and Investment and Risk - 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 comply with best practice.

The respective roles of the Chairman of the Board, the Board, Committee Chairmen, Committees and Management are clearly defined. The Group CEO and the Executive Committee (Excom) are responsible for the day-to-day management of the Group. Their role is to formulate and implement strategy, operational plans, policies, procedures and budgets, monitor operating and financial performance, assess and control risk, prioritise and allocate resources and monitor competitive and environmental forces in each area of operation. The roles of functional Group Executives, who form part of Excom, are also specifically defined.

Board Evaluation

The Board undertook its annual performance evaluation to assess the effectiveness of the Board's performance in 2010 as a whole, as well as that of the Chairman, Directors, Board Committee Chairmen, Board Committees, the President, Management and the Corporate Secretary. The 2010 evaluation took the form of a self-assessment and peer review questionnaire, and the findings have revealed ongoing opportunities for the continued enhancement of our Corporate Governance practices.

The Corporate Governance and Ethics Committee also completed a detailed and rigorous self-assessment of Directors' independence as defined under the Corporate Governance architecture. Areas addressed included the relationship between Sagicor and Directors in terms of legal and regulatory issues faced by Directors, their share ownership and share dealings, cross directorships and

potential conflicts of interest. The Committee concluded that Directors all meet the independence requirements under our Corporate Governance Policy.

On-going Director Education

A comprehensive Director Education Program was held during the year, which also served as an induction exercise to assist Mr Peter Clarke, who was elected a Director in 2010, in understanding the operations of the Group and the markets in which it operates. These sessions expedited his effectiveness as a new Director. Subjects covered included the allocation of capital and expected returns on allocated capital, capital standards and requirements, actuarial reserving, asset liability management, reinsurance, risk management, financial reporting, and key financial monitoring ratios.

Board Operations

During 2010, Management engaged the Board of Directors (BOD) 14 times, either in formal meetings or by requests for round-robin decisions in between meetings. The Audit Committee (AC) met 6 times; the Corporate Governance and Ethics Committee (CGC) met 7 times; the Human Resource Committee (HRC) met 5 times, and the Investment and Risk Committee (IRC) met 3 times. Directors' record of attendance was as follows:

	BOD	AC	CGC	HRC	IRC	Total	%
Stephen McNamara	14 of 14	6 of 6	7 of 7	4 of 4	3 of 3	34 of 34	100
Andrew Aleong	12 of 14	6 of 6			3 of 3	21 of 23	91
Prof Sir Hilary Beckles	8 of 14		5 of 7	4 of 5		17 of 26	65
Peter Clarke*	6 of 7				1 of 1	7 of 8	88
Dr Jeannine Comma	11 of 14	4 of 6		5 of 5		20 of 25	80
Christopher de Caires	11 of 14			5 of 5		16 of 19	84
Joyce Dear	14 of 14	6 of 6				20 of 20	100
Marjorie Fyffe- Campbell	12 of 14	6 of 6	6 of 7			24 of 27	89
Richard Kellman	13 of 14					13 of 14	93
William Lucie-Smith	13 of 14	6 of 6			3 of 3	22 of 23	96
Dodridge Miller	14 of 14	6 of 6	5 of 7	5 of 5	1 of 3	31 of 35	89
John Shettle, Jr	7 of 14		3 of 3		3 of 3	13 of 20	65

* Mr Peter Clarke was elected a Director on June 11, 2010.

The Board manages an annual schedule of critical agenda items designed to ensure that it fulfils its recurring obligations, and that Board-reserved items are routinely considered. The principal business at Board meetings in 2010 was to:

- consider and approve the Group strategic plan, capital plan and projections for the period 2010 to 2012;
- review periodically the Group capital and liquidity plan, strategic and business development initiatives forming part of the Strategic Plan, and other key initiatives;
- consider and approve strategic acquisitions and divestments in furtherance of Group strategy;
- receive and consider periodic reports and presentations from Management on the performance of various subsidiaries within the Group and the Group on a consolidated basis;
- 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

Corporate Governance and Ethics Committee Report

The role of the Corporate Governance and Ethics Committee is principally to develop and recommend to the Board policies and procedures to establish and maintain best practice standards of Corporate Governance and Corporate Ethics. It also manages the process for Director succession, Director performance, the operation of the President, the composition of Board and Committees, Shareholder communications, and corporate image.

The Committee meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Stephen McNamara (appointed a Member on March 9, 2004 and Chairman on February 17, 2010), Professor Sir Hilary Beckles (appointed a Member on March 18, 2009), Marjorie Fyffe-Campbell (appointed a Member on March 18, 2009) and John Shettle Jr (appointed August 18, 2010).

The Committee's business during 2010 included:

- reviewing Board and Director core competencies and identifying gaps to inform the nomination process;
- overseeing Director nominations, Board Committee, subsidiary and outside Board appointments;
- overseeing the management of independence requirements and conflicts of interest;
- reviewing the adequacy of Director and Officer liability insurance cover;
- monitoring Director attendance;
- reviewing investor relations plans and programs;
- generally monitoring the operation of Corporate Governance practices; and
- assessing the adequacy of the Committee's mandate and evaluating its effectiveness in fulfilling the same.

Audit Committee Report

The mandate of the Audit Committee is to oversee the external audit process, and manage all aspects of the relationship with the External Auditors. The Committee is also required to review the annual audit plan, interim and audited financial statements, and international financial reporting standards having a significant impact on the financial 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.

The Committee meets the independence and skill requirements of the Group's Corporate Governance Policy. The majority of the Members are financially literate, and three Members, William Lucie-Smith, Joyce Dear and Marjorie Fyffe-Campbell, all Chartered Accountants, have recent and relevant accounting expertise. The current Members are William Lucie-Smith (appointed a Member on August 24, 2005 and Chairman on June 28, 2006), Andrew Aleong (appointed a Member on June 28, 2006), Joyce Dear (appointed a Member on August 11, 2006), Marjorie Fyffe-Campbell (appointed a Member on September 11, 2008) and Dr Jeannine Comma (appointed a Member on September 11, 2008).

The 2010 activities of the Committee included:

- reviewing and approving the external audit plan and timetable;
- evaluating the performance of the External Auditors for Group entities and approving their audit fees;
- reviewing the External Auditors' 2009 management letter and report on the 2009 audit;
- approving the 2010 audit engagement letter;
- approving interim and annual audited financial statements, dividend recommendations, valuation of intangible and other assets, goodwill impairment tests, actuarial reports and reports from the External Auditors on key audit issues;
- reviewing the financial performance of the Group and key subsidiaries;
- examining the implications of changes to International Financial Reporting Standards;

- approving the 2010 Internal Audit Plan, reviewing Internal Audit reports and monitoring Management action on open Internal Audit items;
- reviewing compliance with various financial covenants;
- reviewing reports on pending material claims and litigation;
- reviewing regulatory compliance reports;
- assessing the adequacy of the Committee's mandate and evaluating its effectiveness in fulfilling the same.

Human Resource Committee Report

The role of the Human Resource Committee is to advise the Board with respect to compensation policies, programs and plans, human resources policies and practices to attain the Company's strategic goals, executive management recruitment, succession plans, performance evaluation and compensation.

The Committee meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Christopher de Caires (appointed Chairman on June 28, 2006 and a Member on October 26, 2005), Professor Sir Hilary Beckles (appointed a Member on June 28, 2006), Dr Jeannine Comma (appointed a Member on September 18, 2007) and Stephen McNamara (appointed a Member on August 18, 2010).

During the year the Committee:

- reviewed progress in the implementation of the Group Global Human Resources Development and Compensation Strategy, designed to standardise human resource practices, and to facilitate knowledge transfer of human resource policies and practices within the Group;
- reviewed executive performance, compensation and terms of engagement;
- monitored succession planning and leadership and development plans at the executive level;

- granted awards to qualified participants under the annual cash incentive, long-term incentive plan (LTI) and employee share ownership plan (ESOP);
- reviewed aspects of the rules of the Company's annual long-term incentive plans;
- made incentive awards based on performance against established benchmarks, and
- assessed the adequacy of the Committee's mandate and evaluated its effectiveness in fulfilling the same.

Investment and Risk Committee Report

The Investment and Risk Committee is charged with ensuring generally that the Group manages risk within its defined philosophy and appetite, and in compliance with policy risk parameters. Its specific mandate is to ensure that an appropriate enterprise risk management framework is implemented throughout the Group, approve risk policies and risk undertakings and exposures reserved for Board decision. It continually monitors exposures relating to insurance, financial and operational risks. Committee Members are 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 ensuring financial stability and capital soundness.

The Committee meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Stephen McNamara (appointed a Member on November 26, 2003 and Chairman on February 17, 2010), Andrew Aleong (appointed a Member on March 18, 2009), William Lucie-Smith (appointed a Member on October 26, 2005), John Shettle, Jr. (appointed a Member on March 18, 2009) and Peter Clarke (appointed a Member on August 18, 2010).

In 2010, the Committee saw the results of Management's work to strengthen aspects of the Group's enterprise risk management architecture, which focused on infrastructural development, risk identification, assessment and prioritisation, and the development of quantitative risk models for assessing risks to which the Group is exposed, including the key risks relating to interest rate, credit and liquidity. The Committee's work included:

- review of interest rate, credit and liquidity risk dashboards and ratings for the Company as a whole, and for its major subsidiaries;
- monitoring of risk exposures and review of mitigation strategies designed to manage risk; and
- assessment of the adequacy of the Committee's mandate and an evaluation of its effectiveness in fulfilling the same.

Enterprise Risk Management

The Group continued its work to strengthen its integrated and centralised risk management function. The enterprise risk management framework comprises articulation of risk philosophy and appetite, risk structures and processes, risk policies and a regime of monitoring risk exposures both at the enterprise and subsidiary levels.

The Group's activities of issuing insurance contracts, accepting funds from depositors, and 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 risks. Financial risks include credit, liquidity, interest rate and market risks. Operational risks include fraud, damage to physical assets, improper business practices, improper employment practices, business interruption and system failures, and execution and process errors. Exposure to and sensitivity to financial and

insurance risks are disclosed in Notes 41 and 42 respectively to the 2010 audited financial statements contained in this Annual Report.

Internal Audit

The mission of Group Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations by utilising an appropriate risk-based audit methodology across the Group. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control, and governance processes.

The scope of work of Internal Audit is to determine whether the organisation's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure that:

- risks are appropriately identified and managed;
- interaction with the various governance groups occurs as needed;
- significant financial, managerial, and operating information is accurate, reliable, and timely;
- employees' actions are in compliance with policies, standards, procedures, applicable laws and regulations;
- resources are acquired economically, used efficiently, and adequately protected;
- programs, plans, and objectives are achieved;
- quality and continuous improvement are fostered in the organisation's control process; and
- significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately.

During 2010, Group Internal Audit continued work on its risk-based, centralised approach to a range of activities and assurance reviews across the Group in furtherance of its annual plan. Operating through a modified shared services model, the Internal Audit function was able to allocate resources in the most efficient and effective way.

Compliance

Sagicor's response to the increasing complexity of regulatory risks has been to develop a centralised compliance function to oversee the management of regulatory risks across the Group, and to formalise reporting to the Audit Committee on all aspects of regulatory compliance. During 2010, regular compliance monitoring and reporting continued to be executed.

Code of Business Conduct and Ethics

Sagicor's Code of Business Conduct and Ethics (which codifies our corporate value system embracing legal, moral and ethical conduct, accountability, corporate social responsibility and leadership) requires Directors, Management, Staff and Advisors to acknowledge, on an annual basis, that they have read the Code, and whether or not they are in compliance. Mechanisms through which code violations can be reported and channelled to the appropriate parties operated reasonably satisfactorily, including widely available anonymous whistle-blowing facilities. These enabled Management to take timely corrective action. Further training of Staff on the whistle-blowing facilities available to them is planned for 2011.

Investor Relations and Communications

During 2010, we considerably improved our investor relations communications program with the introduction of quarterly

briefings to communicate our performance and major initiatives to the market, through the Media, Analysts and Brokers. We developed a new corporate website, designed specifically for Shareholders and Investors, which publishes financial, governance and other material information. We also regularly utilise the print media and our website to communicate information on a timely basis. We continue to ensure that price-sensitive information is released to the market at the same time, and to manage our Insider Trading Policy as an integral part of our Code of Business Conduct and Ethics.

Cognisant of the fact that our Shareholders resident in Trinidad and Tobago often do not have an opportunity to attend our Annual Meetings of Shareholders held in Barbados, we extended the scope of our annual investor briefings in Trinidad and Tobago in 2010 to allow Directors to interact with larger numbers of these

Shareholders who comprise the largest single geographical group of 44%. We also regard our annual Shareholders' meetings as an important opportunity to interact further, particularly with smaller investors who have an opportunity to ask questions of Directors, both during the formal meeting and informally after the meeting.

By Order of the Board of Directors.



Sandra Osborne, QC
Corporate Secretary
May 10, 2011

EXECUTIVE MANAGEMENT

DODRIDGE D. MILLER, FCCA, MBA, LL.M., LL.D. (Hons.)
Group President and Chief Executive Officer



Dodridge Miller is Group President and Chief Executive Officer of the Sagicor Group of Companies.

He is a Fellow of the Association of Chartered Certified Accountants (FCCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LL.M. in Corporate and Commercial Law from the University of the West Indies, and in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 20 years experience in the insurance and financial services industries.

Prior to his appointment as Group President and Chief Executive Officer, he previously held the positions of Treasurer and Vice-President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr. Miller is the Chairman of Sagicor at Lloyd's, and is a director of a number of other companies within the Sagicor Group and the Caribbean Private Sector.

RICHARD BYLES, BSC, MSC
President and Chief Executive Officer, Sagicor Life Jamaica Limited



Richard Byles is President and CEO of Sagicor Life Jamaica Limited, a member of the Sagicor Group. He is Chairman

of the Board of PanCaribbean Financial Services Ltd., Sagicor Property Services Limited, Sagicor Life of the Cayman Islands Ltd., Sagicor Insurance Managers (Cayman) and Desnoes and Geddes. He also serves on the boards of several subsidiary and associated companies as well as Pan Jamaican Investment Trust Limited. He has earned valuable experience and 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 Ms.c in National Development from the University of Bradford, England.

J. EDWARD CLARKE, FCCA, CIA
Chief Operating Officer, Sagicor Life Inc



Edward Clarke was appointed to the position of Chief Operating Officer for Sagicor Life Inc in September, 2010. Prior to this, he held the

position of Group Internal Auditor. 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.

DR. 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). 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.

J. ANDREW GALLAGHER, FSA, FCIA
Chief Risk Officer



Andrew Gallagher was appointed to the position of Chief Risk Officer for the Group in 2007. He joined Sagicor in August 1997,

and previously held the position of 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.

RICHARD M. KELLMAN, BSC, FIA, ASA
Group Chief Operating Officer



Richard Kellman was appointed to the post of Group Chief Operating Officer of Sagicor Financial Corporation in November,

2009. He holds a BSc in Statistics from University College, London University, and is a Fellow of the Institute of Actuaries and an Associate of the Society of Actuaries. He has also attended training programmes at Harvard Business School and has completed other financial, investment and management training courses. Mr. Kellman is a financial services professional with wide knowledge regionally in the areas of finance, pensions, insurance and investments. He has held senior actuarial positions in the insurance industry, is a former CEO of the Guardian Holdings Group, has business experience at board level, and prior to joining Sagicor, was the Executive Officer of the Caribbean Court of Justice Trust Fund. He is a Director of Sagicor Financial Corporation, a position he has held since June 2009.

MAXINE MACLURE, BSC, MED, MBA
*Executive Vice President, Corporate Services
and Chief Compliance Officer*



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.

PHILIP N.W. OSBORNE, BSC, ACA, FCA
Chief Financial Officer



Philip Osborne was appointed Chief Financial Officer for the Group in 2003. He has held senior finance positions in

life insurance for over 20 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, of Almond Resorts Inc, a publicly listed company in Barbados and of TD Reinsurance (Barbados) Inc, a reinsurance company. Mr. Osborne is a UK-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, SCM, QC, BSC, LLB, FCIS
Executive Vice President, General Counsel and Secretary



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 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
President and Chief Executive Officer, Sagicor International



Ravi Rambarran is President and Chief Executive Officer of Sagicor International. 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 Aon Group and the HSBC Group in the United Kingdom. Mr. Rambarran has a BSc(Hons) in Actuarial Science from City University, London, and an MS.c 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



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 Communications. 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 communication, public relations and management.

2005 – Present International Expansion

Sagicor's international strategy allowed the Group to diversify and expand its presence in the US and European Financial Markets. In 2005 this expansion began with the acquisition of American Founders Life, a US-based insurance entity. Rebranded Sagicor Life Insurance Company Limited, it is licensed to operate in 44 states and the District of Columbia.

In 2007, SFC listed on the London Stock Exchange, the first Caribbean company to be admitted to the LSE's main market. That same year, Sagicor acquired Gerling at Lloyd's Group in the UK, which was rebranded Sagicor at Lloyd's. The second acquisition in Europe was Byrne and Stacey Underwriting. In late 2008 Sagicor at Lloyd's expanded its operations by acquiring a Life Syndicate.

Opportunities multiply as they are seized.



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AUDITORS' REPORT



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)** as shown on pages 68 to 178, which comprise the consolidated statement of financial position as of December 31, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael BB14004,
Barbados, West Indies
T: (246) 626-6700, F: (246) 436-1275, www.pwc.com/bb

*PricewaterhouseCoopers refers to the East Caribbean firm of PricewaterhouseCoopers. A full listing of the partners of the East Caribbean firm is available on request at the above address.



Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sagicor Financial Corporation and its subsidiaries as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

**PricewaterhouseCoopers
Chartered Accountants
Bridgetown, Barbados**

March 31, 2011

ACTUARY'S REPORT

Eckler



SAGICOR FINANCIAL CORPORATION
APPOINTED ACTUARY'S
2010 REPORT TO THE SHAREHOLDERS AND
POLICYHOLDERS

I have performed or 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),
- Sagicor Life Jamaica Limited (Jamaica) *,
- Sagicor Capital Life Insurance Company Limited (Bahamas),
- Capital Life Insurance Company Bahamas Limited (Bahamas),
- Sagicor Life Aruba NV (Aruba),
- Sagicor Panamá SA (Panama),
- 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 2010, 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 myself or other actuaries (indicated by a "*" above), 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. For those where other actuaries completed the valuation, I have reviewed and accepted their valuation and have relied on their work 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, FSA, FCIA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Affiliate Member of the Caribbean Actuarial Association

Appointed Actuary for Sagicor Financial Corporation
31st March 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2010

Sagcor Financial Corporation
Amounts expressed in US \$000

	Note	2010	2009 (restated)
ASSETS			
Investment property	5	119,169	116,845
Property, plant and equipment	6	131,407	128,883
Investment in associated companies	7	32,929	32,674
Intangible assets	8	123,379	129,428
Financial investments	9	3,636,832	3,274,442
Reinsurance assets	10	281,848	294,879
Income tax assets	11	27,764	31,790
Miscellaneous assets and receivables	12	295,288	255,011
Cash resources		218,635	196,020
Total assets		4,867,251	4,459,972

	Note	2010	2009 (restated)
LIABILITIES			
Actuarial liabilities	13	1,753,712	1,612,531
Other insurance liabilities	14	664,881	501,769
Investment contract liabilities	15	294,338	304,397
Total policy liabilities		2,712,931	2,418,697
Notes and loans payable	16	181,885	200,844
Deposit and security liabilities	17	983,551	907,487
Provisions	18	38,834	39,359
Income tax liabilities	19	23,800	16,490
Accounts payable and accrued liabilities	20	187,409	195,667
Total liabilities		4,128,410	3,778,544

EQUITY

Share capital	21	277,172	278,252
Reserves	22	(14,406)	(42,609)
Retained earnings		302,786	302,431
Total shareholders' equity		565,552	538,074
Participating accounts	23	4,347	5,851
Minority interest in subsidiaries		168,942	137,503
Total equity		738,841	681,428
Total equity and liabilities		4,867,251	4,459,972

These financial statements have been approved for issue by the Board of Directors on March 31, 2011



Director



J. Miller
Director

CONSOLIDATED STATEMENT OF INCOME
Year ended December 31, 2010

Sagicor Financial Corporation
Amounts expressed in US \$000

	Note	2010	2009 (restated)		Note	2010	2009 (restated)
REVENUE				NET INCOME ATTRIBUTABLE TO:			
Premium revenue	24	1,047,021	1,007,526	Shareholders		16,560	66,846
Reinsurance premium expense	24	(146,071)	(164,584)	Participating policyholders		(1,265)	(4,351)
Net premium revenue		900,950	842,942	Minority interest		26,340	25,062
Net investment income	25	293,280	294,216			41,635	87,557
Fees and other revenue	26	61,867	68,176				
Total revenue		1,256,097	1,205,334				
BENEFITS				Net income attributable to shareholders - EPS			
Policy benefits and change in actuarial liabilities	27	745,079	657,731	Basic earnings per common share	34.1	5.7 cents	24.0 cents
Policy benefits and change in actuarial liabilities reinsured	27	(53,370)	(51,389)	Fully diluted earnings per common share	34.1	5.7 cents	23.9 cents
Net policy benefits and change in actuarial liabilities		691,709	606,342				
Interest expense	28	77,997	101,899				
Total benefits		769,706	708,241				
EXPENSES							
Administrative expenses		212,092	198,362				
Commissions and related compensation		174,116	149,685				
Premium taxes		8,600	8,123				
Finance costs		16,369	15,375				
Depreciation and amortisation		18,269	18,659				
Total expenses		429,446	390,204				
INCOME BEFORE TAXES							
Income taxes	32	(15,310)	(19,332)				
NET INCOME FOR THE YEAR		41,635	87,557				

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2010

Sagikor Financial Corporation
Amounts expressed in US \$000

	Note	2010	2009 (restated)
NET INCOME FOR THE YEAR		<u>41,635</u>	<u>87,557</u>
OTHER COMPREHENSIVE INCOME	35		
Changes in fair value reserves:			
Owner occupied property		770	1,331
Available for sale financial assets		43,097	43,890
Actuarial liabilities		(10,576)	(17,106)
Cash flow hedges		-	(1,701)
		<u>33,291</u>	<u>26,414</u>
Retranslation of foreign currency operations		6,007	(12,996)
Other items		(309)	(129)
Other comprehensive income for the year, net of tax		<u>38,989</u>	<u>13,289</u>
TOTAL COMPREHENSIVE INCOME, NET OF TAX		<u>80,624</u>	<u>100,846</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders		38,208	83,053
Participating policyholders		(1,247)	(4,533)
Minority interest		43,663	22,326
		<u>80,624</u>	<u>100,846</u>
Total comprehensive income attributable to shareholders:			
Total comprehensive income per common share	34.1	13.2 cents	29.8 cents
Total comprehensive income per common share on a fully diluted basis	34.1	13.1 cents	29.7 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2010

Sagicor Financial Corporation
Amounts expressed in US \$000

	Share Capital (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders Equity	Participating Accounts (note 23)	Minority Interest	Total Equity
Year ended December 31, 2010							
Balance, beginning of year, as restated (note 38)	278,252	(42,609)	302,431	538,074	5,851	137,503	681,428
Total comprehensive income	-	21,648	16,560	38,208	(1,247)	43,663	80,624
Issue of shares	659	-	-	659	-	264	923
Dividends declared (note 34.2)	-	-	(11,591)	(11,591)	-	(8,988)	(20,579)
Disposal of interest in subsidiary	-	64	-	64	-	(3,722)	(3,658)
Other movements	(1,739)	6,491	(4,614)	138	(257)	222	103
Balance, end of year	277,172	(14,406)	302,786	565,552	4,347	168,942	738,841
Year ended December 31, 2009 (restated)							
Balance, beginning of year (note 38)	258,153	(72,577)	264,030	449,606	10,644	121,397	581,647
Total comprehensive income	-	16,336	66,717	83,053	(4,533)	22,326	100,846
Issue of shares	20,981	-	-	20,981	-	630	21,611
Dividends declared (note 34.2)	-	-	(11,117)	(11,117)	-	(11,333)	(22,450)
Changes in the ownership interest of subsidiaries (note 37.2)	-	6,756	(11,363)	(4,607)	-	4,332	(275)
Other movements	(882)	6,876	(5,836)	158	(260)	151	49
Balance, end of year	278,252	(42,609)	302,431	538,074	5,851	137,503	681,428

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2010

Sagcor Financial Corporation
Amounts expressed in US \$000

	Note	2010	2009 (restated)		Note	2010	2009 (restated)
OPERATING ACTIVITIES				FINANCING ACTIVITIES			
Income before taxes		56,945	106,889	Common shares issued		-	19,562
Adjustments for non-cash items, interest and dividends	36.1	(13,736)	38,576	Net purchase of treasury shares		(1,739)	(882)
Interest and dividends received		244,164	246,714	Dividends paid to shareholders		(11,441)	(10,606)
Interest paid		(95,283)	(113,345)	Shares issued to minority interest		114	762
Income taxes paid		(17,506)	(16,436)	Dividends paid to minority interest		(8,988)	(11,248)
Changes in operating assets	36.1	(355,140)	(347,772)	Notes and loans payable, net	36.3	(14,452)	36,833
Changes in operating liabilities	36.1	168,348	164,081	Net cash flows (used in) / from financing activities		(36,506)	34,421
Net cash flows (used in) / from operating activities		(12,208)	78,707	Effects of exchange rate changes		582	2,735
INVESTING ACTIVITIES				NET CHANGE IN CASH AND CASH EQUIVALENTS			
Property, plant and equipment, net	36.2	(10,252)	(9,634)			(50,550)	102,766
Investment in associated companies, net		1,357	(337)	Cash and cash equivalents, beginning of year		329,618	226,852
Intangible assets, net		(5,066)	(2,684)	CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	279,068	329,618
Divestiture and acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents		11,543	(442)				
Net cash flows used in investing activities		(2,418)	(13,097)				

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagikor 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, Sagikor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagikor Financial Corporation allotted common shares to the eligible policyholders of The Society and became the holding company of Sagikor Life Inc.

Sagikor and its subsidiaries 'the Group' operate across the Caribbean, in the United States of America (USA) and in the United Kingdom (UK). Details of the Sagikor's holdings and operations are set out in note 4.

The principal activities of the Sagikor Group are as follows:

- Life and health insurance
- Annuities and pension administration services
- Property and casualty insurance
- Banking, investment management and other financial services

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

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).

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Group has 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, financial assets and liabilities held at fair value through income, actuarial liabilities and associated reinsurance assets.

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 when 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.

(a) Amendments to IFRS

There are no new or amended standards which are effective for the 2010 financial year which have a significant impact on the presentation, measurement or disclosure in the Group's financial statements.

Amended standards which are effective for the 2010 financial year that have no significant impact on the Group's financial statements are listed in the following table.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS	Subject of amendment
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
IFRS 8 – Operating Segments	Disclosure of information about segment assets
IAS 1 – Presentation of Financial Statements	Current/non-current classification of convertible instruments
IAS 7 – Statement of Cash Flows	Classification of expenditures on unrecognised assets
IAS 17 - Leases	Classification of leases of land and buildings
IAS 18 - Revenue	Determining whether an entity is acting as a principal or as an agent
IAS 36 – Impairment of Assets	Unit of accounting for goodwill impairment test
IAS 39 – Financial Instruments – Recognition and Measurement	Treating loan repayment penalties as closely related embedded derivatives
	Scope exemption for business combination contracts
	Cash flow and hedge accounting

(b) Amendments to International Financial Reporting Interpretations

The International Financial Reporting Interpretations Committee (IFRIC) has issued new or amended interpretations which are effective from 2010. These interpretations, which do not impact significantly the presentation, measurement or in disclosure in these financial statements, are as follows:

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRIC	Subject / subject of amendment
IFRIC 17	Distribution of non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

(c) New and amended standards and interpretations which are not yet effective

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The Group has adopted the amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets in respect of investment property. The adoption of this amended standard clarifies the treatment of deferred tax on the fair value appreciation of investment property and has had no impact on the financial statements.

The Group has not adopted any other amended standard or interpretation. The only change in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Group's financial statements is IFRS 9 – Financial Instruments. This standard has an effective date of January 1, 2013. Comments on the standard are as follows:

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS 9 - Comments
<p>This standard deals with the classification and measurement of financial instruments, and replaces sections of IAS 39 – Financial Instruments: Recognition and Measurement.</p> <p>IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The determination is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.</p> <p>IFRS 9 has amended the treatment, applicable to financial liabilities designated at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship.</p> <p>This standard does not address changes contemplated by the International Accounting Standards Board with respect to the following related items:</p> <ul style="list-style-type: none">• impairment methodology for financial assets• hedge accounting

(d) Changes in accounting policies

The Group has changed its accounting policies for insurance contracts as follows:

- Changes in actuarial liabilities arising from fair value movements in available for sale debt securities. This change is further described and disclosed in notes 2.13(a), 13.2, 22, 23, 32, 33, 34, 35 and 38.
- Change in the computation of property and casualty claim liabilities to include discounting by reserving class. This change is further described and disclosed in notes 2.12(b) (j) and 14.2(a).

2. ACCOUNTING POLICIES (continued)

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.

The Group uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange. 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. On an acquisition by acquisition basis, the Group recognises any minority interest in the acquiree either at fair value or at the minority's proportionate share of the acquiree's net identifiable assets.

The excess of the cost of the acquisition, the minority interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition.

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity.

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(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 other comprehensive income, its share of associated companies' post acquisition other comprehensive income.

(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

On the disposal of or loss of control of a subsidiary, the Group de-recognises the related assets, liabilities, minority interest and associated goodwill of the subsidiary. The Group reclassifies its share of balances of the subsidiary previously recognised in other comprehensive income either to income or to retained earnings as appropriate. The gain (or loss) on divestiture recorded in income is the excess (or shortfall) of the fair value of the consideration received over the de-recognised and reclassified balances.

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(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, mutual funds and unit trusts. 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 unless the Group has a significant holding in the fund. Where a significant holding exists, the Group consolidates the assets, liabilities and activity of the fund and accounts for any non-controlling interest as a financial liability.

(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.

2.3 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.

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(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, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
- (ii) Assets and liabilities are translated at the exchange rates ruling on December 31.
- (iii) Resulting exchange differences are recognised in other comprehensive income.

Currencies which are pegged to the United States dollar are converted 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 2010 closing rate	2010 average rate	December 2009 closing rate	2009 average rate
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Jamaica dollar	85.6606	87.4076	89.3088	87.8012
Trinidad & Tobago dollar	6.3766	6.3424	6.3574	6.2996
Pound sterling	0.6388	0.64716	0.6193	0.6457

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recorded in other comprehensive income. On the disposal or loss of control of a foreign entity, such exchange differences are transferred to income.

Goodwill and other intangible assets recognised 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.

(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, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities, primarily deferred acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the income statement are included in other revenue.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Exchange differences on the re-translation of the fair value of non-monetary items such as equities held as available for sale are reported as part of the fair value gain or loss in other comprehensive income.

2.4 Segments

The Group adopted IFRS 8 Operating segments for the 2009 financial statements. Reportable operating segments have been accordingly defined on the basis of performance and resource allocation decisions of the Group's Chief Executive Officer.

2. ACCOUNTING POLICIES (continued)

2.5 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost. In subsequent financial years, 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 which are accounted for under the proportionate consolidation basis.

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 the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied.

Rental income is recognised on an accruals basis.

2.6 Property, plant and equipment

Property, plant and equipment are recorded initially at cost. Subsequent expenditure is capitalised when it will result in future economic benefits to the Group.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Revaluation of a property may be conducted more frequently if circumstances indicate that a significant change in fair value has occurred. Movements in fair value are reported in other comprehensive income, unless there is a cumulative depreciation in respect of an individual property, which is then recorded in income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

2. ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

On disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings. Owner-occupied property includes property held under partnership and joint venture arrangements with third parties which are accounted for under the proportionate consolidation basis.

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 or fair value of property, plant and equipment to residual value over the estimated useful life. Estimated useful lives are reviewed annually and 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

Lands are not depreciated.

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.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

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 which are defined by the Group's operating segments. Goodwill arising in a reportable operating segment is allocated to that segment. Goodwill arising in a Group entity, which is not within a reportable operating segment, is allocated to that entity's own operations, or, if that entity is managed in conjunction with another Group entity, to their combined operations.

Goodwill arising from an investment in an associate is included in the carrying value of the investment.

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

On disposal of a subsidiary or insurance business, the associated goodwill is de-recognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

(b) Other intangible assets

Other intangible assets identified on acquisition 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.

2. ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

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 – 10 years
Contract based	Syndicate capacity	Indefinite
	Licences	15 years
Technology based	Software	2 – 10 years

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 on initial recognition.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

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

2. ACCOUNTING POLICIES (continued)

2.8 Financial Assets (continued)

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They 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 are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. 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 fair value 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.

2. ACCOUNTING POLICIES (continued)

2.8 Financial Assets (continued)

Financial assets in the available for sale category are measured initially at fair value 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 reported in other comprehensive income. 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 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 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.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future 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 an available for sale security is its fair value.

2. ACCOUNTING POLICIES (continued)

2.8 Financial Assets (continued)

For an available for sale equity security, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its 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. In this context, management considers a 40% decline in fair value below cost to be significant. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period 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 recognised initially at fair value and are subsequently stated at amortised cost. 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 and hedging activities

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

2. ACCOUNTING POLICIES (continued)

2.8 Financial Assets (continued)

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each financial statement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swaps as cash flow hedges. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in other comprehensive income, and are transferred to the statement of income when the forecast cash flows affect income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in income.

(h) Embedded derivatives

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.

2. ACCOUNTING POLICIES (continued)

2.8 Financial Assets (continued)

(i) 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 recognised in the financial statements 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.

2.9 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 stated at the lower of carrying value and fair value less costs to sell.

Real estate acquired through foreclosure is classified as real estate held for resale and is stated at the lower of carrying value and fair value less costs to sell.

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

2.10 Impairment of non-financial assets

The Group's policy for the potential impairment of property, plant, equipment, intangible assets and investments in associated companies is set out below.

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. ACCOUNTING POLICIES (continued)

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.

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. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity 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 (see also note 2.20).

(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, liability and marine.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property, motor and certain marine property are common types of risks covered. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

Casualty insurance contracts provide coverage for the risk of causing physical harm or financial loss to third parties. Personal accident, employers' liability, public liability, product liability and professional indemnity 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 insurance risk exposure patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with the risk exposure. 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 the date of the financial statements.

Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience, 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 discounted for separate reserving classes of insurance where the expected average interval between the dates of incurral and settlement is at least 4 years (defined as long-tail claims). The claim reserve is not discounted for other classes of insurance.

The accounting policy for discounting claims has been refined during 2010 to define the criteria for discounting by reserving class. A reserving class constitutes a class or sub-class of insurance for which claims data is aggregated separately, to which is applied a particular statistical technique and common estimation factors. For example, direct motor is divided into sub-classes, injury and property damage. Appropriate statistical techniques are applied to each sub-class; injury claims are discounted because they satisfy the criteria of being long-tail claims, while property damage claims are not discounted because these are relatively short-tail. The change has been adopted in order to present a more consistent approach to reserving for long-tail claims. There was no material effect on the prior year claim liabilities in adopting this change.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

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 accrued as commission income when there is reasonable certainty of earned profit.

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At the date of the financial statements, 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-rata 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 the date of the financial statements, commissions and premium taxes arising on unearned premiums are recorded as deferred policy acquisition costs.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(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, disability 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 and 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, an automatic premium loan may settle the premium, or the contract may continue at a reduced value.

Policy benefits are recognised on the notification of death, disability or critical illness, on the termination or maturity date of the contract, 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 financial statements 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 claim recoveries are established at the time of claim notification.

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

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(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, disability 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. Interest bearing investment accounts may include provisions for minimum guaranteed returns or returns based on specified investment indices. 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 the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination of maturity of the contract 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, which generally coincides with when the policy premium is 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.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(v) Reinsurance contracts assumed

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

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.

Reinsurance contracts held by an insurer are recognised and measured in a similar manner to the originating insurance contracts and in accordance with the contract terms. Reinsurance premium ceded and reinsurance recoveries on claims are offset against premium revenue and policy benefits in the income statement.

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 included under accounts payable and accrued liabilities or actuarial liabilities.

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.

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.

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 in the same manner 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.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(d) Liability adequacy tests

At the date of the financial statements, liability adequacy tests are performed by each insurer 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.

Under CALM, assets of each insurer are selected to back the actuarial liabilities of each insurer. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. These assets include available for sale securities, whose changes in carrying value are recorded in other comprehensive income. The Group has changed its accounting policy for recording the changes in actuarial liabilities which result directly from the changes in the carrying value of backing assets which are recorded in other comprehensive income. The adopted policy is to reflect also in other comprehensive income the resulting changes in the carrying amount of the actuarial liabilities. In prior years, the Group recorded these changes to the actuarial liabilities in income. With the adoption of this change, the income and other comprehensive income results provide more consistent measures of performance. The change in accounting policy has been applied retroactively to January 1, 2009, and consequently the income and other comprehensive income for 2009 have been restated. In addition, a fair value reserve for actuarial liabilities has been established in the statement of equity for the accumulation of the amounts recorded in other comprehensive income. The impact of the change in accounting policy is summarised in note 38.

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 the date of the financial statements 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 or settled.

2. ACCOUNTING POLICIES (continued)

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) Loan obligations

Loan obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, loan obligations 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 loan obligations using the effective yield method.

Loan obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable and the associated cost is classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

2. ACCOUNTING POLICIES (continued)

2.14 Financial liabilities (continued)

(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. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

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 initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2. ACCOUNTING POLICIES (continued)

2.17 Fees and other revenue

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is 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.

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

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.

(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.

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

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 expensed in the income statement during the vesting period, with a corresponding increase in the share based payment reserve or in minority interest.

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting financial statement date, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions and adjusts the expense accordingly.

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.

The grant by the Company of its equity instruments to employees of Group subsidiaries is treated as a capital contribution in the financial statements of the subsidiary. The full expense relating to the grant is recorded in the subsidiary's income statement.

(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 the date of the financial statements and at the date of settlement, with any changes in fair value recognised in income during that period.

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(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. For common shares granted, the listed price prevailing on the grant date determines the fair value. For options granted, the fair value is determined by reference to 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 months after the date of the financial statements are discounted to present value.

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% - 6%	4%	4.0% - 4.75%
Jamaica	3%	Nil	Nil
Trinidad and Tobago	Nil	Nil	6%
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 2010 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	Nil	15% - 33.33% of net income
Trinidad and Tobago	15% of investment income	Nil	25% of net income
United Kingdom	28% of net income	n/a	28% of net income
United States of America	35% of net income	35% of net income	35% of net income

2. ACCOUNTING POLICIES (continued)

2.19 Taxes (continued)

(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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so.

Deferred tax, related to fair value re-measurement of available for sale investments and cash flow hedges which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

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.

2. ACCOUNTING POLICIES (continued)

2.20 Participating accounts (continued)

Distributable profits of the closed participating account are distributed to the participating policies in the form of declared bonuses and dividends. Undistributed profits remain in the participating account for the benefit of participating policyholders.

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 policies 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 / (losses) remain in the participating account in equity.

2. ACCOUNTING POLICIES (continued)

2.20 Participating accounts (continued)

(c) Financial statement presentation

The assets and liabilities of the participating accounts are included but not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also included but 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 and other comprehensive income that are attributable to the participating funds are disclosed as allocations.

The initial allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts. Returns of additional assets from the participating funds are accounted for similarly.

2.21 Share capital

In exchange for consideration received, the Company has issued common shares that are classified as equity. Incremental costs directly attributable to the issue of common shares are recorded in share capital as a deduction from the share issue proceeds.

Where a Group entity purchases the Company's common shares, the consideration paid, including any directly attributable cost, is deducted from share capital and is recorded as treasury shares. 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 recorded in 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. ACCOUNTING POLICIES (continued)

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.

2.24 Presentation of current and non-current assets and liabilities

In note 41.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 12, 14, 18, 19, 31 and 33 are non-current unless otherwise stated in those notes.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Group's reported assets, liabilities, income and other comprehensive income. 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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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, customer 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 income before taxes 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 in the financial statements, 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 timing of future asset and liability cash flows.

The actuarial liabilities are determined by the amount of assets required to ensure that sufficient monies are available to mature 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 to ensure 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. 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. The 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.4 Actuarial liabilities (continued)

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. The assumption for operating expenses and taxes is in some instances split by participating, non-participating and 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 geographical areas. 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.

3.5 Property and casualty insurance contracts

(a) Policy benefits payable

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 date of the financial statements, 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 affect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Property and casualty insurance contracts (continued)

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 1206 writes a significant proportion of its premium by delegated authority to insurance intermediaries. Due to delays in the notification of complete and accurate premium income written, the premium income earned and the associated reinsurance and commission balances may have to be estimated. Accordingly, premium income written has to be re-assessed in future periods and adjustments made to earned premium, reinsurance and commissions.

4. SEGMENTS

The management structure of Sagicor consists of the parent company Board of Directors, the Group Chief Executive Officer (CEO), subsidiary company Boards of Directors and subsidiary company CEOs. For the parent company and principal subsidiaries, there are executive management committees made up of senior management who advise the respective CEOs. The principal subsidiaries have a full management governance structure, a consequence of their being regulated insurance and financial services entities and of the range and diversity of their products and services.

4. SEGMENTS (continued)

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision maker. Through subsidiary company reporting, the Group CEO obtains details of company performance and of resource allocation needs. Summarisation of planning and results and prioritisation of resource allocation is done at the parent company level where strategic decisions are taken.

In accordance with the relevant financial reporting standard, the Group has determined that there are four principal subsidiary Groups which represent the reportable operating segments of Sagicor. These segments and other Group companies are set out in the following sections.

(a) Sagicor Life Inc

This segment comprises Group subsidiaries conducting life, health and annuity insurance business, and pension administration services in the Caribbean region, excluding Jamaica and Cayman Islands. The companies comprising this segment are set out in the following two tables.

Sagicor Life Inc Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pension administration services	Barbados	100%
Sagicor Capital Life Insurance Company Limited	Life and health insurance, annuities and pension administration services	The Bahamas	100%
Sagicor Life Aruba NV	Life and health insurance, annuities and pension administration services	Aruba	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%
Sagicor Panamá, SA	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%

4. SEGMENTS (continued)

Sagicor Life Inc Segment 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	Property investment	Barbados	38%

(b) Sagicor Life Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica and Cayman Islands. The companies comprising this segment are as follows.

4. SEGMENTS (continued)

Sagicor Life Jamaica Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	59%
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	59%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	59%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	59%
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	59%
Sagicor General Insurance (Cayman) Limited	Property, casualty and health insurance	The Cayman Islands	- (1) (2)
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	59%
Sagicor International Administrators Limited (4)	Insurance brokerage	Jamaica	59%
Sagicor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	59% (2)
Pan Caribbean Financial Services Limited	Development banking and investment management	Jamaica	51% (3)
PanCaribbeanBank Limited	Commercial and merchant banking	Jamaica	51% (3)
Pan Caribbean Asset Management Limited	Investment management	Jamaica	51% (3)

4. SEGMENTS (continued)

Sagicor Life Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Manufacturers Investments Limited	Investment management	Jamaica	51% (3)
Sagicor Property Services Limited	Property management	Jamaica	59%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
(1) Divested effective January 1, 2010		(2) 45% prior to January 1, 2010	
(3) 64% until November 2009		(4) Commenced operations in 2009	

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Sagikor Financial Corporation
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4. SEGMENTS (continued)

(c) Sagikor Europe

This segment comprises the Sagikor at Lloyd's insurance operations in the UK and comprises the following.

Sagikor Europe Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor at Lloyd's Limited	Managing agent of Lloyd's of London insurance syndicates	UK	100% ⁽⁵⁾
Sagikor Corporate Capital Limited ⁽⁶⁾	Property and casualty insurance	UK	100% ⁽⁵⁾
Sagikor Cayman Reinsurance Company Limited ⁽⁴⁾	Property and casualty reinsurance	The Cayman Islands	100% ⁽⁵⁾
Sagikor Corporate Capital Two Limited ⁽⁷⁾	Life insurance	UK	100% ⁽⁵⁾
Sagikor Syndicate Services Limited	Property and casualty insurance agency	UK	100% ⁽⁵⁾
Sagikor Underwriting Limited	Property and casualty insurance agency	UK	100% ⁽⁵⁾
Sagikor Syndicate Holdings Limited	Service company	UK	100% ⁽⁵⁾
Sagikor Claims Management Inc	Property and casualty insurance claims management	California, USA	100% ⁽⁵⁾
Sagikor Europe Limited	Insurance holding company	The Cayman Islands	100% ⁽⁵⁾

⁽⁴⁾ Commenced operations in 2009 ⁽⁵⁾ Effective voting interest is 86% (see note 30.4)

⁽⁶⁾ Lloyd's of London corporate underwriting member participating in Syndicate 1206

⁽⁷⁾ Lloyd's of London corporate underwriting member participating in Syndicate 44

4. SEGMENTS (continued)

(d) Sagikor Life USA

This segment comprises Sagikor's life insurance operations in the USA and comprises the following.

Sagikor USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagikor Life Insurance Company	Life insurance and annuities	Texas, USA	100%
Laurel Life Insurance Company	Life insurance	Texas, USA	100%
Sagikor USA Inc	Insurance holding company	Delaware, USA	100%

4. SEGMENTS (continued)

(e) Head office function and other operating companies

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Financial Corporation	Group parent company	Barbados	100%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management (T&T) Limited, formerly Sagicor Merchant Limited	Investment management	Trinidad & Tobago	100%
Sagicor Asset Management Inc	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Allnation Insurance Company	Health insurance	Delaware, USA	100%
Sagicor Finance Limited	Group financing vehicle	The Cayman Islands	100%

4. SEGMENTS (continued)

A statement of income by segment is set in the following table. Total comprehensive income by segment is also shown.

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Year ended December 31, 2010

Sagicor Financial Corporation
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4. SEGMENTS (continued)

4.1 Statement of income by segment

2010	Summary statement of income by segment						
	Sagicor Life Inc	Sagicor Life Jamaica	Sagicor Europe	Sagicor USA	Head office and other	Adjustments	Total
Net premium revenue	215,510	212,609	345,275	120,044	14,708	(7,196)	900,950
Interest income	66,412	128,935	3,219	36,273	10,054	-	244,893
Other investment income	13,855	28,517	(320)	4,521	1,949	(135)	48,387
Fees and other revenues	10,986	19,055	6,884	1,900	18,146	4,896	61,867
Loss on disposal of interest in subsidiary	-	-	-	-	(498)	498	-
Inter-segment revenues	4,348	762	-	-	14,117	(19,227)	-
	311,111	389,878	355,058	162,738	58,476	(21,164)	1,256,097
Net policy benefits	137,342	121,106	235,705	44,269	7,703	-	546,125
Net change in actuarial liabilities	33,747	39,793	221	71,823	-	-	145,584
Interest expense	14,153	52,562	-	5,927	5,355	-	77,997
Administrative expenses	50,878	67,860	38,561	22,006	32,866	(79)	212,092
Commissions and premium taxes	34,571	34,975	95,216	11,776	7,074	(896)	182,716
Finance costs	-	1,577	221	-	100	14,471	16,369
Depreciation & amortisation	5,931	5,309	1,531	1,566	3,932	-	18,269
Inter-segment expenses	335	1,627	97	535	6,867	(9,461)	-
	276,957	324,809	371,552	157,902	63,897	4,035	1,199,152
Segment income / (loss) before taxes	34,154	65,069	(16,494)	4,836	(5,421)	(25,199)	56,945
Income taxes	(5,183)	(8,789)	2,545	(1,692)	(1,885)	(306)	(15,310)
Segment income before undernoted items	28,971	56,280	(13,949)	3,144	(7,306)	(25,505)	41,635
Foreign exchange unwinding ⁽¹⁾	-	-	825	-	-	(825)	-
Group finance costs ⁽²⁾	-	-	-	-	(18,835)	18,835	-
Net income / (loss) for the year	28,971	56,280	(13,124)	3,144	(26,141)	(7,495)	41,635
Net income attributable to shareholders	30,236	31,960	(13,124)	3,144	(28,161)	(7,495)	16,560
Total comprehensive income / (loss) by segment attributable to shareholders	29,977	53,992	(15,052)	7,435	(29,039)	(9,105)	38,208

Notes to the Financial Statements
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Sagicor Financial Corporation
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4. SEGMENTS (continued)

4.1 Statement of income by segment (continued)

2009	Summary statement of income by segment						
	Sagicor Life Inc	Sagicor Life Jamaica	Sagicor Europe	Sagicor USA	Head office and other	Adjustments	Total
Net premium revenue	208,588	231,516	251,009	152,848	14,299	(15,318)	842,942
Interest income	65,788	149,534	2,230	29,859	10,853	-	258,264
Other investment income	11,625	17,354	(401)	4,765	2,732	(123)	35,952
Fees and other revenues	11,062	32,345	2,801	2,224	29,121	(9,377)	68,176
Loss on disposal of interest in subsidiary	-	-	-	-	(9,493)	9,493	-
Inter-segment revenues	3,344	714	-	-	28,708	(32,766)	-
	300,407	431,463	255,639	189,696	76,220	(48,091)	1,205,334
Net policy benefits	136,096	131,657	129,583	39,344	5,881	-	442,561
Net change in actuarial liabilities	20,718	46,901	(2,895)	99,257	(200)	-	163,781
Interest expense	16,224	73,375	-	6,309	5,991	-	101,899
Administrative expenses	48,539	68,705	26,665	20,312	31,640	2,501	198,362
Commissions and premium taxes	31,490	35,737	73,845	13,616	6,659	(3,539)	157,808
Finance costs	-	2,209	13	-	176	12,977	15,375
Depreciation & amortisation	5,477	6,087	1,386	1,632	4,077	-	18,659
Inter-segment expenses	364	2,022	638	824	4,630	(8,478)	-
	258,908	366,693	229,235	181,294	58,854	3,461	1,098,445
Segment income / (loss) before taxes	41,499	64,770	26,404	8,402	17,366	(51,552)	106,889
Income taxes	(5,413)	(9,182)	(3,431)	(2,941)	(1,974)	3,609	(19,332)
Segment income before undernoted items	36,086	55,588	22,973	5,461	15,392	(47,943)	87,557
Foreign exchange unwinding ⁽¹⁾	-	-	(9,280)	-	-	9,280	-
Group finance costs ⁽²⁾	-	-	-	-	(15,105)	15,105	-
Net income / (loss) for the year	36,086	55,588	13,693	5,461	287	(23,558)	87,557
Net income attributable to shareholders	40,437	34,155	13,693	5,461	(3,342)	(23,558)	66,846
Total comprehensive income / (loss) by segment attributable to shareholders	43,812	31,172	17,840	10,085	(1,595)	(18,261)	83,053

4. SEGMENTS (continued)

4.1 Statement of income by segment (continued)

⁽¹⁾ Foreign exchange unwinding represents the impact to segment income of translating unearned premium and deferred acquisition costs at historic rates of exchange instead of at current rates of exchange. This basis of foreign exchange translation within the segment is reported for management purposes. The Group's accounting policy is explained in note 2.3(c) and the difference in measurement basis is further discussed in note 41.4 (a). The unwinding comprises the items in the following table which have also been added back in the adjustments column.

	2010	2009
Net premium revenue	(2,942)	(13,085)
Commissions	896	3,539
Exchange gains / losses	3,177	(3,342)
Income tax	(306)	3,608
Foreign exchange unwinding	825	(9,280)

⁽²⁾ Group finance costs represent costs of borrowings and facilities initiated at Group level. These include costs relating to the Sagicor 2016 senior notes, a bank loan from the Royal Bank of Canada, the letter of credit facilities from the Bank of Nova Scotia and the reinsurance financing costs relating to Sagicor at Lloyd's. Where material, these costs have been removed from the individual segment which benefits from these borrowings and facilities. This change in presentation was made this year to conform to the format of information provided by the subsidiary company. Comparative figures have also been restated.

Variations in segment income may arise from non-recurring or other significant factors. The most common factors contributing to variations in segment income are as follows.

4. SEGMENTS (continued)

4.1 Statement of income by segment (continued)

(i) Investment gains

Fair value investment gains are recognised on:

- the revaluation of investment property;
- the revaluation of debt and equity securities classified as at fair value through income;
- the disposal of debt and equity securities classified as available for sale or loans and receivables.

Therefore, significant gains and losses may be triggered by changes in market prices and / or by decisions to dispose of investments.

(ii) Allowances for impairment of financial investments

Significant impairment losses may be triggered by changes in market prices and economic conditions.

(iii) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated at the date of the financial statements.

(iv) Gains arising on acquisitions

Gains arising on acquisitions may be significant and are non-recurring.

(v) Movements in actuarial liabilities arising from changes in assumptions

The change in actuarial liabilities for the year includes the effects arising from changes in assumptions. The principal assumptions in computing the actuarial liabilities on life and annuity contracts relate to mortality and morbidity, lapse, investment yields and operating expenses and taxes. Because the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions may have a significant effect in the period in which they are recorded.

4. SEGMENTS (continued)

4.1 Statement of income by segments (continued)

The table below summarises by segment the individual line items in the statement of income impacted by the foregoing factors.

	Variations in income by segment						
	Sagikor Life Inc	Sagikor Life Jamaica	Sagikor Europe	Sagikor USA	Head office and other	Adjustments	Total
2010							
Investment gains / (losses)	7,512	27,229	(320)	5,843	1,908	-	42,172
Allowances for impairment of financial investments	139	1,561	-	1,248	238	-	3,186
Foreign exchange gains / (losses)	251	(5,809)	7,142	-	(2,301)	1,837	1,120
Gains on acquisitions	-	-	-	-	-	-	-
Decrease in policy liabilities from actuarial assumptions	(3,337)	(7,515)	557	3,157	-	-	(7,138)
2009							
Investment gains / (losses)	8,084	12,997	(401)	9,357	2,309	-	32,346
Allowances for impairment of financial investments	2,572	1,449	-	4,741	222	-	8,984
Foreign exchange gains / (losses)	629	6,289	(3,396)	-	7,106	(6,105)	4,523
Gains on acquisitions	-	-	-	-	-	-	-
Decrease in policy liabilities from actuarial assumptions	(32,734)	(9,734)	-	5,282	-	-	(37,186)

4.2 Other comprehensive income

Variations in other comprehensive income may arise also from non-recurring or other significant factors. The most common are as follows.

(i) Unrealised investment gains

Fair value investment gains are recognised on the revaluation of debt and equity securities classified as available for sale. Therefore, significant gains and losses may be triggered by changes in market prices.

(ii) Changes in actuarial liabilities

Changes in unrealised investment gains identified in (i) above may also generate significant changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

(iii) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses on the re-translation of the financial statements of foreign currency reporting units.

4. SEGMENTS (continued)

4.2 Other comprehensive income (continued)

The table below summarises by segment the individual line items in the other comprehensive income impacted by the foregoing factors.

	Variations in other comprehensive income by segment						Total
	Sagicor Life Inc	Sagicor Life Jamaica	Sagicor Europe	Sagicor USA	Head office and other	Adjustments	
2010							
Unrealised investment gains / losses	8,042	28,363	(268)	11,536	(131)	-	47,542
Changes in actuarial liabilities	(2,282)	-	-	(8,294)	-	-	(10,576)
Retranslation of foreign currency operations	(369)	9,672	(1,660)	-	(20)	(1,616)	6,007
2009							
Unrealised investment gains / (losses)	12,618	21,364	(257)	11,573	2,423	-	47,721
Changes in actuarial liabilities	(3,832)	-	-	(13,274)	-	-	(17,106)
Retranslation of foreign currency operations	(1,150)	(21,580)	4,404	-	(87)	5,417	(12,996)

4. SEGMENTS (continued)

4.3 Statement of financial position by segment

A summary statement of financial position by segment is set out below. Eliminations on consideration comprise adjustments to arrive at the Group financial position

	Summary statement of financial position by segment						
	Sagicor Life Inc	Sagicor Life Jamaica	Sagicor Europe	Sagicor USA	Head office and other	Adjustments	Total
2010							
Financial investments	1,010,885	1,444,391	235,360	796,043	150,153	-	3,636,832
Other investments & assets	293,750	199,239	374,208	207,372	155,850	-	1,230,419
Inter-segment assets	111,546	24,315	-	339	126,657	(262,857)	-
Total assets	1,416,181	1,667,945	609,568	1,003,754	432,660	(262,857)	4,867,251
Policy liabilities	1,023,969	494,767	490,882	654,675	48,638	-	2,712,931
Other operating liabilities	66,938	858,490	26,456	182,459	281,136	-	1,415,479
Inter-segment liabilities	8,766	5,127	72,939	23,613	152,412	(262,857)	-
Total liabilities	1,099,673	1,358,384	590,277	860,747	482,186	(262,857)	4,128,410
Net assets	316,508	309,561	19,291	143,007	(49,526)	-	738,841
2009							
Financial investments	979,805	1,248,706	192,596	685,454	167,881	-	3,274,442
Other investments & assets	286,949	240,015	269,785	225,696	163,085	-	1,185,530
Inter-segment assets	64,684	17,833	-	1,256	122,704	(206,477)	-
Total assets	1,331,438	1,506,554	462,381	912,406	453,670	(206,477)	4,459,972
Policy liabilities	971,288	488,264	323,200	594,882	41,063	-	2,418,697
Other liabilities	65,450	777,683	24,975	177,601	314,138	-	1,359,847
Inter-segment liabilities	8,443	4,830	69,855	22,669	100,680	(206,477)	-
Total liabilities	1,045,181	1,270,777	418,030	795,152	455,881	(206,477)	3,778,544
Net assets	286,257	235,777	44,351	117,254	(2,211)	-	681,428

4. SEGMENTS (continued)

4.4 Additions to non-current assets by segment

Segment operations include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets. Additions to these categories for the year are as follows:

Additions to non-current assets by segment						
	Sagicor Life Inc	Sagicor Life Jamaica	Sagicor Europe	Sagicor USA	Head office and other	Total
2010	7,103	16,131	1,444	1,125	3,802	29,605
2009	7,054	3,094	1,134	705	4,713	16,700

4.5 Products and services

Total external revenues relating to the Group's products and services are summarised in the following table.

	2010	2009
Life, health and annuity insurance contracts issued to individuals	535,724	537,684
Life, health and annuity insurance and pension administration contracts issued to groups	221,187	251,615
Property and casualty insurance	377,925	265,517
Banking, investment management and other financial services	98,040	128,047
Farming and unallocated revenues	23,221	22,471
	<u>1,256,097</u>	<u>1,205,334</u>

4. SEGMENTS (continued)

4.6 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business. Except for the Sagicor at Lloyd's Syndicate 1206 business which underwrites risks inside and outside of the UK, the location of the subsidiary or branch is not materially different from the location of customers.

Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets.

Total external revenues and non-current assets (as defined in the foregoing paragraph) by geographical area are summarised in the following table.

	External Revenue		Non-current assets	
	2010	2009	2010	2009
Barbados	128,727	135,699	178,869	181,305
Jamaica	357,786	376,102	91,863	84,690
Trinidad & Tobago	112,283	109,940	60,562	60,797
Other Caribbean	141,686	163,020	39,926	43,805
United Kingdom	352,874	230,875	32,726	33,862
USA	162,741	189,698	2,938	3,371
	<u>1,256,097</u>	<u>1,205,334</u>	<u>406,884</u>	<u>407,830</u>

5. INVESTMENT PROPERTY

Investment property is carried at fair value as determined by independent valuers using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. For some tracts of land which are currently un-developed or which are leased to third parties, the fair value may reflect the potential for development within a reasonable period of time.

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

	2010	2009
Balance, beginning of year	116,845	107,390
Additions at cost	11,233	806
Transfers to real estate developed for resale	-	(2,642)
Transfers from / (to) property, plant and equipment	(1,087)	13,231
Disposals and divestitures	(7,341)	(3,875)
(Depreciation) / Appreciation in fair values	(1,399)	3,077
Effects of exchange rate changes	918	(1,142)
Balance, end of year	119,169	116,845

Investment property includes \$16,527 (2009 - \$17,273) which represents the Group's proportionate interest in joint ventures summarised in the following table.

Country	Description of property	Percentage ownership
Barbados	Freehold lands	50%
	Freehold office buildings	10%, 33%
Trinidad & Tobago	Freehold office building	60%

Pension Funds managed by the Group own the remaining 50% interests of freehold lands in Barbados, and a 33% interest in a freehold office building in Barbados.

6. PROPERTY, PLANT AND EQUIPMENT

	2010					2009				
	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Land	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	35,694	60,443	22,694	10,052	128,883	40,079	73,282	23,492	11,426	148,279
Additions at cost	-	529	10,394	2,383	13,306	-	91	9,001	2,512	11,604
Transfers from / (to) investment property	-	1,087	-	-	1,087	(1,581)	(11,650)	-	-	(13,231)
Transfers to intangible assets	-	-	-	-	-	-	-	(1,914)	-	(1,914)
Transfers (to) / from real estate developed or held for sale	-	-	-	-	-	(2,676)	109	-	-	(2,567)
Other transfers	-	169	(169)	-	-	-	270	(270)	-	-
Disposals and divestitures	-	(16)	(2,356)	(1,160)	(3,532)	-	-	(384)	(1,364)	(1,748)
(Depreciation) / appreciation in fair values	-	770	-	-	770	(128)	1,304	-	-	1,176
Depreciation charge	-	(809)	(6,462)	(2,360)	(9,631)	-	(917)	(6,608)	(2,524)	(10,049)
Effects of exchange rate changes	-	286	238	-	524	-	(2,046)	(623)	2	(2,667)
Net book value, end of year	35,694	62,459	24,339	8,915	131,407	35,694	60,443	22,694	10,052	128,883
Represented by:										
Cost or valuation	35,694	64,252	81,360	15,151	196,457	35,694	62,069	76,060	15,903	189,726
Accumulated depreciation	-	(1,793)	(57,021)	(6,236)	(65,050)	-	(1,626)	(53,366)	(5,851)	(60,843)
	35,694	62,459	24,339	8,915	131,407	35,694	60,443	22,694	10,052	128,883

Owner occupied property is carried at fair value as determined by independent valuers using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values.

Lands are largely utilised for farming operations. In determining the fair value of lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential.

Land and buildings consist largely of properties containing occupied office buildings and includes \$625 (2009 – \$622) which represents the Group's proportionate interest in office buildings in Belize and Grenada.

7. INVESTMENT IN ASSOCIATED COMPANIES

	2010	2009
Investment, beginning of year	32,674	31,893
Additions	-	1,606
Dividends received	(1,357)	(1,269)
Share of		
Income before taxes	2,478	2,125
Amortisation of intangible assets identified on acquisition	(557)	(557)
Income taxes	(216)	(621)
Other comprehensive income / (loss)	(28)	(217)
Effects of exchange rate changes	(65)	(286)
Investment, end of year	32,929	32,674

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

	2010	2009
Total assets	360,028	351,511
Total liabilities	234,592	230,444
Total revenue	122,296	115,128
Net income for the year	8,786	5,518

8. INTANGIBLE ASSETS

(a) Analysis and changes for the year

	2010					2009				
	Goodwill	Customer & broker relationships	Syndicate capacity & licences	Software	Total	Goodwill	Customer & broker relationships	Syndicate capacity & licences	Software	Total
Net book value, beginning of year	58,289	36,978	21,021	13,140	129,428	59,703	43,293	18,758	13,168	134,922
Additions at cost	-	-	-	5,066	5,066	-	-	-	2,684	2,684
Identified on acquisitions	-	-	-	-	-	7	-	-	-	7
Transfer from property, plant and equipment (note 6)	-	-	-	-	-	-	-	-	1,914	1,914
Amortisation and impairment	-	(3,080)	(47)	(4,954)	(8,081)	-	(3,441)	(47)	(4,565)	(8,053)
Disposals and divestitures	(896)	(2,353)	-	(739)	(3,988)	-	-	-	-	-
Effects of exchange rate changes	555	1,024	(643)	18	954	(1,421)	(2,874)	2,310	(61)	(2,046)
Net book value, end of year	57,948	32,569	20,331	12,531	123,379	58,289	36,978	21,021	13,140	129,428
Represented by:										
Cost or valuation	59,761	46,962	20,484	31,997	159,204	60,102	49,439	21,129	28,325	158,995
Accumulated depreciation	(1,813)	(14,393)	(153)	(19,466)	(35,825)	(1,813)	(12,461)	(108)	(15,185)	(29,567)
	57,948	32,569	20,331	12,531	123,379	58,289	36,978	21,021	13,140	129,428

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8. INTANGIBLE ASSETS (continued)

(b) Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash generating units (CGUs). Goodwill and intangible assets with an indefinite useful life are tested annually for impairment. CGUs and intangible assets with an indefinite useful life by segment are as follows:

Operating Segment	Goodwill		Intangible assets with indefinite useful life	
	2010	2009	2010	2009
Sagicor Life Inc	27,102	27,116	-	-
Sagicor Life Jamaica	21,688	21,880	-	-
Sagicor Europe	4,290	4,425	19,783	20,406
Other operating companies	4,868	4,868	-	-
	57,948	58,289	19,783	20,406

The recoverable amount of a CGU is determined as the higher of its value in use or 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. Syndicate capacity, which has an indefinite useful life, is also tested for impairment by its value in use.

Cash flow discount factors, residual growth rates and earnings multiples utilised in the assessment of recoverable amounts as of December 31, 2010 were as follows:

2010	Cash flow discount factors	Cash flow residual growth rates	Earnings multiples
Sagicor Life Inc	n/a	n/a	9.9
Sagicor Life Jamaica	n/a	n/a	6.4
Sagicor Europe	11.5%	1.5%	n/a
Other operating companies	14.8%	4.1%	n/a

8. INTANGIBLE ASSETS (continued)

2009	Cash flow discount factors	Cash flow residual growth rates	Earnings multiples
Sagicor Life Inc	n/a	n/a	9.9
Sagicor Life Jamaica	n/a	n/a	5.7
Sagicor Europe	12.9%, 12.2%	1.9%, 2.5%	n/a
Other operating companies	14.8%, 12.8%	4.6%, 4.2%	n/a

Sensitivity

Applying adjusted earnings multiples to the Sagicor Life Inc and Sagicor Life Jamaica segments, would produce the following results.

	Sagicor Life Inc segment		
Earnings multiples	9.9	8.58	8.42
Excess of recoverable amount over carrying amount / (impairment)	49,525	-	(6,112)
	Sagicor Life Jamaica segment		
Earnings multiples	6.4	4.55	4.35
Excess of recoverable amount over carrying amount / (impairment) – representing Sagicor's 59% interest in the segment	73,549	-	(7,901)

The assessment of the Sagicor Europe segment goodwill and intangible assets with indefinite useful life is most sensitive to future net claims ratios. Increasing claims ratios from underwriting year 2012 in the model would produce the following results:

	Sagicor Europe segment		
Net claims ratio	55%	57.46%	58.00%
Excess of recoverable amount over carrying amount / (impairment)	61,920	-	(13,481)

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9. FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	19,691	20,396	19,547	16,682
Available for sale securities:				
Debt securities	1,742,835	1,742,835	1,458,765	1,458,765
Equity securities	87,713	87,713	99,788	99,788
	1,830,548	1,830,548	1,558,553	1,558,553
Financial assets at fair value through income:				
Debt securities	96,333	96,333	71,314	71,314
Equity securities	23,839	23,839	17,058	17,058
Derivative financial instruments (note 41.6)	12,070	12,070	4,105	4,105
Mortgage loans	46,876	46,876	48,180	48,180
Securities purchased under agreements to resell	2,982	2,982	10,020	10,020
	182,100	182,100	150,677	150,677
Loans and receivables:				
Debt securities	749,693	798,626	674,663	696,966
Mortgage loans	250,206	251,461	265,096	262,726
Policy loans	123,250	130,092	124,017	129,676
Finance loans and finance leases	144,065	172,397	135,078	144,918
Securities purchased under agreements to resell	25,585	25,585	72,295	72,295
Deposits	311,694	311,694	274,516	274,516
	1,604,493	1,689,855	1,545,665	1,581,097
Total financial investments	3,636,832	3,722,899	3,274,442	3,307,009

9. FINANCIAL INVESTMENTS (continued)

9.1 Analysis of financial investments (continued)

	2010	2009
Non-derivative financial assets at fair value through income comprise:		
Assets designated at fair value upon initial recognition	170,030	146,572
Debt securities comprise:		
Government and government-guaranteed debt securities	1,497,082	1,350,052
Collateralised mortgage obligations	159,574	193,487
Corporate debt securities	898,452	632,867
Other securities	53,444	47,883
	2,608,552	2,224,289

Debt securities include \$4,559 (2009 - \$3,042) that contain options to convert to common shares of the issuer.

Corporate debt securities include:

- (i) convertible loans totalling \$nil (2009 - \$5,199) issued to the Group by an associated company. These loans can be converted into equity or bonds issued by the associated company.
- (ii) \$21,745 (2009 - \$14,741) in bonds issued by an associated company.

Equity securities include \$6,559 (2009 - \$6,333) in mutual funds managed by the Group.

9. FINANCIAL INVESTMENTS (continued)

9.2 Pledged assets

Debt securities include \$20,894 (2009 - \$21,268) and policy loans include \$22,461 (2009 - \$25,153) in assets held in trust for a reinsurer (note 20). The income from these assets accrues to the reinsurer.

Debt and equity securities include \$162,100 (2009 - \$229,450) as collateral for loans payable and other funding instruments.

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 \$5,294 (2009 - \$5,442), and mortgages and mortgage backed securities having a total market value of \$123,312 (2009 - \$124,715).

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, 2010, these pledged assets totalled \$581,911 (2009 - \$526,273). Of these assets pledged as security, \$94,761 (2009 - \$204,027) represents 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 \$47,029 (2009 - \$48,352) 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 policy and deposit administration contracts.

	2010	2009
Debt securities	95,156	70,690
Equity securities	19,517	12,208
Mortgage loans	46,876	48,180
Securities purchased under agreements to resell	2,982	10,020
	<u>164,531</u>	<u>141,098</u>

9. FINANCIAL INVESTMENTS (continued)

9.4 Reclassification of financial investments

In 2008, the Group reclassified certain securities from the available for sale classification to the loans and receivables classification. The assets reclassified were primarily:

- Government of Jamaica debt securities with a maturity date of 2018 and after, which are held to back long-term insurance liabilities; and
- Non-agency collateralised mortgage obligations in the USA.

The reclassifications were made because the markets for these securities were considered by management to have become inactive.

The following disclosures are in respect of these reclassified assets.

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	76,095	79,049	134,387	114,233
Other debt securities	15,089	15,968	27,059	25,234
	<u>91,184</u>	<u>95,017</u>	<u>161,446</u>	<u>139,467</u>

	2010	2009
Cumulative net fair value loss, beginning of year	(41,805)	(71,210)
Net fair value gains subsequent to restatement	23,835	25,623
Disposals	12,869	2,209
Effect of exchange rate changes	216	1,573
Cumulative net fair value loss, end of year	<u>(4,885)</u>	<u>(41,805)</u>

9. FINANCIAL INVESTMENTS (continued)

9.4 Reclassification of financial investments (continued)

The net fair value gains subsequent to restatement approximate the fair value gains that would have been recorded in total comprehensive income had the reclassification not been made. The disposal amount represents the net loss that would have been reclassified from other comprehensive income to income on disposal.

10. REINSURANCE ASSETS

	2010	2009
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	178,078	207,696
Policy benefits payable (note 14.2)	57,907	35,900
Provision for unearned premiums (note 14.3)	40,909	45,766
Other items	4,954	5,517
	<u>281,848</u>	<u>294,879</u>

The provision for unearned premiums and other items disclosed above are expected to mature within one year of the financial statements date.

11. INCOME TAX ASSETS

	2010	2009
Deferred income tax assets (note 33)	9,209	15,272
Income and withholding taxes recoverable	18,555	16,518
	<u>27,764</u>	<u>31,790</u>

Income and withholding taxes recoverable are expected to be recovered within one year of the financial statements date.

12. MISCELLANEOUS ASSETS AND RECEIVABLES

	2010	2009
Pension plan assets (note 31)	3,826	5,087
Real estate developed or held for resale	12,322	11,869
Deferred policy acquisition costs	60,486	46,525
Premiums receivable	145,175	128,794
Other accounts receivable	73,479	62,736
	<u>295,288</u>	<u>255,011</u>

Other accounts receivable include \$ 3,097 (2009 - \$2,814) due from managed funds.

(a) Real estate developed or held for resale

Real estate developed for resale includes \$2,990 (2009 - \$6,290) which is expected to be realised within one year of the financial statements date. These balances also include \$231 (2009 - \$417) which represents the Group's proportionate interest in joint ventures.

(b) Deferred policy acquisition costs

Deferred policy acquisitions costs are expected to mature within one year of the financial statements date. The movement in these balances for the year was as follows:

Gross amount	2010	2009
Balance, beginning of year	46,525	28,227
Expensed	(102,150)	(81,322)
Additions	118,381	97,007
De-recognised on divestiture	(1,238)	-
Effect of exchange rate changes	(1,032)	2,613
Balance, end of year	<u>60,486</u>	<u>46,525</u>

13. ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2010	2009	2010	2009
Contracts issued to individuals:				
Life insurance - participating policies	316,100	306,015	1,497	1,992
Life insurance and annuity - non-participating policies	995,371	911,860	143,545	169,442
Health insurance	1,981	1,456	739	696
Unit linked funds	110,386	88,492	-	-
Reinsurance contracts held	13,995	12,010	-	-
	1,437,833	1,319,833	145,781	172,130
Contracts issued to groups:				
Life insurance	30,914	28,183	3,625	3,220
Annuities	248,111	228,763	28,549	31,754
Health insurance	36,854	35,752	123	592
	315,879	292,698	32,297	35,566
Total actuarial liabilities	1,753,712	1,612,531	178,078	207,696

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include \$117,341 (2009 - \$121,163) 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.

13. ACTUARIAL LIABILITIES (continued)

13.2 Movement in actuarial liabilities

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

	Gross liability		Reinsurers' share	
	2010	2009 (restated)	2010	2009
Balance, beginning of year	1,612,531	1,450,219	207,696	215,240
Assumed on acquisitions	2,409	1,549	1,345	-
Change in actuarial liabilities recorded in income (note 27)	117,889	156,285	(27,695)	(7,496)
Change in actuarial liabilities recorded in other comprehensive income (notes 35 and 38)	15,041	24,254	-	-
De-recognised on divestiture	(3,489)	-	(3,260)	-
Effect of exchange rate changes	9,331	(19,776)	(8)	(48)
Balance, end of year	1,753,712	1,612,531	178,078	207,696

As set out in note 2.13 (a), the changes in actuarial liabilities which arise from asset fair value gains or losses in other comprehensive income (OCI) are now also recorded in OCI. In prior years, this change in actuarial liabilities was recorded in income. The effect of the change in accounting policy in 2009 is summarised in note 38.

13. ACTUARIAL LIABILITIES (continued)

13.2 Movement in actuarial liabilities (continued)

The changes in actuarial liabilities recorded in income and other comprehensive income are further analysed as follows:

	Gross liability		Reinsurers' share	
	2010	2009	2010	2009
Normal changes in actuarial liabilities arising from increments and decrements of inforce policies and from the issuance of new policies	144,559	214,746	(27,927)	(7,496)
Effect of changes in actuarial assumptions for mortality, morbidity, lapse, investment yields, and operating expenses and taxes	(7,138)	(37,186)	232	-
Other changes:				
Actuarial modelling, refinements, improvements and corrections	(8,288)	(2,406)	-	-
Changes in margins for adverse deviations	368	63	-	-
Other	3,429	5,322	-	-
	132,930	180,539	(27,695)	(7,496)

13. ACTUARIAL LIABILITIES

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.

Any 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 2010 valuation, insurers updated studies of recent mortality experience. The resulting experience was compared to external mortality studies including the Canadian Institute of Actuaries (CIA) 1986 - 1992 tables. 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.

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 updated by insurers for the 2010 valuation, to determine the most recent experience of persistency. Appropriate rates of termination by policy duration were determined and applied in the actuarial valuations.

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

(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 is the assumed rate that will ultimately be earned on government bonds. It is established for each geographic area and is summarised in the following table.

Ultimate rate of return:	2010	2009
Barbados	5.0%	5.0%
Jamaica	7.0%	7.0%
Trinidad & Tobago	5.5%	5.5%
Other Caribbean	5.0 – 5.5%	5.0 – 5.5%
USA	4.0%	4.0%

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

(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 2010 valuations and were applied on a per policy basis.

Taxes reflect assumptions for future premium taxes and income taxes levied directly on investment income (see note 32.2). For income taxes levied on net income, actuarial liabilities are adjusted for policy related recognised deferred tax assets and liabilities.

(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 specific margins for equity securities, debt securities, mortgage loans and deposits.

(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:	2010	2009
Mortality and morbidity	50,155	41,813
Lapse	39,209	32,203
Investment yields and asset default	67,620	67,023
Operating expenses and taxes	18,561	16,969
	175,545	158,008

13. ACTUARIAL LIABILITIES (continued)

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 date of the financial statements.

14. OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2010	2009
Dividends on deposit and other policy balances	70,101	67,784
Policy benefits payable	355,395	232,406
Provision for unearned premiums	239,385	201,579
	664,881	501,769

The provision for unearned premiums is expected to mature within one year of the financial statements date.

14. OTHER INSURANCE LIABILITIES (continued)

14.2 Policy benefits payable

(a) Analysis of policy benefits payable

	Gross liability		Reinsurers' share	
	2010	2009	2010	2009
Life insurance and annuity benefits	54,969	45,884	10,565	11,134
Health claims	2,647	3,636	2,643	2,633
Property and casualty claims:				
Notified outstanding claims	174,640	92,216	31,035	12,303
Provision for claims incurred but not reported	123,139	90,670	13,664	9,830
	355,395	232,406	57,907	35,900

Property and casualty claims payable contain total discounted amounts of \$14,440 in respect of the gross liability and \$1,645 in respect of the reinsurers' share (2009 – \$4,826 and \$388 respectively). Included within the total discounted amounts are \$5,537 (2009 – nil) in the gross liability and \$383 (2009 – nil) in the reinsurers' share representing sub-classes of insurance. These amounts result from the discounting at rates which reflect the achievable yield over 10 years of the insurer's investment portfolio. The discount rates varied from 0.27% to 3.40% (2009 – 0.31% to 3.48%).

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14. OTHER INSURANCE LIABILITIES (continued)

14.2 Policy benefits payable (continued)

(b) Movement in policy benefits payable

	Gross amount		Reinsurers' share	
	2010	2009	2010	2009
Balance, beginning of year	232,406	183,971	35,900	50,861
Policy benefits incurred	626,071	500,416	77,419	58,703
Policy benefits paid	(496,884)	(458,092)	(49,607)	(71,964)
De-recognised on divestiture	(7,014)	-	(5,701)	-
Effect of exchange rate changes	816	6,111	(104)	(1,700)
Balance, end of year	355,395	232,406	57,907	35,900

14.3 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	Gross liability		Reinsurers' share	
	2010	2009	2010	2009
Property and casualty insurance	239,385	201,571	40,909	45,766
Health insurance	-	8	-	-
	239,385	201,579	40,909	45,766

14. OTHER INSURANCE LIABILITIES (continued)

14.3 Provision for unearned premiums (continued)

(b) Movement in provision for unearned premiums

	Gross amount		Reinsurers' share	
	2010	2009	2010	2009
Balance, beginning of year	201,579	135,543	45,766	36,271
Premiums written	510,217	444,835	111,087	130,107
Premium revenue	(454,202)	(389,078)	(103,984)	(121,773)
De-recognised on divestiture	(14,348)	-	(11,811)	-
Effect of exchange rate changes	(3,861)	10,279	(149)	1,161
Balance, end of year	239,385	201,579	40,909	45,766

15. INVESTMENT CONTRACT LIABILITIES

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	109,739	109,739	95,581	95,581
Other investment contracts	100,752	101,537	132,229	132,416
	210,491	211,276	227,810	227,997
At fair value through income:				
Unit linked deposit administration liabilities	83,847	83,847	76,587	76,587
	294,338	295,123	304,397	304,584

16. NOTES AND LOANS PAYABLE

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
7.5% senior notes due 2016	144,028	154,696	144,520	149,771
12.5% cumulative redeemable preference shares due 2013	7,191	7,191	14,235	14,235
Bank loans and other funding instruments	30,666	30,666	42,089	42,089
	181,885	192,553	200,844	206,095

The Group issued ten year \$150,000 senior notes which are repayable in 2016. The notes carry a 7.5% rate of interest fixed for the period and interest is payable semi-annually. The notes are traded and are listed on the Luxembourg Euro MTF Market.

The 12.5% cumulative redeemable preference shares were issued by Pan Caribbean Financial Services Limited in February 2008. The shares are denominated in Jamaican dollars. 51.5% of the shares issued in 2008 were redeemed in 2010.

In December 2009, the Group received a bank loan of \$25,000. Interest is variable at 5.25% above LIBOR at the date of the financial statements (2009 – 3.5% above LIBOR). The initial term of the loan was 6 months, but was extended to March 31, 2011. Other bank loans and funding instruments carry interest rates between 4.75% and 7.5% and are repayable by June 2011. The security for bank loans and other funding instruments are disclosed in note 9.2.

Financial covenants in respect of the above liabilities are summarised in note 45.3.

17. DEPOSIT AND SECURITY LIABILITIES

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	229,617	240,875	233,443	240,379
Customer deposits	168,134	202,620	162,989	146,174
Securities sold under agreements to repurchase	575,716	644,094	501,128	456,825
Bank overdrafts	2,580	2,580	2,380	2,380
	976,047	1,090,169	899,940	845,758
At fair value through income:				
Structured products	5,655	5,655	5,299	5,299
Derivative financial instruments (note 41.6)	1,849	1,849	2,248	2,248
	7,504	7,504	7,547	7,547
	983,551	1,097,673	907,487	853,305

Other funding instruments consist of loans from banks and other financial institutions and include balances of \$120,402 (2009 - \$122,990) 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.

Structured products are offered by a banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalise on current market trends.

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

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18. PROVISIONS

	2010	2009
Pension plans and other retirement benefits (note 31)	32,006	27,303
Other	6,828	12,056
	<u>38,834</u>	<u>39,359</u>

19. INCOME TAX LIABILITIES

	2010	2009
Deferred income tax liabilities (note 33)	16,089	7,933
Income taxes payable	7,711	8,557
	<u>23,800</u>	<u>16,490</u>

Income taxes payable are expected to be settled within one year of the financial statements date.

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Amounts due to policyholders	18,893	35,119
Amounts due to reinsurers	60,714	73,132
Amounts due to managed funds	3,046	4,346
Other accounts payable and accrued liabilities	104,756	83,070
	<u>187,409</u>	<u>195,667</u>

Amounts due to reinsurers include \$43,355 (2009 – \$46,421) 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.

	2010		2009	
	Number of shares '000	\$000	Number of shares '000	\$000
Issued and fully paid common shares of no par value:				
Balance, beginning of year	290,903	281,142	278,355	260,161
Allotments	438	659	12,548	20,981
Balance, end of year	<u>291,341</u>	<u>281,801</u>	<u>290,903</u>	<u>281,142</u>
Treasury shares:				
Balance, beginning of year	(1,201)	(2,890)	(725)	(2,008)
Net shares acquired	(1,180)	(1,739)	(476)	(882)
Balance, end of year	<u>(2,381)</u>	<u>(4,629)</u>	<u>(1,201)</u>	<u>(2,890)</u>
Total share capital	<u>288,960</u>	<u>277,172</u>	<u>289,702</u>	<u>278,252</u>

The Company's shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges. From June 2008 to September 2009, the Company's shares were listed on the Jamaica stock exchange.

22. RESERVES

	<<<< Fair value reserves >>>>				Currency translation reserves	Other reserves	Total reserves
	Owner occupied property	Available for sale assets	Actuarial liabilities	Cash flow hedges			
2010							
Balance, beginning of year, as restated (note 38)	20,444	(5,255)	(5,424)	594	(73,762)	20,794	(42,609)
Other comprehensive income	693	28,834	(9,844)	-	1,965	-	21,648
Value of employee services rendered (net)	-	-	-	-	-	2,321	2,321
Disposal interest in subsidiaries	-	64	-	-	-	-	64
Other movements	-	594	-	(594)	-	4,170	4,170
Balance, end of year	21,137	24,237	(15,268)	-	(71,797)	27,285	(14,406)
2009 (restated)							
Balance, beginning of year (note 38)	19,214	(45,155)	10,840	1,462	(73,851)	14,913	(72,577)
Other comprehensive income	1,230	37,935	(16,264)	(1,011)	(5,554)	-	16,336
Value of employee services rendered (net)	-	-	-	-	-	972	972
Changes in the ownership interest of subsidiaries (note 37.2)	-	2,022	-	143	5,643	(1,052)	6,756
Other movements	-	(57)	-	-	-	5,961	5,904
Balance, end of year	20,444	(5,255)	(5,424)	594	(73,762)	20,794	(42,609)

Other reserves comprise share based payment reserves of \$7,984 (2009 - \$5,663) and statutory reserves of \$19,301 (2009 - \$15,131).

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23. PARTICIPATING ACCOUNTS

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

	Closed participating account		Open participating account	
	2010	2009	2010	2009 (restated)
Balance, beginning of year, as restated (note 38)	9,158	10,311	(3,307)	333
Total comprehensive income / (loss)	(2,573)	(1,153)	1,326	(3,380)
Return of transfer to support profit distribution to shareholders	-	-	(257)	(260)
Balance, end of year	6,585	9,158	(2,238)	(3,307)

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

	Closed participating account		Open participating account	
	2010	2009	2010	2009
Assets	101,498	97,715	248,922	242,216
Liabilities	94,913	88,557	251,160	245,523
Revenues	10,602	10,202	33,472	35,223
Benefits	11,392	9,242	24,704	31,113
Expenses	1,623	1,656	6,536	6,350
Income taxes	211	352	873	1,063

24. PREMIUM REVENUE

	Gross revenue		Reinsurance expense	
	2010	2009	2010	2009
Life insurance	331,776	318,379	37,109	38,034
Annuities	128,295	172,763	622	326
Health insurance	132,748	146,513	4,356	5,849
Property and casualty insurance	454,202	369,871	103,984	120,375
	1,047,021	1,007,526	146,071	164,584

Gross revenue includes \$92,844 (2009 - \$84,504) in reinsurance assumed.

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25. NET INVESTMENT INCOME

	2010	2009
Investment income:		
Interest income	244,893	258,266
Dividend income	3,988	4,623
Rental income from investment property	4,934	5,618
Net investment gains	42,172	32,346
Share of operating income of associated companies	2,478	2,125
Other investment income	1,302	3,608
	<u>299,767</u>	<u>306,586</u>
Investment expenses:		
Allowances for impairment losses	3,186	8,984
Direct operating expenses of investment property	1,662	1,623
Other direct investment expenses	1,639	1,763
	<u>6,487</u>	<u>12,370</u>
Net investment income	<u>293,280</u>	<u>294,216</u>

The Group operates across both active and inactive financial markets. The financial investments placed in both types of market support the insurance and operating financial liabilities of the Group. Because the type of financial market is incidental and not by choice, the Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting class.

The capital and income returns of most investments designated at fair value through income accrue to the holders of unit linked policy and deposit administration contracts which do not affect net income of the Group.

25. NET INVESTMENT INCOME (continued)

(a) Interest income

	2010	2009
Debt securities	187,055	189,702
Mortgage loans	24,214	25,954
Policy loans	8,268	8,068
Finance loans and finance leases	15,058	17,103
Securities purchased under agreements to resell	3,034	10,246
Deposits	7,115	6,753
Other balances	149	440
	<u>244,893</u>	<u>258,266</u>

Interest from debt securities includes \$2,172 (2009 - \$2,078) from an associated company.

(b) Net investment gains / (losses)

	2010	2009
Debt securities	27,744	22,083
Equity securities	11,168	7,722
Investment property	(1,399)	3,077
Other financial instruments	4,659	(536)
	<u>42,172</u>	<u>32,346</u>

26. FEES AND OTHER REVENUE

	2010	2009
Fee income – assets under administration	15,587	12,843
Fee income – deposit administration and policy funds	1,050	1,117
Commission income on insurance and reinsurance contracts	16,102	17,351
Other fees and commission income	11,559	13,624
Foreign exchange gains / (losses)	1,120	4,523
Other operating and miscellaneous income	16,449	18,718
	<u>61,867</u>	<u>68,176</u>

27. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross amount		Reinsurers' share	
	2010	2009	2010	2009
Policy benefits:				
Life insurance benefits	154,950	144,225	23,574	25,695
Annuity benefits	89,629	88,230	12,279	15,058
Health insurance claims	97,932	119,371	3,827	4,317
Property & casualty insurance claims	284,679	149,620	41,385	13,815
Total policy benefits	<u>627,190</u>	<u>501,446</u>	<u>81,065</u>	<u>58,885</u>
Change in actuarial liabilities (note 13.2)	117,889	156,285	(27,695)	(7,496)
Total policy benefits and change in actuarial liabilities	<u>745,079</u>	<u>657,731</u>	<u>53,370</u>	<u>51,389</u>

Gross policy benefits include \$84,578 (2009 - \$86,644) arising from reinsurance assumed.

28. INTEREST EXPENSE

	2010	2009
Insurance contracts	2,980	3,010
Investment contracts	20,433	24,015
Other funding instruments	4,535	5,045
Deposits	8,617	10,397
Securities	38,286	56,750
Other Items	3,146	2,682
	<u>77,997</u>	<u>101,899</u>

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc). Therefore, the interest expense is presented consistently with management practice, rather than by accounting class.

The capital and income returns of most financial liabilities designated at fair value through income accrue directly from the capital and income returns of specific assets. Therefore, the interest expense of these financial liabilities does not affect the net income of the Group.

29. EMPLOYEE COSTS

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

	2010	2009
Administrative staff salaries, directors' fees and other short-term benefits	86,293	91,627
Employer contributions to social security schemes	7,381	6,949
Expense arising from equity-settled share plans (note 30.1 to 30.3)	3,862	2,618
(Credit) / expense arising from cash-settled share plans (note 30.4)	(1,799)	672
Employer contribution to defined contribution pension schemes	1,522	1,128
Costs – defined retirement benefits (note 31 (b))	8,506	4,721
	105,765	107,715

30. EMPLOYEE SHARE BASED COMPENSATION

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagikor 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.

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.1 The Company (continued)

(a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management of the Group. 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:

	2010		2009	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	353	US\$1.59	374	US\$2.35
Grants issued	1,023	US\$1.43	675	US\$1.57
Grants vested	(624)	US\$1.50	(683)	US\$1.97
Grants forfeited	-	-	(13)	US\$2.34
Balance, end of year	752	US\$1.45	353	US\$1.59

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option is granted. From 2009, options are granted at the fair market price of the Company shares prevailing one year before 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.

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.1 The Company (continued)

The movement in share options during the year is as follows.

	2010		2009	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	5,807	US \$2.26	4,211	US \$2.17
Options granted	1,749	US \$1.60	1,596	US \$2.50
Options lapsed/forfeited	(214)	US \$2.09	-	-
Balance, end of year	7,342	US \$2.07	5,807	US \$2.26
Exercisable at the end of the year	2,966	US \$2.17	1,887	US \$2.09

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

	2010	2009
Share price at grant date	US \$1.60 – 2.50	US \$1.60 – 2.50
Fair value of options at grant date	US \$0.41 – 0.69	US \$0.41 – 0.69
Expected volatility	19.3% - 35.8%	19.3% - 35.8%
Expected life	7.0 years	7.0 years
Expected dividend yield	2.8% - 3.1%	2.8% - 3.1%
Risk-free interest rate	4.8% – 6.8%	4.8% – 6.5%

The expected volatility is based on statistical analysis of monthly share prices over the 7 years (2009 – 4 years) prior to grant date.

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.1 The Company (continued)

(c) ESOP

During each of the years 2006 to 2010, 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, 1,179,500 common shares were acquired by the Trustees (2009 – 476,000 common shares).

30.2 Sagikor Life Jamaica Limited (SLJ)

(a) Long-term incentive plan

Effective May 1, 2003, SLJ 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.

SLJ 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 SLJ 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 31 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 SLJ stock on March 31 of the measurement year. The exercise price of the options is the closing bid price on March 31 of the measurement year.

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.2 Sagicor Life Jamaica Limited (SLJ) (continued)

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 set out in the following table. J\$ represents Jamaica \$.

	2010		2009	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	26,539	J\$8.04	16,194	J\$7.42
Options granted	20,564	J\$4.20	26,496	J\$7.92
Options exercised	(1,044)	J\$5.19	(2,982)	J\$3.90
Options lapsed/forfeited	(5,142)	J\$9.20	(13,169)	J\$7.98
Balance, end of year	40,917	J\$6.04	26,539	J\$8.04
Exercisable at the end of the year	20,040	J\$7.30	14,536	J\$8.94

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.2 Sagicor Life Jamaica Limited (SLJ) (continued)

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

	2010	2009
Fair value of options outstanding	J\$78,489,000	J\$37,274,000
Share price at grant date	J\$4.20 – 9.86	J\$6.80 – 11.30
Exercise price	J\$4.20 – 9.86	J\$7.92 – 11.30
Standard deviation of expected share price returns	39.0%	34.0%
Remaining contractual term	1 - 6 years	1 - 5 years
Risk-free interest rate	9.4% - 17.5%	16.8% - 17.5%

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

(b) Employee share purchase plan

SLJ 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 \$459 (2009 – 205).

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. Options vest over four years, 25% each anniversary date of the grant.

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

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

The movement in share options are set out in the following table. J\$ represents Jamaica \$.

	2010		2009	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	4,799	J\$18.53	5,457	J\$18.91
Options granted	8,886	J\$15.10	-	-
Options exercised	(192)	J\$12.20	-	-
Options lapsed / forfeited	(2,100)	J\$17.91	(658)	J\$21.82
Balance, end of year	11,393	J\$16.01	4,799	J\$18.53
Exercisable at the end of the year	4,410	J\$17.77	2,312	J\$18.66

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

	2010	2009
Fair value of options outstanding	J\$ 53,767,000	J\$ 52,604,000
Share price at grant date	J\$ 12.20 – 21.75	J\$ 16.84
Exercise price	J\$ 12.20 – 21.75	J\$ 18.00 – 21.75
Standard deviation of expected share price returns	10.0% - 21.7%	10.0%
Weighted average remaining contractual term	3 years	3 years
Risk-free interest rate	11.6% - 21.79%	13.3%

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

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.4 Sagicor Europe Limited (SEL)

The minority shareholders of Sagicor Europe Limited are participating employees who have subscribed in cash for shares of SEL. As of December 31, the total minority shareholding was 14% of issued shares. SEL intends to issue additional shares to future participating employees until the minority holdings total 15% of issued shares.

Each participating employee has contracted with SEL and the Company under a share subscription agreement. Under the provisions of these agreements, participating employees can exercise a put option to the Company to acquire their shares at the prevailing fair value. The put option may be exercised over the period beginning from the 5th anniversary of the agreement, with a maximum of 50% of the employee's shareholding being put on the 5th anniversary, a further maximum of 10% on the 6th anniversary, a further maximum of 10% on the 7th anniversary, and a further maximum of 30% on the tenth anniversary. The shares subscribed by participating employees, and the relevant fair values at the date of subscription are set out in the following table.

	2010		2009	
	Number of Shares '000	Fair value at Subscription (in £ 000)	Number of Shares '000	Fair value at Subscription (in £ 000)
Balance, beginning of year	337	2,489	344	2,488
Shares subscribed	-	-	2	63
Shares redeemed	-	-	(9)	(62)
Balance, end of year	337	2,489	337	2,489

The fair values of SEL shares at subscription dates were established by determining the value in use of Syndicate 1206 from 5 year internal cash flow projections.

30. EMPLOYEE SHARE BASED COMPENSATION (continued)

30.4 Sagikor Europe Limited (SEL) (continued)

The put options described above have been accounted for as cash settled share based payment arrangements. As such the valuation of the put options at December 31, 2010 of \$4,448 (2009 – \$6,467) is recognised in the financial statements. The valuation of the put options have been derived from:

- Valuation of SEL using a variety of methods;
- Discounting the expected cash outflows from the put options, assuming the options are exercised at the earliest possible dates. The discount rate used was 11.5% (2009 – 12.5%).

The shares issued meet the definition of a financial liability in accordance with IAS 32 Financial Instruments: Presentation. Consequently, SEL is consolidated as a 100% subsidiary, with the change in liability recorded as an expense (see note 29).

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.

31. EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Amounts recognised in the financial statements

	2010	2009
Fair value of retirement plan assets	94,059	81,062
Present value of funded retirement obligations	(97,922)	(80,566)
	(3,863)	496
Present value of unfunded retirement obligations	(36,991)	(30,386)
Unrecognised actuarial losses	12,674	7,674
Amounts recognised in the financial statements	(28,180)	(22,216)
Represented by:		
Liabilities held on deposit with the Group as deposit administration contracts	(25,371)	(22,432)
Other recognised liabilities	(6,635)	(4,871)
Total recognised liabilities (note 18)	(32,006)	(27,303)
Recognised assets (note 12)	3,826	5,087
	(28,180)	(22,216)

The net benefit defined obligation and experience adjustments for the last 5 years are as follows:

	2010	2009	2008	2007	2006
Present value of retirement obligations	(134,913)	(110,952)	(107,161)	(106,179)	(88,778)
Fair value of plan assets	94,059	81,062	75,880	75,870	66,059
Net obligation	(40,854)	(29,890)	(31,281)	(30,309)	(22,719)
Experience adjustment on:					
Plan liabilities	2,362	(2,299)	(9,565)	(1,649)	7,525
Plan assets	(759)	(811)	9,952	849	1,006

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31. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Amounts recognised in the income statement

	2010	2009
Current service cost	4,858	3,961
Interest cost	10,979	10,816
Net actuarial (gains) / losses recognised during the year	1,282	(1,052)
Past service cost	65	278
Expected return on retirement plan assets	(8,678)	(9,282)
Total cost	8,506	4,721

The actual return on retirement plan assets was \$9,572 (2009 – \$9,920).

(c) Retirement plan assets

Movement in retirement plan assets	2010	2009
Plan assets, beginning of year	81,062	75,880
Expected return on plan assets	8,678	9,282
Actuarial gains and losses	(203)	172
Contributions made by the Group	4,780	4,357
Contributions made by plan participants	2,337	2,021
Benefits paid	(3,560)	(4,015)
Other	(1,482)	(1,331)
Effects of exchange rate changes	2,447	(5,304)
Plan assets, end of year	94,059	81,062

For the next financial year, the total employer contributions are estimated at \$4,904 (2009-\$5,031).

31. EMPLOYEE RETIREMENT BENEFITS (continued)

Distribution of the plan assets

	2010	2009
Equity unit linked pension funds under management	91,887	78,354
Other assets	2,172	2,708
Total plan assets	94,059	81,062

(d) Movement in retirement obligations

	2010	2009
Retirement obligations, beginning of year	110,952	107,161
Current service cost	6,149	5,566
Interest cost	10,979	10,816
Contributions made by employees	2,563	2,587
Actuarial gains and losses	5,987	(4,070)
Benefits paid	(4,302)	(5,373)
Past service cost	65	278
Other	(158)	(87)
Effects of exchange rate changes	2,678	(5,926)
Retirement obligations, end of year	134,913	110,952

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31. EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Principal assumptions

The principal actuarial assumptions by geographic area used for 2010 were as follows:

Pension benefits	Barbados	Jamaica	Trinidad	Other Caribbean
Discount rate	7.0%-7.8%	11.0%	7.0%	7.8%
Expected return on plan assets	7.8%-8.0%	10.0%	6.5%	7.8%
Future salary increases	3.0%-6.5%	8.5%	2.5%-5.5%	2.0%-3.0%
Future pension increases	2.0%-2.5%	2.0%	1.0%	2.5%
Portion of employees opting for early retirement	15.0%	-	-	-
Future changes in National Insurance Scheme Ceilings	3.5%	-	2.0%	3.5%

Other retirement benefits	Barbados	Jamaica
Discount rate	7.0%	11.0%
Expected return on plan assets	-	10.0%
Future salary increases	-	8.5%
Long term increase in health costs	4.5%	10.5%

The effect of a change of 1% in the assumption for long-term increase in health costs as of December 31, 2010 is estimated as follows:

	Effect of 1% decrease	Effect of 1% increase
Revised service cost	430	667
Revised interest cost	1,037	1,418
Revised accumulated retirement benefit	9,562	13,437

32. INCOME TAXES

32.1 Income tax expense

	2010	2009 (restated)
Current tax	14,816	15,652
Deferred tax	278	3,059
Share of tax of associated companies	216	621
	<u>15,310</u>	<u>19,332</u>

32.2 Derivation of income tax expense

Income tax arises from the following sources of income:

	2010	2009 (restated)
Investment income subject to direct taxation	96,997	89,491
Net income subject to direct taxation	30,938	43,937
Total income subject to taxation	<u>127,935</u>	<u>133,428</u>

32. INCOME TAXES (continued)

32.2 Derivation of income tax expense (continued)

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using applicable tax rates is set out in the following table.

	2010	2009 (restated)
Income subject to tax	127,935	133,428
Tax calculated at the applicable rates on income subject to tax	27,527	28,271
Adjustments to current tax for items not subject to tax or not allowed for tax	(22,470)	(16,517)
Other current tax adjustments	(26)	(178)
Adjustments for current tax of prior periods	(117)	17
Movement in unrecognised deferred tax asset	6,706	5,333
Deferred tax (income) / expense relating to the origination of temporary differences	1,349	(62)
Deferred tax (income) / expense relating to changes in tax rates and the imposition of new taxes	97	8
Deferred tax expense that arises from the write down / (income from the reversal of a write down) of a deferred tax asset	465	(707)
Tax on distribution of profits from policyholder funds	-	796
Other taxes	1,779	2,371
	<u>15,310</u>	<u>19,332</u>

33. DEFERRED INCOME TAXES

	2010	2009 (restated)
Analysis of deferred income tax assets:		
Pensions and other retirement benefits	694	1,132
Unrealised losses on financial investments	261	8,610
Unused tax losses	7,579	4,487
Off-settable deferred income tax liabilities in respect of policy liabilities timing differences and other items	-	(619)
Other items	675	1,662
Total (note 11)	<u>9,209</u>	<u>15,272</u>
Analysis of deferred income tax liabilities:		
Accelerated tax depreciation	2,184	2,242
Policy liabilities taxable in the future	29,245	25,564
Pensions and other retirement benefits	11	645
Accrued interest	2,554	1,032
Unrealised gains on financial investments	13,812	2,771
Off-settable deferred income tax assets in respect of unused tax losses and other items	(34,136)	(25,779)
Other items	2,419	1,458
Total (note 19)	<u>16,089</u>	<u>7,933</u>
Deferred income tax balances include the following:		
Assets to be recovered within one year	2,438	8,890
Liabilities to be settled within one year	9,222	6,124
Unrecognised balances:		
Tax losses	127,212	110,968
Potential deferred income tax assets	<u>32,673</u>	<u>28,588</u>

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34. EARNINGS AND DIVIDENDS PER COMMON SHARE

34.1 Earnings per common share

The basic earnings per common share is computed by dividing the net income attributable to shareholders by the weighted average number of shares in issue during the year, after deducting 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). It is calculated by dividing the net income attributable to shareholders by the adjusted weighted average number of shares in issue during the year, after deducting treasury shares.

By substituting net income with total comprehensive income, the computations of total comprehensive income (TCI) per share are done similarly to earnings per share.

	2010	2009 (restated)	2009 (previously stated)
Weighted average number of shares in issue in thousands	290,037	278,386	278,386
LTI restricted share grants	605	412	412
ESOP shares	815	467	467
Adjusted weighted average number of shares in issue	291,457	279,265	279,265
Net income attributable to shareholders	16,560	66,846	50,502
Basic earnings per common share	5.7 cents	24.0 cents	18.1 cents
Fully diluted earnings per common share	5.7 cents	23.9 cents	18.1 cents
TCI attributable to shareholders	38,208	83,053	83,775
TCI per common share	13.2 cents	29.8 cents	30.1 cents
TCI per common share on a fully diluted basis	13.1 cents	29.7 cents	30.0 cents

34. EARNINGS AND DIVIDENDS PER COMMON SHARE (continued)

34.1 Earnings per common share (continued)

The effect of the changes in accounting policies described in note 2.1 (d) is to increase basic earnings per common share in 2010 by 5.2 cents (5.1 cents on a fully diluted basis).

34.2 Dividends per common share

	2010		2009	
	US cents per share	\$000	US cents per share	\$000
Dividends declared and paid:				
Final dividend in respect of the prior year	2.0	5,794	2.0	5,553
Interim dividend in respect of the current year	2.0	5,797	2.0	5,564
	4.0	11,591	4.0	11,117
Dividends declared after the date of the financial statements:				
Final dividend in respect of the current year	2.0	5,779	2.0	5,794

35. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (OCI) and the related income tax effects are as follows:

	2010				2009 (restated)			
	Group OCI before tax	Tax	Group OCI after tax	OCI after tax Attributable to shareholders	Group OCI before tax	Tax	Group OCI after tax	OCI after tax Attributable to shareholders
Fair value reserves – owner occupied property:								
Unrealised gains / (losses) arising on revaluation	770	-	770	693	1,176	-	1,176	1,176
(Gains) / losses transferred to income on disposal	-	-	-	-	155	-	155	54
	770	-	770	693	1,331	-	1,331	1,230
Fair value reserves – available for sale assets:								
Unrealised gains / (losses) arising on revaluation	65,122	(17,580)	47,542	33,514	53,409	(5,688)	47,721	38,788
(Gains) / losses transferred to income on disposal	(4,057)	(388)	(4,445)	(4,680)	(634)	(3,197)	(3,831)	(853)
	61,065	(17,968)	43,097	28,834	52,775	(8,885)	43,890	37,935
Fair value reserves – actuarial liabilities:								
Net change in actuarial liabilities	(15,041)	4,465	(10,576)	(9,844)	(24,254)	7,148	(17,106)	(16,264)
Fair value reserves – cash flow hedges:								
Unrealised gains / (losses) arising on revaluation	-	-	-	-	(2,551)	850	(1,701)	(1,011)
Retranslation of foreign currency operations	6,007	-	6,007	1,965	(12,996)	-	(12,996)	(5,554)
Other items	(309)	-	(309)	-	(129)	-	(129)	(129)
OCI for the year	52,492	(13,503)	38,989	21,648	14,176	(887)	13,289	16,207

36. CASH FLOWS

36.1 Operating activities

	2010	2009
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(248,881)	(262,889)
Net investment gains	(42,172)	(32,346)
Net increase in actuarial liabilities	145,584	163,781
Interest expense and finance costs	94,366	117,710
Depreciation and amortisation	18,269	18,659
Increase in provision for unearned premiums	46,377	44,351
Other items	(27,279)	(10,690)
	<u>(13,736)</u>	<u>38,576</u>
Changes in operating assets:		
Investment property	(3,857)	3,058
Debt securities	(260,006)	(307,352)
Equity securities	(3,520)	18,079
Mortgage loans	16,512	(697)
Policy loans	795	(1,785)
Finance loans and finance leases	(16,650)	7,158
Securities purchased under agreement to resell	(1,563)	1,963
Deposits	(56,512)	(70,528)
Other assets and receivables	(30,339)	2,332
	<u>(355,140)</u>	<u>(347,772)</u>

36. CASH FLOWS (continued)

36.1 Operating activities (continued)

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

	2010	2009
Investment property:		
Disbursements	(11,233)	(806)
Disposal proceeds	7,376	3,864
	<u>(3,857)</u>	<u>3,058</u>
Debt securities:		
Disbursements	(1,730,447)	(1,745,626)
Disposal proceeds	1,470,441	1,438,274
	<u>(260,006)</u>	<u>(307,352)</u>
Equity securities:		
Disbursements	(62,079)	(42,943)
Disposal proceeds	58,559	61,022
	<u>(3,520)</u>	<u>18,079</u>

36. CASH FLOWS (continued)

36.1 Operating activities (continued)	2010	2009
Changes in operating liabilities:		
Insurance liabilities	109,600	41,425
Investment contract liabilities	(14,536)	50,503
Other funding instruments	(14,154)	41,501
Deposits	11,925	(314)
Securities	85,005	(12,881)
Other liabilities and payables	(9,492)	43,847
	<u>168,348</u>	<u>164,081</u>

36.2 Investing activities	2010	2009
Property, plant and equipment:		
Purchases	(13,306)	(11,604)
Disposal proceeds	3,054	1,970
	<u>(10,252)</u>	<u>(9,634)</u>

36.3 Financing activities	2010	2009
Notes and loans payable:		
Proceeds	-	36,833
Repayments	(14,452)	-
	<u>(14,452)</u>	<u>36,833</u>

36.4 Cash and cash equivalents	2010	2009
Cash resources	218,635	196,020
Call deposits and other liquid balances	80,085	141,412
Bank overdrafts	(2,580)	(2,380)
Other short-term borrowings	(17,072)	(5,434)
	<u>279,068</u>	<u>329,618</u>

37. DIVESTITURE, ACQUISITIONS AND OWNERSHIP CHANGES

37.1 Divestiture of interest in Sagicor General Insurance (Cayman) Limited (SGC)

Effective January 1, 2010, Sagicor Life of the Cayman Islands Limited (SLC) disposed of its 75% shareholding in SGC. The divestiture has been accounted for as follows:

	\$000
Goodwill attributable to SGC	933
75% share of net assets of SGC	<u>9,726</u>
	10,659
Proceeds on divestiture	<u>11,597</u>
Gain on divestiture	<u>938</u>
The gain on divestiture is attributable to:	
Shareholders	555
Minority interests	<u>383</u>

At the time of divestiture, SLC purchased the 100% interest in Sagicor Insurance Managers Limited from SGC. This transaction has been accounted for as follows:

	\$000
Net assets of Sagicor Insurance Managers	270
Purchase consideration - cash	<u>307</u>
Balance on acquisition	<u>37</u>
The balance on acquisition is attributable to:	
Shareholders	22
Minority interests	<u>15</u>

The balance on acquisition has been net off the goodwill attributable to SGC.

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37. DIVESTITURE, ACQUISITIONS AND OWNERSHIP CHANGES

37.2 Ownership changes – Pan Caribbean Financial Services (PCFS)

Effective November 11, 2009, the Company sold its direct 33% interest in PCFS to Sagicor Life Jamaica (SLJ) for cash consideration. The net disposal proceeds received by the Company amounted to \$28,451 giving rise to a net loss to shareholders booked in retained earnings of \$11,363. The net loss and other movements in equity are disclosed in the consolidated statement of equity.

As a consequence of the transaction the Group reduced its total interest in PCFS from 64% to 51% and SLJ increased its total interest in PCFS from 53% to 86%.

38. RESTATEMENTS

As set out in notes 2.13(a) and 13.2, the Group has changed its accounting policy for the recording of changes in actuarial liabilities arising from fair value movements of assets which are recorded in other comprehensive income. The change in accounting policy has been applied retroactively. The effect of the change to the statements of equity, income and comprehensive income for the year ended December 31, 2009 are summarised in the following tables.

STATEMENT OF EQUITY	Previously stated	Prior year adjustment	Restated
Balance, January 1, 2009:			
Shareholders' equity - reserves	(85,272)	12,695	(72,577)
Shareholders' equity - retained earnings	274,870	(10,840)	264,030
Participating account	12,499	(1,855)	10,644
	<u>202,097</u>	<u>-</u>	<u>202,097</u>
Balance, December 31, 2009:			
Shareholders' equity - reserves	(38,238)	(4,371)	(42,609)
Shareholders' equity - retained earnings	296,927	5,504	302,431
Participating account	6,984	(1,133)	5,851
	<u>265,673</u>	<u>-</u>	<u>265,673</u>

38. RESTATEMENTS (continued)

STATEMENT OF INCOME - 2009	Previously stated	Prior year adjustment	Restated
Income before taxes	82,635	24,254	106,889
Income taxes	(12,184)	(7,148)	(19,332)
Net income	<u>70,451</u>	<u>17,106</u>	<u>87,557</u>
Net income attributed to:			
Shareholders	50,502	16,344	66,846
Participating accounts	(5,113)	762	(4,351)
Minority interest	25,062	-	25,062
	<u>70,451</u>	<u>17,106</u>	<u>87,557</u>

STATEMENT OF COMPREHENSIVE INCOME - 2009	Previously stated	Prior year adjustment	Restated
Net income	70,451	17,106	87,557
Other comprehensive income	30,395	(17,106)	13,289
Total comprehensive income	<u>100,846</u>	<u>-</u>	<u>100,846</u>
Total comprehensive income attributed to:			
Shareholders	83,775	(722)	83,053
Participating accounts	(5,255)	722	(4,533)
Minority interest	22,326	-	22,326
	<u>100,846</u>	<u>-</u>	<u>100,846</u>

39. COMMITMENTS AND CONTINGENT LIABILITIES

39.1 Commitments

In the normal course of business, the Group enters into commitments at the date of the financial statements for which no provision has been made in these financial statements. Non-cancellable commitments for loan disbursements, operating lease and rental payments are disclosed in note 41.2(a).

39.2 Contingent liabilities

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

	2010	2009
Customer guarantees and letters of credit	12,594	13,107
Letter of credit facility	81,559	84,127
	94,153	97,234

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.

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 Universal Life portfolio revealed that approximately 17,000 policies were affected by fund values which were insufficient to cover these costs through the life of the policies. Once the issue 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. Approximately 95% of these policyholders agreed to adjustments to their policies.

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

(d) Hurricane Ivan claims

Effective November 30, 2005, Sagicor Life of the Cayman Islands (SLC), a subsidiary of the Company, acquired a 51% stake in Sagicor General Insurance Cayman Ltd (SGC) (formerly Cayman General Insurance Ltd) from Cayman National Corporation Ltd (CNC). On October 22, 2007, SLC purchased an additional 24.2% interest in SGC from CNC. Under the terms of the initial Sale and Purchase Agreement, CNC provided certain warranties to SLC including amounts in relation to Hurricane Ivan claims, not finally settled.

39. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

39.2 Contingent liabilities (continued)

SGC filed suit in February 2006 against certain third parties to recover sums paid for work done in respect of Hurricane Ivan (the "Windsor Village litigation"). The understanding of the parties (SLC and CNC) based on discussions held was that CNC would be entitled to retain any benefits realised from the Windsor Village litigation and as a consequence SLC's position is that CNC would be responsible for all liabilities that might arise from it. CNC has also been responsible for the conduct of the litigation.

In December 2008, SGC withdrew its claims against the third parties and the third parties lodged counterclaims against SGC. Indemnity costs, unpaid invoices, damages and Court awards were paid. In addition, counterclaims related to abuse of process were lodged by third parties against SGC.

It is the Group's view, supported by legal advice received, that there is legal basis for relying on the warranty under the agreement in respect of certain of the counterclaims in the "Windsor Village litigation". The Group also intends to rely on the understanding arrived at between the parties prior to law suits being filed.

As part of the agreement for sale of SGI, SLC placed part of the sale proceeds in an escrow to compensate for the possibility of court awards over and above the provision of \$4,750 made by SGI at December 31, 2009. In February 2011, SLC received communication from its legal advisors that judgement had been handed down in respect of the case and recognised an additional liability of \$2,500 representing its share of the court awarded costs and interest.

40. RELATED PARTY TRANSACTIONS

Certain related party transactions and balances are included in notes 5, 9, 12, 20, 26, 30, 37 and 47 of the financial statements.

(a) Key management transactions and balances

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 are summarised in the following tables:

Compensation	2010	2009
Salaries, directors' fees and other short-term benefits	17,412	18,334
Equity-settled and cash settled compensation benefits	1,619	2,943
Pension and other retirement benefits	832	928
	<u>19,863</u>	<u>22,205</u>

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	4,528	209	4,737
Advances	305	286	591
Repayments	(688)	(176)	(864)
Effects of exchange rate changes	(2)	5	3
Balance, end of year	<u>4,143</u>	<u>324</u>	<u>4,467</u>
Interest rates prevailing during the year	<u>5% - 8.0%</u>	<u>5% - 17.95%</u>	

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, banking 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 overriding objective of the Group's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Group accepts certain levels of risk in order to generate returns, and the Group manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The effects of financial and insurance risks are disclosed in the sections below and in notes 42, 43 and 44.

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.

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.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

	2010		2009	
	\$000	%	\$000	%
Government and government-guaranteed securities	1,497,082	35.7%	1,350,052	35.2%
Collateralised mortgage obligations	159,574	3.8%	193,487	5.0%
Corporate debt securities	898,452	21.4%	632,867	16.5%
Other securities	53,444	1.3%	47,883	1.3%
Total debt securities	2,608,552	62.2%	2,224,289	58.0%
Mortgage loans	297,082	7.1%	313,276	8.2%
Policy loans	123,250	2.9%	124,017	3.2%
Finance loans and finance leases	144,065	3.4%	135,078	3.5%
Securities purchased under agreements to resell	28,567	0.7%	82,315	2.1%
Derivative financial instruments	12,070	0.3%	4,105	0.1%
Deposits	311,694	7.4%	274,516	7.2%
Reinsurance assets	240,939	5.7%	249,113	6.5%
Premiums receivable	145,175	3.5%	128,794	3.4%
Other accounts receivable	39,708	0.9%	62,736	1.6%
Cash resources	218,635	5.3%	196,020	5.1%
Total financial statements exposures	4,169,737	99.4%	3,794,259	98.9%
Loan commitments	13,002	0.3%	31,029	0.8%
Customer guarantees and letters of credit	12,594	0.3%	13,107	0.3%
Total off financial statements exposures	25,596	0.6%	44,136	1.1%
Total	4,195,333	100.0%	3,838,395	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.

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41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

Commencing in 2009, the Group developed an internal credit rating for its financial assets and reinsurance exposures. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

Category		Sagikor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC,	ccc, cc
		7	Special mention	C	C	C	C
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	D
		10	Loss			D	

The 3 default grades are for the Group's lending portfolios (i.e. mortgage loans, policy loans, finance loans and finance leases). Investment securities and reinsurance exposures use one default grade.

Reinsurance exposures are best assessed under realistic disaster scenarios. Therefore the internal rating assessments of reinsurance assets arising from property and casualty insurance risks are set out in note 42.1(e).

As internal credit ratings have only been done by the larger subsidiaries within the Group, approximately 89% (2009 - 91%) by value of financial investments and cash balances have been covered. The results are as follows:

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

Category	Sagikor Risk Rating	Classification	2010		2009		
			Exposure \$000	Exposure %	Exposure \$000	Exposure %	
Non-default	Investment grade	1	Minimal risk	708,264	21	749,236	24
		2	Low risk	615,763	18	556,182	18
		3	Moderate risk	759,269	22	646,834	20
	Non-investment grade	4	Acceptable risk	193,973	6	255,034	7
		5	Average risk	1,087,105	32	89,827	3
	Watch	6	Higher risk	34,377	1	854,125	27
		7	Special	20,091	-	12,630	-
Default	8	Substandard	23,849	-	22,882	1	
	9	Doubtful	5,229	-	5,041	-	
	10	Loss	2,308	-	1,634	-	
TOTALS			3,450,228	100	3,193,425	100	

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41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

As of the date of the financial statements, the Group's largest exposures to individual counterparty credit risks are set out below.

	Sagicor Risk Rating	2010	Sagicor Risk Rating	2009
Debt securities:				
Government of Jamaica	5	916,457	6	769,958
Federal government of USA	1	96,024	1	132,363
Federal agencies of the USA	1	143,990	1	143,377
Government of Barbados	3	133,168	3	113,541
Government of Trinidad and Tobago	2	122,660	2	150,056
Deposits & cash:				
The Bank of Nova Scotia	1	113,996	1	102,235
Reinsurance assets:				
Scottish Re (U.S.) Inc ⁽¹⁾	7	109,624	Not rated	128,563
Washington National Insurance Company ⁽²⁾	5	56,745	5	63,113

⁽¹⁾ The reinsurance asset held in the name of Scottish Re is secured by assets held in trust by a third party and by the Group (see note 9.2). The total assets held in trust amount to \$149,819 (2009 - \$178,362).

⁽²⁾ The reinsurance asset arises from reinsurance assumed on a block of life insurance policies.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

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.

Exposure to mortgage loans and finance loans and finance leases by geographic area is as follows.

	2010	2009
Barbados	139,201	144,344
Jamaica	127,730	120,886
Trinidad & Tobago	103,886	106,401
Other Caribbean	45,902	47,681
USA	24,428	29,042
	441,147	448,354

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 82% 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.

For property casualty insurance premiums receivable, insurers frequently provide settlement terms to customers and intermediaries which extend up to 6 months.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

(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 180 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 amounts for collateral.

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.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

	Debt securities	Mortgage loans	Finance loans /leases
2010			
With amounts past due up to 3 months	10,945	54,833	39,908
With amounts past due up to 12 months	1,836	9,296	598
With amounts past due up to 5 years	331	6,952	-
With amounts past due over 5 years	33	8,127	-
Total	13,145	79,208	40,506
Estimated fair value of collateral	2,558	136,641	113,992
2009			
With amounts past due up to 3 months	21,164	20,237	18,447
With amounts past due up to 12 months	2,220	6,837	434
With amounts past due up to 5 years	766	6,086	-
With amounts past due over 5 years	52	6,100	-
Total	24,202	39,260	18,881
Estimated fair value of collateral	-	112,789	54,036

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

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

	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
2010				
Debt securities	12,811	(6,445)	6,366	3,955
Mortgage loans	19,257	(3,418)	15,839	22,911
Finance loans and finance leases	6,242	(2,706)	3,536	25,863
Total	38,310	(12,569)	25,741	52,729
2009				
Debt securities	14,415	(7,651)	6,764	5,931
Mortgage loans	18,806	(2,310)	16,496	26,884
Finance loans and finance leases	4,184	(2,301)	1,883	6,329
Total	37,405	(12,262)	25,143	39,144

Interest of \$472 (2009 - \$423) has been accrued on impaired financial investments.

The Group is also exposed to impaired premiums receivable. However, under the terms of insurance contracts, insurers can usually lapse an insurance policy for non-payment of premium, or if there is a claim, recover any unpaid premiums from the claim proceeds.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

(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 the date of the financial statements which were renegotiated during the year totalled \$6,689 (2009 - \$1,190).

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 that are settled by cash or by another financial asset. 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 debt and equity 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

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following tables. 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 the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

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41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

	2010 - Contractual cash flows				2009 - Contractual cash flows			
	Within 1 year	1 to 5 years	After 5 years	Total	Within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:								
Investment contract liabilities	264,112	27,785	6,221	298,118	286,627	17,405	3,166	307,198
Notes and loans payable	42,929	52,963	151,845	247,737	48,713	73,992	162,134	284,839
Deposit and security liabilities:								
Other funding instruments	179,998	37,413	32,707	250,118	170,777	44,430	37,208	252,415
Customer deposits	135,637	38,943	12,107	186,687	128,382	32,489	13,064	173,935
Structured products	4,702	6,057	2,598	13,357	-	4,071	2,573	6,644
Securities sold under agreements to repurchase	578,773	709	-	579,482	507,664	359	-	508,023
Derivative financial instruments	1,372	66	411	1,849	-	199	2,049	2,248
Bank overdrafts	2,750	-	-	2,750	2,380	-	-	2,380
Accounts payable and accrued liabilities	149,510	7,054	30,894	187,458	156,205	8,774	30,688	195,667
Total financial liabilities	1,359,783	170,990	236,783	1,767,556	1,300,748	181,719	250,882	1,733,349
Off financial statement commitments:								
Loan commitments	12,793	199	10	13,002	27,479	3,433	117	31,029
Operating lease and rental payments	4,253	6,214	-	10,467	4,585	9,253	3	13,841
Total off financial statements commitments	17,046	6,413	10	23,469	32,064	12,686	120	44,870
Total	1,376,829	177,403	236,793	1,791,025	1,332,812	194,405	251,002	1,778,219

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

(b) Insurance liabilities

The Group's insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	2010				2009			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Actuarial liabilities	79,292	326,522	1,347,898	1,753,712	93,497	284,890	1,234,144	1,612,531
Other insurance liabilities ⁽¹⁾	244,530	88,881	92,085	425,496	156,785	66,177	77,228	300,190
Total	323,822	415,403	1,439,983	2,179,208	250,282	351,067	1,311,372	1,912,721

⁽¹⁾ Consists of monetary items

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

(c) Financial and insurance assets

The Group's monetary financial and insurance assets mature in periods which are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

	2010				2009			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	373,984	682,412	1,552,156	2,608,552	433,425	576,966	1,213,898	2,224,289
Mortgage loans	25,527	32,884	238,671	297,082	22,081	27,471	263,724	313,276
Policy loans	3,958	14,155	105,137	123,250	4,251	12,294	107,472	124,017
Finance loans and finance leases	65,832	58,481	19,752	144,065	56,466	51,631	26,981	135,078
Securities purchased under agreements to resell	28,530	-	37	28,567	82,315	-	-	82,315
Deposits	264,670	46,270	754	311,694	229,098	44,900	518	274,516
Derivative financial instruments	2,018	9,640	412	12,070	274	3,345	486	4,105
Reinsurance assets: share of actuarial liabilities	15,688	53,875	108,515	178,078	25,148	66,934	115,614	207,696
Reinsurance assets: other	44,921	13,366	4,574	62,861	33,794	3,084	4,539	41,417
Premiums receivable	145,175	-	-	145,175	128,043	751	-	128,794
Other accounts receivable	33,491	1,174	5,043	39,708	58,567	653	3,516	62,736
Cash resources	218,635	-	-	218,635	196,020	-	-	196,020
Total	1,222,429	912,257	2,035,051	4,169,737	1,269,482	788,029	1,736,748	3,794,259

41. FINANCIAL RISK (continued)

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.

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.

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

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.

The tables following summarise the exposures to interest rates on 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 liabilities are categorised by their expected maturities.

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41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

	2010					2009				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities ⁽¹⁾	32,554	5,430	56,134	331,378	425,496	29,483	4,604	54,990	211,113	300,190
Investment contract liabilities	257,945	26,400	5,096	4,897	294,338	284,954	16,541	2,738	164	304,397
Notes and loans payable	30,527	7,155	145,838	(1,635)	181,885	36,513	20,005	146,811	(2,485)	200,844
Deposit and security liabilities:										
Other funding instruments	174,792	27,445	27,033	347	229,617	174,177	28,742	30,187	337	233,443
Customer deposits	125,948	31,479	9,655	1,052	168,134	122,735	27,963	10,658	1,633	162,989
Structured products	2,309	740	1,533	1,073	5,655	-	3,765	1,534	-	5,299
Securities sold under agreements to repurchase	571,198	649	-	3,869	575,716	492,177	283	-	8,668	501,128
Derivative financial instruments	-	-	-	1,849	1,849	-	-	-	2,248	2,248
Bank overdrafts	2,580	-	-	-	2,580	2,380	-	-	-	2,380
Accounts payable and accrued liabilities	264	108	-	187,037	187,409	153	-	-	195,514	195,667
Total	1,198,117	99,406	245,289	529,867	2,072,679	1,142,572	101,903	246,918	417,192	1,908,585

⁽¹⁾ Consists of monetary items

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41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

The tables following summarise the exposures to interest rate and reinvestment risks of the Group's insurance and financial assets. Assets are stated 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.

	2010					2009				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	580,495	567,323	1,416,369	44,365	2,608,552	595,890	527,013	1,056,989	44,397	2,224,289
Equity securities	-	-	-	111,552	111,552	-	-	-	116,846	116,846
Mortgage loans	84,318	27,457	180,850	4,457	297,082	90,812	23,554	194,604	4,306	313,276
Policy loans	3,220	13,991	102,400	3,639	123,250	3,418	12,166	104,441	3,992	124,017
Finance loans and leases	64,476	58,318	20,104	1,167	144,065	58,399	50,687	24,875	1,117	135,078
Securities purchased under agreements to resell	28,401	-	37	129	28,567	81,911	-	-	404	82,315
Deposits	307,682	1,389	431	2,192	311,694	268,806	-	304	5,406	274,516
Derivative financial instruments	845	1,661	-	9,564	12,070	196	648	-	3,261	4,105
Reinsurance assets: other	38	114	4,574	58,135	62,861	64	182	4,539	36,632	41,417
Premiums receivable	72	-	-	145,103	145,175	-	-	-	128,794	128,794
Other accounts receivable	415	1,159	-	38,134	39,708	398	564	-	61,774	62,736
Cash resources	122,528	1,568	-	94,539	218,635	153,089	-	-	42,931	196,020
Total	1,192,490	672,980	1,724,765	512,976	4,103,211	1,252,983	614,814	1,385,752	449,860	3,703,409

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

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

	2010	2009
Financial assets:		
Debt securities	8.1%	9.8%
Mortgage loans	8.3%	8.6%
Policy loans	8.6%	8.6%
Finance loans and finance leases	11.4%	12.9%
Securities purchased under agreements to resell	5.6%	15.5%
Deposits	2.5%	2.9%
Financial liabilities		
Investment contract liabilities	8.3%	8.1%
Notes and loans payable	8.7%	8.7%
Other funding instruments	2.0%	2.4%
Customer deposits	5.3%	6.7%
Securities sold under agreements to repurchase	7.4%	11.8%

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 Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest bearing instruments has short-term maturities.

The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered below.

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

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 total comprehensive income (TCI) of PCFS.

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 TCI 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.

2010				2009			
Change in interest rate		Effect on net income	Effect on TCI	Change in interest rate		Effect on net income	Effect on TCI
JMD	USD			JMD	USD		
- 1%	- 0.5%	1,841	10,112	- 8%	- 3%	8,394	35,379
+ 2%	+ 0.5%	(3,401)	(14,974)	+ 2%	+ 1%	(2,617)	(8,471)

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 Caribbean 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 by currency are summarised in the following tables.

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41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

2010	US\$ 000 equivalents of balances denominated in						Total
	Barbados \$	Jamaica \$	Trinidad \$	UK £	US \$	Other currencies	
ASSETS							
Financial investments ⁽¹⁾	325,300	660,971	306,771	66,939	1,836,535	328,764	3,525,280
Reinsurance assets	4,336	515	7,791	17,425	203,283	7,589	240,939
Receivables ⁽¹⁾	11,109	27,524	8,971	48,788	53,331	35,160	184,883
Cash resources	14,242	9,260	24,456	33,506	75,669	61,502	218,635
	354,987	698,270	347,989	166,658	2,168,818	433,015	4,169,737
Other assets ⁽²⁾	217,804	141,862	80,029	98,314	105,278	54,227	697,514
Total assets	572,791	840,132	428,018	264,972	2,274,096	487,242	4,867,251
LIABILITIES							
Actuarial liabilities	403,035	248,201	238,997	2,085	729,644	131,750	1,753,712
Other insurance liabilities ⁽¹⁾	62,412	20,179	19,739	146,242	120,193	56,731	425,496
Investment contracts	32,251	69,758	90,011	-	63,789	38,529	294,338
Notes and loans payable	-	7,192	-	-	174,693	-	181,885
Deposits and securities	53,573	342,108	7,299	4,216	562,405	13,950	983,551
Provisions	11,467	7,772	6,539	4,448	2,669	5,939	38,834
Accounts payable and accruals	20,022	36,538	19,346	18,253	77,242	16,008	187,409
	582,760	731,748	381,931	175,244	1,730,635	262,907	3,865,225
Other liabilities ⁽²⁾	14,882	12,204	17,621	79,952	88,252	50,274	263,185
Total liabilities	597,642	743,952	399,552	255,196	1,818,887	313,181	4,128,410
Net position	(24,851)	96,180	28,466	9,776	455,209	174,061	738,841

⁽¹⁾ Monetary items

⁽²⁾ Non-monetary balances, income tax balances and retirement plan assets

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41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

2009	US\$ 000 equivalents of balances denominated in						Total
	Barbados \$	Jamaica \$	Trinidad \$	UK £	US \$	Other currencies	
ASSETS							
Financial investments ⁽¹⁾	325,176	492,749	299,953	62,810	1,673,319	303,589	3,157,596
Reinsurance assets	3,766	600	5,722	4,860	225,238	8,927	249,113
Receivables ⁽¹⁾	7,365	21,500	7,804	52,769	61,249	40,843	191,530
Cash resources	24,450	19,057	11,420	39,392	76,187	25,514	196,020
	360,757	533,906	324,899	159,831	2,035,993	378,873	3,794,259
Other assets ⁽²⁾	223,658	146,180	80,219	63,604	84,478	67,574	665,713
Total assets	584,415	680,086	405,118	223,435	2,120,471	446,447	4,459,972
LIABILITIES							
Actuarial liabilities	385,487	201,290	220,299	1,260	685,917	118,278	1,612,531
Other insurance liabilities ⁽¹⁾	59,314	18,027	16,011	74,498	94,751	37,589	300,190
Investment contracts	29,839	53,346	85,648	-	100,845	34,719	304,397
Notes and loans payable	-	14,235	-	-	186,609	-	200,844
Deposits and securities	55,373	258,379	19,269	-	557,165	17,301	907,487
Provisions	10,022	6,646	5,737	6,467	376	10,111	39,359
Accounts payable and accruals	26,713	57,869	12,783	10,260	79,645	8,397	195,667
	566,748	609,792	359,747	92,485	1,705,308	226,395	3,560,475
Other liabilities ⁽²⁾	15,164	8,090	14,411	63,969	79,273	37,162	218,069
Total liabilities	581,912	617,882	374,158	156,454	1,784,581	263,557	3,778,544
Net position	2,503	62,204	30,960	66,981	335,890	182,890	681,428

⁽¹⁾ Monetary items

⁽²⁾ Non-monetary balances, income tax balances and retirement plan assets

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The matching of assets and liabilities by currency prevents economic exposure to currency risk, but it does not prevent exposure to exchange gains or losses in the income statement created as a result of the accounting treatment of monetary and non-monetary items. The gross and reinsurers' share of the provision for unearned premiums, and the gross and reinsurers share of deferred acquisition costs are non-monetary assets and liabilities which are translated at their average historic rate. This means that these items in the statement of financial position are carried at a different exchange rate to the related assets and liabilities, such as policy benefits payable, premium receivables and cash, with the resulting exchange differences that are created being recognised in the income statement.

The phenomenon in the foregoing paragraph occurs in the Sagicor at Lloyd's Syndicate 1206 operations, which writes a significant proportion of its insurance business in currencies other than the pound sterling, which is its functional currency. Its impact on reported net income is disclosed in note 4.1 as foreign exchange unwinding.

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 monetary balances

This occurs when a monetary balance 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 monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 26).

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 Pound 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.

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41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

(i) JMD currency risk

The effect of a 10% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2010 and for the year then ended are considered in the following table.

	Amounts denominated in		Total amounts	Effect of a 10% depreciation
	JMD	USD		
Financial position:				
Assets	836,085	617,299	1,453,384	(76,008)
Liabilities	743,781	439,942	1,183,723	(67,617)
Net position	92,304	177,357	269,661	(8,391)
Represented by:				
Currency risk of the Group's investment in foreign operations				(8,391)
Income statement:				
Revenue	271,751	47,760	319,511	(8,904)
Benefits	(146,583)	(16,453)	(163,036)	13,326
Expenses	(95,739)	(1,963)	(97,702)	8,704
Income taxes	(10,121)	(616)	(10,737)	920
Net income	19,308	28,728	48,036	14,046
Represented by:				
Currency risk relating to the future cash flows of monetary balances				15,801
Currency risk of reported results of foreign operations				(1,755)
				14,046

An 8.33% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

(ii) GBP currency risk

The effect of a 15% depreciation in the GBP relative to the USD arising from JMD reporting units as of December 31, 2010 and for the year then ended are considered in the following table.

	Amounts denominated in		Total amounts	Effect of a 15% depreciation
	GBP	USD		
Financial position:				
Assets	263,280	226,052	489,332	(34,335)
Liabilities	245,147	183,011	428,158	(31,970)
Net position	18,133	43,041	61,174	(2,365)
Represented by:				
Currency risk of the Group's investment in foreign operations				(2,365)
Income statement:				
Revenue	135,239	134,865	270,104	(5,084)
Benefits	(124,266)	(80,101)	(204,367)	16,212
Expenses	(63,989)	(44,624)	(108,613)	8,348
Income taxes	1,739	-	1,739	(227)
Net income	(51,277)	10,140	(41,137)	19,249
Represented by:				
Currency risk relating to the future cash flows of monetary balances				12,559
Currency risk of reported results of foreign operations				6,690
				19,249

An 11.54% appreciation in the GBP relative to the USD would have equal and opposite effects to those disclosed above.

41. FINANCIAL RISK (continued)

41.5 Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

- (a) Level 1 – unadjusted quoted prices in active markets for identical instruments.
- (b) Level 2 – inputs other than quoted prices in Level 1 that are observable for the instrument, either directly or indirectly.
- (c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the Group does not consider the instrument to be traded in an active market.

Certain investment portfolios of the Group which are classified as available for sale contain corporate and government debt securities which are not quoted and which have been valued using internal models which contain inputs that are not based on observable market data. These assets are classified as Level 3 in the fair value hierarchy.

Included in the assets designated at fair value through income are mortgage loans and securities purchased under agreements to resell for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. As these assets are valued with inputs other than observable market data, they are classified as Level 3 in the fair value hierarchy.

Certain of the group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

The following table shows the financial assets and financial liabilities carried at fair value by level of the fair value hierarchy.

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Year ended December 31, 2010

Sagikor Financial Corporation
Amounts expressed in US \$000

41. FINANCIAL RISK (continued)

41.5 Fair value of financial instruments (continued)

	2010				2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available for sale securities:								
Debt securities	377,490	1,323,030	42,315	1,742,835	367,245	1,006,847	84,673	1,458,765
Equity securities	57,770	22,038	7,905	87,713	64,554	27,219	8,015	99,788
	435,260	1,345,068	50,220	1,830,548	431,799	1,034,066	92,688	1,558,553
Financial assets designated at fair value:								
Debt securities	14,699	79,283	2,351	96,333	2,179	66,462	2,673	71,314
Equity securities	15,548	3,969	4,322	23,839	10,628	1,580	4,850	17,058
Mortgage loans	-	-	46,876	46,876	-	-	48,180	48,180
Securities purchased under agreements to resell	-	-	2,982	2,982	-	-	10,020	10,020
	30,247	83,252	56,531	170,030	12,807	68,042	65,723	146,572
Derivative financial assets:								
Equity indexed options	-	521	8,675	9,196	-	817	2,365	3,182
Interest rate swap	-	-	2,506	2,506	-	-	843	843
Foreign currency put option, currency forward and collar option	-	368	-	368	-	80	-	80
	-	889	11,181	12,070	-	897	3,208	4,105
Total assets	465,507	1,429,209	117,932	2,012,648	444,606	1,103,005	161,619	1,709,230
Total assets by percentage	23%	71%	6%	100%	26%	65%	9%	100%

There have been no material transfers between Level 1 and Level 2 during 2010 and 2009.

41. FINANCIAL RISK (continued)

41.5 Fair value of financial instruments (continued)

	2010				2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Policy liabilities:								
Unit linked deposit administration liabilities	-	83,847	-	83,847	-	76,587	-	76,587
Non-derivative financial liabilities:								
Structured products	-	-	5,655	5,655	-	-	5,299	5,299
Derivative financial liabilities:								
Exchange traded funds	1,328	-	-	1,328	1,431	-	-	1,431
Equity indexed options	-	521	-	521	-	817	-	817
	1,328	521	-	1,849	1,431	817	-	2,248
Total liabilities	1,328	84,368	5,655	91,351	1,431	77,404	5,299	84,134
Total liabilities by percentage	1%	93%	6%	100%	2%	92%	6%	100%

There have been no material transfers between Level 1 and Level 2 during 2010 and 2009.

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale instruments would affect other comprehensive income. Level 3 available for sale securities comprise primarily of corporate and government agency debt instruments issued in the Caribbean, with significant amounts in Jamaica and Trinidad. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Reasonable changes in inputs which could be applied to the valuations of assets designated at fair value are largely offset in income, since the changes in fair value are borne by contract holders.

The following tables present the movements in Level 3 instruments for the year.

41. FINANCIAL RISK (continued)

41.5 Fair value of financial instruments (continued)

	2010				2009	2010		2009
	Available for sale assets	Assets designated at fair value	Derivative assets	Total assets	Total assets	Non-derivative liabilities	Total liabilities	Total liabilities
Balance, beginning of year	92,688	65,723	3,208	161,619	165,201	5,299	5,299	13,604
Additions	5,015	7,480	4,362	16,857	31,055	390	390	-
Issues	-	-	-	-	-	48	48	552
Transfers into Levels 3	95	-	-	95	8,706	-	-	-
Fair value changes recorded in income	(101)	1,493	2,359	3,751	3,685	-	-	-
Fair value changes recorded in other comprehensive income	690	-	1,516	2,206	1,849	-	-	-
Disposals and divestitures	(34,715)	(18,705)	(264)	(53,684)	(39,917)	-	-	-
Settlements	-	-	-	-	-	(77)	(77)	(10,009)
Transfers from Level 3	(15,507)	-	-	(15,507)	-	-	-	-
Effect of exchange rate changes	2,055	540	-	2,595	(8,960)	(5)	(5)	1,152
Balance, end of year	50,220	56,531	11,181	117,932	161,619	5,655	5,655	5,299
Fair value changes recorded in income for instruments held at end of year	-	1,432	2,223	3,655	-	-	-	-

The carrying values of the Group's financial assets and financial liabilities carried at amortised cost approximate their fair value, except as disclosed in notes 9, 15, 16 and 17.

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.

41. FINANCIAL RISK (continued)

41.5 Fair value of financial instruments (continued)

(a) Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

The effects of an across the board 20% change in equity prices of the Group's available for sale equity securities as of December 31, 2010 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	Carrying value	Effect of a 20% change on TCIBT
Listed on Caribbean stock exchanges and markets	28,433	5,687
Listed on US stock exchanges and markets	47,657	9,531
Listed on other exchanges and markets	11,623	2,325
	87,713	17,543

41.6 Derivative financial instruments and hedging activities

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default.

41. FINANCIAL RISK (continued)

41.6 Derivative financial instruments and hedging activities (continued)

Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The fair values are set out below.

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading:				
Currency forward	70	-	-	-
Exchange traded funds – short sale	-	1,328	-	1,431
Foreign currency put option	-	-	80	-
Foreign exchange collar option	298	-	-	-
Equity indexed options	9,196	521	3,182	817
Interest rate swap	2,506	-	-	-
	12,070	1,849	3,262	2,248
Derivatives designated as cash flow hedges:				
Interest rate swap	-	-	843	-
	12,070	1,849	4,105	2,248

(i) Currency forward

Currency forwards represent commitments to buy and sell foreign currencies on a gross basis at future dates at specified prices. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The currency forward contracts are settled on a net basis. The contract expires in January 2011.

41. FINANCIAL RISK (continued)

41.6 Derivative financial instruments and hedging activities (continued)

(i) Exchange traded funds – short sale

During 2009, the Group entered into transactions to sell euro currencies that were borrowed from a broker. The Group benefits if there is a decline in the asset price between the sale and the repurchase date. The contract expires in January 2011.

(ii) Foreign currency put option

Foreign currency put options are contractual agreements under which the seller grants the purchaser the right but not the obligation to sell at a set date, a specified amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange risk.

(iii) Foreign exchange collar option

During the year the Group entered a collar to sell a call option and buy a put option; the notional amount was £963,000 and will be settled on a net basis. The contract expires on various settlement dates ending in December 2012.

(iv) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

41. FINANCIAL RISK (continued)

41.6 Derivative financial instruments and hedging activities (continued)

For certain universal life and annuity insurance contracts, the Group has purchased custom options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the Group has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalised. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

(v) Cash flow hedge – interest rate swap

The cash flow hedge is used to protect against exposures to variability in future interest cash flow of a floating rate available-for-sale financial instrument.

The notional principal amount of the outstanding interest rate swap contract is \$20,000. The fixed interest rate is 10.2% and the floating rate is USD-LIBOR-BBA. The amounts and timing of future cash flows, representing both principal and interest flows are based on their contractual terms. The critical terms of the interest rate swap had been negotiated to match the terms of available-for-sale financial instrument. Both the interest rate swap and the floating rate available-for-sale financial instrument mature in 2015. The interest rate swap is settled on a net basis.

During the year, the Group discontinued hedge accounting as the hedge relationship was no longer effective arising from the Jamaica Debt Exchange programme. Hedge accounting was therefore ceased from January 1, 2010. Consequently, effective January 1, 2010, changes in fair value of the interest rate swap are now recognised in revenue in the statement of income. The amount recognised in the current year is \$1,063, net of deferred tax. The hedge accounting gains and losses up to December 31, 2009 will be transferred to the statement of income as interest income is recognised on the floating rate financial instrument.

42. INSURANCE RISK

From an insurance risk perspective, the Group's insurance business can be summarised into three categories, which are discussed below.

42.1 Property and casualty insurance risks

(a) Pricing risk

Pricing risk is the risk that insurance contracts are priced too low for the insurance risk assumed.

In determining the pricing of an insurance 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, exclusions, and coverage limits which will limit the potential losses incurred. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and event limits.

Pricing inadequacy risk may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

A proportion of risks assumed are written by third parties under delegated underwriting authorities. The third parties are assessed in advance and are subject to authority limits and reporting procedures. The performance of contracts written by each delegated authority is monitored periodically.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

(b) Claims risk

Insurance losses are triggered by an event. Insurance losses may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than a pre-determined amount;
- large losses, which are expected to be relatively infrequent and more than a pre-determined amount;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or a number of insurance classes. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. In certain instances, the insurer obtains additional information from loss adjustors, medical reports and other specialist sources. However, the possibility exists that claim submissions are either fraudulent or are not covered under the terms of the policy. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. During the period to final settlement, the insurer has to record these estimates as outstanding liabilities.

In addition, experience and industry statistics indicate that at any particular date, there are incurred but not reported (IBNR) claims. Statistical and actuarial techniques are used to estimate IBNR claim liabilities at each date of the financial statements.

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from

- invalid claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

(c) Concentration of insurance risk

Insurance risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in a large number of claims. The concentration of insurance risk is illustrated by the distribution of premium revenue by geographical location of the risk.

2010 Premium revenue by geographical location	Gross	Ceded	Net
Barbados	22,197	17,315	4,882
Jamaica	567	138	429
Trinidad & Tobago	28,563	19,412	9,151
Other Caribbean	12,094	6,761	5,333
United Kingdom	124,495	14,295	110,200
USA	108,280	19,827	88,453
Rest of the world & worldwide	158,006	26,236	131,770
Total	454,202	103,984	350,218

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and excess of loss reinsurance.

The Group assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes, floods, terrorism, failure or collapse of a major corporation (with liability insurance cover) and events triggering multi coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

Realistic disaster scenarios modelled for 2010 resulted in estimated losses in the originating currencies. Four scenarios are listed below.

Scenario:	Gross loss	Net loss
A \$112,500,000 industry loss from a Gulf of Mexico hurricane resulting in offshore energy insured loss of approximately \$5,500,000 and mainland property losses of \$107,000,000 including the consideration of demand surge and storm surge.	62,684	14,684
North East Windstorm: A \$78,000,000 industry loss, for a major hurricane making landfall in New York State, with damage also occurring in neighbouring states.	72,373	16,524
California Quake - San Francisco. A \$78,000,000 industry property (shake and fire following) loss, including consideration of demand surge, from an earthquake originating from the San Andreas Fault (North) near San Francisco.	75,118	16,316
Hurricane affecting Barbados and St. Lucia having a 100 year return period.	220,053	5,000

(d) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. Reinsurance however does not discharge the insurer's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from

- the credit risk of a reinsurer;
- the unavailability of reinsurance cover in the market at adequate levels or prices;
- the failure of a reinsurance layer upon the occurrence of a catastrophic event.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

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. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

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. Excess of loss catastrophe reinsurance treaties typically cover up to four separate catastrophic events per year.

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. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention programs used in the Group's Caribbean and UK operations are summarised in the tables below. However, these arrangements are not exhaustive and do not represent a complete schedule of all reinsurance arrangements for each line of insurance business written.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

Caribbean operations	Retention by insurers - currency amounts in thousands
Property risks	<ul style="list-style-type: none"> • maximum retention of \$3,750 for a single event; • maximum retention of \$5,000 for a catastrophic event; • quota share retention to maximum of 25% in respect of treaty limits; • quota share retention is further reduced to a maximum of \$500 per event.
Motor and liability risks	<ul style="list-style-type: none"> • maximum retention of \$500 for a single event; • quota share retention a maximum of 50% in respect of treaty limits • treaty limits apply.
Miscellaneous accident risks	<ul style="list-style-type: none"> • maximum retention of \$75 for a single event; treaty limits apply.
Engineering business risks	<ul style="list-style-type: none"> • maximum retention of \$250 for a single event; • treaty limits apply.
Property, motor, and engineering risks	<ul style="list-style-type: none"> • 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.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

UK operations - underwriting year 2010	Retention by insurers - currency amounts in thousands
Direct property risks	<ul style="list-style-type: none"> • maximum retention of \$2,500 per risk; • maximum retention of \$15,000 for 1st loss, \$5,000 for 2nd loss, \$5,000 for 3rd loss, for catastrophe exposed events; • treaty and aggregate limits apply.
Personal accident risks	<ul style="list-style-type: none"> • maximum retention of \$3,000 per risk; • maximum retention of \$3,000 per event; • maximum retention of \$2,000 per person • maximum retention of £300 per travel and medical risk; • treaty limits apply
Special lines (liability) and liability	<ul style="list-style-type: none"> • maximum retention of £5,000 per event; • treaty limits apply.
International treaty property	<ul style="list-style-type: none"> • maximum retention of £5,000 per event; • treaty limits apply.
Direct motor	<ul style="list-style-type: none"> • 70% quota share retention per event • maximum retention - £500 per event; • treaty limits apply

The effects of reinsurance ceded are disclosed in notes 14, 24 and 27. Information on reinsurance balances are disclosed in notes 10, 20 and 41.

42. INSURANCE RISK (continued)

42.1 Property and casualty insurance risks (continued)

(e) Credit risk – reinsurance exposures

As set out in note 41.1, the Group has an internal credit rating scale for its reinsurance exposures. In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, these exposures are assessed using the following realistic disaster scenarios:

- North East Windstorm: A \$78,000,000 industry loss, for a major hurricane making landfall in New York State, with damage also occurring in neighbouring states;
- Hurricane with a 250 year return period affecting Barbados and St. Lucia and an earthquake with a 250 year return period affecting Trinidad within a 24 hour period.

The reinsurance recoveries derived from the above are assigned internal credit ratings as follows:

Category	Sagicor Risk Rating	Classification	Exposure \$000	Exposure %	
Non-default	1	Minimal risk	275,055	32	
	Investment grade	2	Low risk	553,755	65
		3	Moderate risk	-	-
	Non- investment grade	4	Acceptable risk	28,024	3
		5	Average risk	-	-
	Watch	6	Higher risk	-	-
TOTAL			856,834	100	

42. INSURANCE RISK (continued)

42.2 Term life, health and critical illness insurance risks

(a) Pricing risk

Pricing risk is the risk that insurance contracts are priced too low for the insurance risk assumed.

In determining the pricing of an insurance 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 medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

Pricing inadequacy risk may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

(b) Mortality risk and morbidity

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness.

Insurance claims are triggered by the incurral of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The cost of health related claims depends on the incidence of beneficiaries becoming ill, the duration of their illness, and the cost of providing medical services. An increase in any of these three factors will result in increased health insurance claims. In such circumstances, the insurer may adjust the pricing or re-pricing of these contracts.

42. INSURANCE RISK (continued)

42.2 Term life, health and critical illness insurance risks (continued)

Critical illness claims arise from the diagnosis of a specific illness in a policy beneficiary. The Group annually reviews its critical illness claim experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

42.3 Life and annuity insurance risks (with investment returns)

Life and annuity insurance risk of contracts with investment returns arise from long-term contracts which in most instances have durations greater than 5 years. Under the contract, the policyholder is required to pay either a single premium at the contract inception, or periodic premiums over the duration of the policy contract. From the premium(s) received, acquisition expenses and maintenance expenses are financed. Investment returns are credited to the policy and are available to fund surrender, withdrawal and maturity policy benefits. The principal risks associated with these policies are:

- Mortality risk
- Lapse risk
- Expense risk
- Financial risk

(a) Mortality risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims and that improving mortality rates will lengthen the payout period of annuities.

(b) Lapse risk

Lapse risk is that, on average, policyholders will terminate their policies ahead of the insurer's expectation. Early lapse may result in the following:

- Acquisition costs are not recovered from the policyholder;
- In order to settle benefits, investments are liquidated prematurely resulting in a loss to the insurer;
- Maintenance expenses are allocated to the remaining policies, resulting in an increase in expense risk.

42. INSURANCE RISK (continued)

42.3 Life and annuity insurance risks (with investment returns) (continued)

(c) Expense risk

The Group has significant inforce policies in which it either does not have the ability or has limited ability to re-price the contract for an increase in expenses caused by inflation or other factors. This means that planned growth in the Group's policy maintenance expenses has to be funded by increasing the volume of inforce policies and/or by productivity gains. Failure to achieve this will result in an increase in actuarial liabilities.

(d) Financial risk

In addition to the risks outlined in note 41, for inforce long-term contracts 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. Mis-matches in asset and liability cash flows generally have the effect of increasing financial risk which will result in an increase in actuarial liabilities.

42.4 Concentration risk (life, annuity and health insurance)

(a) Mortality and morbidity risk

Mortality and morbidity risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in a large number of claims.

Many beneficiaries of life insurance policies issued by the Group (the insured population) are resident in certain countries within the Caribbean. It is estimated that the insured populations in Antigua, Barbados, Cayman Islands, Jamaica, Netherlands Antilles, St Lucia and Trinidad and Tobago represent respectively over 5% of the population of each.

42. INSURANCE RISK (continued)

42.4 Concentration risk (life, annuity and health insurance) (continued)

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 amounts insured by the Group at December 31, gross and net of reinsurance, are summarised below.

	Gross amount insured		Net amount insured	
	2010	2009	2010	2009
Contracts issued to individuals – life insurance	19,480,346	17,767,943	15,853,511	14,417,374
Contracts issued to groups – life insurance	10,470,005	8,288,414	7,804,779	6,539,084

For health insurance, the concentration of insurance risk is illustrated by the distribution of premium revenue by the location of the insured persons.

2010 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	19,083	1,076	18,007
Jamaica	70,938	1,412	69,526
Trinidad & Tobago	16,178	634	15,544
Other Caribbean	26,259	1,019	25,240
USA	290	215	75
Total	132,748	4,356	128,392

42. INSURANCE RISK (continued)

42.5 Reinsurance risk (life, annuity and health insurance)

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. 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.

For life, annuity and health insurance risks, insurers limit their exposure 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. The principal features of retention programs used by insurers are summarised in the tables below:

Type of insurance contract	Retention by insurers - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of \$75
Health insurance contracts with groups	Retention per individual to a maximum of \$75
Life insurance contracts with individuals	Retention per individual life to a maximum of \$783
Life insurance contracts with groups	Retention per individual life to a maximum of \$783
Life insurance and annuity blocks of contracts	0% to 37.5% retention on policy liabilities

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 73% of total insurance liabilities (2009 – 76%). 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 9 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

The scenarios developed and tested by insurers were as follows.

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

43.1 Sensitivity arising from the valuation of life insurance and annuity contracts (continued)

Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Life Jamaica segment	Sagicor USA segment
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.	For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.	
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% flat increase was applied to the statutory and pricing interest rate.
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% flat decrease was applied to the statutory and pricing interest rate.
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.	For life insurance products only, the base assumed rates were increased annually by 3% cumulatively over the next five years.	
Higher expenses	Policy unit maintenance expense rates were increased by 5% for 5 years above those reflected in the base scenario.		The assumed inflation rate was increased annually by 5% cumulatively over the next five years.

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

43.1 Sensitivity arising from the valuation of life insurance and annuity contracts (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagicor Life Inc segment		Sagicor Life Jamaica segment		Sagicor USA segment	
	2010	2009	2010	2009	2010	2009
Base net actuarial liability - \$000	759,399	730,013	347,449	300,801	454,397	367,048
Scenario	change in liability		change in liability		change in liability	
Worsening rate of lapse	64,978	62,576	37,183	32,783	19,022	15,366
High interest rate	(62,479)	(45,587)	(57,884)	(54,373)	(27,401)	(22,134)
Low interest rate	106,512	66,075	93,590	62,269	31,559	25,493
Worsening mortality / morbidity	24,830	19,714	24,229	20,480	8,795	7,104
Higher expenses	30,509	28,673	19,967	16,641	1,166	942

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

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 financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

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 financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

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.

Full DCAT is conducted periodically by insurers within the Group.

44. ANALYSIS OF PROPERTY AND CASUALTY CLAIM LIABILITIES

44.1 Development of claim liabilities

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 following tables, estimates of total ultimate claims incurred and recoverable from reinsurers for each year are provided at successive year ends. The most recent estimate is then reconciled to the recognised liability.

For Caribbean operations, the disclosures are by accident year. Accident year is the financial period in which the claim is incurred.

For UK operations, the disclosures are by underwriting year. Underwriting year is the period to which a policy's annual premium has been allocated.

44. ANALYSIS OF PROPERTY AND CASUALTY CLAIM LIABILITIES (continued)

44.1 Development of claim liabilities	CARIBBEAN OPERATIONS - BY ACCIDENT YEAR					
	2006	2007	2008	2009	2010	Total
Estimate of gross claims incurred as of December 31	9,206	21,325	16,953	15,521	18,643	81,648
One year later	8,658	16,247	16,256	15,215	-	-
Two years later	8,535	15,305	16,101	-	-	-
Three years later	8,368	15,237	-	-	-	-
Four years later	8,786	-	-	-	-	-
Most recent year	8,786	15,237	16,101	15,215	18,643	73,982
Cumulative payments to date	(7,781)	(14,320)	(14,050)	(11,194)	(9,215)	(56,560)
Gross liability recognised	1,005	917	2,051	4,021	9,428	17,422
Liability for prior years	-	-	-	-	-	1,217
Total liability	-	-	-	-	-	18,639
Net favourable (unfavourable) development	420	6,088	852	306	-	7,666
Estimate of reinsurers' share as of December 31	1,266	9,922	9,411	8,392	11,020	40,011
One year later	886	6,693	9,540	8,207	-	-
Two years later	884	6,327	9,392	-	-	-
Three years later	999	6,293	-	-	-	-
Four years later	975	-	-	-	-	-
Most recent year	975	6,293	9,392	8,207	11,020	35,887
Cumulative receipts to date	(951)	(6,204)	(8,226)	(6,060)	(4,969)	(26,410)
Recoverable recognised	24	89	1,166	2,147	6,051	9,477
Recoverable for prior years	-	-	-	-	-	(235)
Total recoverable from reinsurers	-	-	-	-	-	9,242
Net (favourable) unfavourable development	291	3,629	19	185	-	4,124

44. ANALYSIS OF PROPERTY AND CASUALTY CLAIM LIABILITIES (continued)

44.1 Development of claim liabilities	UK OPERATIONS - BY UNDERWRITING YEAR					
	2006	2007	2008	2009	2010	Total
Estimate of gross claims incurred as of December 31	48,285	55,700	109,814	193,513	262,362	669,674
One year later	36,547	57,384	119,218	212,784	-	-
Two years later	34,571	58,385	131,771	-	-	-
Three years later	33,610	58,748	-	-	-	-
Four years later	32,931	-	-	-	-	-
Most recent year	32,931	58,748	131,771	212,784	262,362	698,596
Cumulative payments to date	(30,954)	(53,629)	(92,159)	(93,347)	(14,686)	(284,775)
Claims on unearned premiums	-	-	(16)	(10,072)	(140,641)	(150,729)
Gross liability recognised	1,977	5,119	39,596	109,365	107,035	263,092
Liability for prior years	-	-	-	-	-	16,046
Total liability	-	-	-	-	-	279,138
Net favourable (unfavourable) development	15,354	(3,048)	(21,957)	(19,271)	-	(28,922)
Estimate of reinsurers' share as of December 31	13	-	9,869	8,114	14,650	32,646
One year later	-	2,777	6,738	14,634	-	-
Two years later	94	2,043	17,691	-	-	-
Three years later	24	2,125	-	-	-	-
Four years later	50	-	-	-	-	-
Most recent year	50	2,125	17,691	14,634	14,650	49,150
Cumulative receipts to date	-	(1,184)	(7,164)	(2,563)	-	(10,911)
Recoverable from claims on unearned premiums	-	-	(5)	(731)	(4,033)	(4,769)
Recoverable recognised	50	941	10,522	11,340	10,617	33,470
Recoverable for prior years	-	-	-	-	-	1,984
Total recoverable from reinsurers	-	-	-	-	-	35,454
Net (favourable) unfavourable development	(37)	(2,125)	(7,822)	(6,520)	-	(16,504)

44. ANALYSIS OF PROPERTY AND CASUALTY CLAIM LIABILITIES (continued)

44.2 Sensitivity of claim liabilities

The effect of a 5% increase in the property and casualty net claims ratio would result in a decrease in income before taxes of \$17,511 (2009 – \$12,475).

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;
- 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 are as follows:

	2010	2009
Shareholders' equity	565,552	538,074
Minority interest	168,942	137,503
Notes and loans payable	181,885	200,844
Total financial statements capital resources	916,379	876,421
Letter of credit facilities, net of collateral assets	34,530	35,775
Total off financial statements resources	34,530	35,775
Total capital resources	950,909	912,196

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) Life insurers

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 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%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard.

The consolidated MCCSR for the Sagicor Group as of December 31 is set out below.

	2010	2009
Sagicor Group	224%	273%

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

(b) Sagicor at Lloyd's: Syndicates 1206 & 44

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 and there is a clearly defined link between risk and capital setting.

Sagicor at Lloyd's has adopted an approach whereby risks identified as having a material effect on the capital requirements are documented within a risk register are 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 letters 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 requirements for the Syndicates at the beginning of each underwriting are as follows:

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

	Underwriting year		
	2011 - £000	2010 - £000	2009 - £000
FaL requirement:			
Syndicate 1206	137,241	98,440	65,000
Syndicate 44	4,438	4,899	2,833
	<u>141,679</u>	<u>103,339</u>	<u>67,833</u>
Represented by:			
Banker's letters of credit	52,100	52,100	52,100
Deposits at Lloyd's of London	31,622	30,934	733
Reinsurance financing	60,000	18,750	15,000
Solvency surplus	-	1,555	-
	<u>143,722</u>	<u>103,339</u>	<u>67,833</u>

(c) 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.

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 financial statements 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 PCFS Group for the years ended December 31, 2010 and 2009. During those two years, the individual entities within this 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) and PanCaribbeanBank Limited (PCB).

	PCFS		PCB	
	2010	2009	2010	2009
Actual capital base to risk weighted assets	46%	61%	32%	33%
Required capital base to risk weighted assets	10%	10%	10%	10%

45.3 Financial covenants

(a) 7.5% senior notes due 2016

Under an indenture entered into by the Group on the issue of the senior notes (see note 16), the Group has to comply with a restrictive covenant which will not allow the Company or any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes are secured equitably and rateably with (or, if the obligation to be secured by the lien is subordinated in right of payment to the senior notes, prior to) the obligations so secured for so long as such obligations are so secured.

45. CAPITAL MANAGEMENT (continued)

45.3 Financial covenants (continued)

Permitted liens are defined to be liens existing on the date of issue of the senior notes, certain liens which would arise in the course of normal business, and other liens as long as the aggregate outstanding principal amount of such secured indebtedness of the Group, taken as a whole, does not exceed 10% of the consolidated net tangible assets. The latter is defined in the indenture.

As of December 31, 2010, the Group satisfied this requirement.

(b) Letter of credit facilities

The financial covenants entered into by the Group on the issue of letter of credit facilities by the Bank of Nova Scotia are summarised below.

(i) Tangible net worth

The Group is required to maintain a tangible net worth greater than \$250,000 at all times, such covenant to be tested annually based on the consolidated audited financial statements. Tangible net worth is defined in the agreements to establish letter of credit facilities.

As of December 31, 2010 and 2009, the Group satisfied this requirement.

45. CAPITAL MANAGEMENT (continued)

45.3 Financial covenants (continued)

(ii) Interest coverage ratio

The Group is required to maintain an interest coverage ratio of at least 5:1 at all times, such covenant to be tested annually based on the consolidated audited financial statements. Interest coverage ratio is defined in the agreements to establish letter of credit facilities.

For the years ended December 31, 2010 and 2009, the Group's interest coverage ratio was 5.6:1 and 7.6:1 respectively.

(iii) Financial strength

Under the agreements to establish the letter of credit facilities, Sagikor Life Inc is required to maintain minimum financial strength ratings of BBB- from Standard & Poor's and of B+ from A.M. Best. A further requirement is that a material adverse change in the financial condition of Sagikor Life Inc should not occur.

As of December 31, 2010 and up to the date of issue of these financial statements, Sagikor Life Inc maintained the required financial strength ratings.

(iv) Permitted liens

The covenant described in part (a) of this note also forms a covenant under the agreements to establish the letter of credit facilities.

(c) Loan from the Royal Bank of Canada (RBC)

The financial covenants entered into by the Group on the receipt in December 2009 of a loan of \$25,000 by the Royal Bank of Canada are summarised below.

45. CAPITAL MANAGEMENT (continued)

45.3 Financial covenants (continued)

(i) Equity

The Group is required to maintain Equity of at least \$575,000 at all times.

As of December 31, 2010 and 2009, the Group satisfied this requirement.

(ii) Interest coverage ratio

The Group is required to maintain an interest coverage ratio of at least 1.75:1 at all times, such covenant to be tested quarterly based on the consolidated financial statements. Interest coverage ratio is defined in the agreement to establish the loan.

For the year ended December 31, 2010 and 2009, the Group's interest coverage ratio was 1.80:1 and 1.86:1 respectively.

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 \$1,262,023 (2009 - \$1,100,760) 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.

47. FIDUCIARY RISK

The Group provides investment management, administration and corporate trust services to investment funds and other corporate entities which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These 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 corporate entities which are not included in the Group's financial statements. The investments and cash under administration are as follows:

	2010	2009
Pension and insurance fund assets	1,134,473	987,096
Mutual fund, unit trust and other investment fund assets	348,593	327,776
	<u>1,483,066</u>	<u>1,314,872</u>

48. EVENTS AFTER DECEMBER 31, 2010

48.1 Joint venture

Sagicor Life Jamaica Ltd (SLJ) entered into a joint venture agreement with an investment services company incorporated in Costa Rica on February 2, 2011 to explore insurance business and insurance related services in Central America. Under the terms of the agreement SLJ will provide technical expertise, administrative services and operating systems to support joint venture operations. The joint venture partner will provide marketing know-how and local support to the joint venture. The agreement is subject to regulatory approval in the applicable countries in Central America.

48. EVENTS AFTER DECEMBER 31, 2010 (continued)

48.2 Insurance catastrophe events

Since the date of these financial statements, insurance catastrophe events have occurred in the southern hemisphere to which the Group is exposed through its Sagicor at Lloyd's operations. The events and initial estimates of claims are as follows:

- Toowoomba & Brisbane floods estimated at \$5,500;
- Cyclone Yasi estimated at \$4,700;
- Christchurch Earthquake, estimated at \$7,800.

Sagicor at Lloyd's exposure in these events is protected by reinsurance above \$7,800 per event.

In addition to the above, the recent Japan Earthquake will also have a material impact on the 2011 results; however, it is too early to quantify the effect of this event.

48.3 International Finance Corporation (IFC)

In February 2011, the Company announced that it had entered into discussions with IFC for the latter to invest up to \$100,000 in the Company, in the form of common and preference shares. The investment by IFC is subject to completion of negotiations and all necessary regulatory and shareholder approvals.

All that we are is the result
of what we have thought.



SHAREHOLDER INFORMATION

SHARES

The following Shareholders own more than 5% and 3% respectively of the capital of the Company as at December 31, 2010:

Name	Number of Shares	Percentage
National Insurance Board, Barbados:	18,950,000	6.5
Republic Bank Limited – 1162:	10,998,300	3.8

The total number of common shares issued in 2010 was 438,183, which were issued on July 22, 2010 as vested restricted stock under the Long-Term Incentive Plan for Executives (LTI). The total number of issued common shares as at December 31, 2010 was therefore 291,341,344 (2009: 290,903,161).

The Tables below show grants of restricted stock and stock options as at December 31, 2010 under the LTI.

RESTRICTED STOCK GRANTS							
Year	Value - US\$	Award	Vested 2008	Vested 2009	Vested 2010	Forfeited	Balance
2008	2.50	596,914	298,459	278,505	9,216	10,734	0
2009	2.50	674,828	0	331,449	235,530	10,106	97,743
2009	1.58	430,122	0	430,122	0	0	0
2010	1.60	1,033,548	0	0	379,490	0	654,058
	Totals	2,735,412	298,459	1,040,076	624,236	20,840	751,801
	Less: allocated for settlement of tax				(186,053)		
	Total converted to shares				438,183		

STOCK OPTIONS											
Year	Exercise Price - US\$	Award	Awards Lapsed / Forfeited	Adjusted Award	Vested 2007 - 2009	Vested 2010	Vested Awards Lapsed / Forfeited	Total Vested	Options Exercised	Options not Exercised	Adjusted Award Balance
2006	1.98	932,387	(130,232)	802,155	699,291	198,705	(95,841)	802,155	(120,443)	681,712	681,712
2007	2.01	2,049,598	(239,686)	1,809,912	1,024,800	452,480	(119,838)	1,357,442	(72,839)	1,284,603	1,737,073
2008	2.5	1,422,949	(180,820)	1,242,129	355,737	310,534	(45,201)	621,070	0	621,070	1,242,129
2009	2.5	1,595,496	(83,033)	1,512,463	0	378,117	0	378,117	0	378,117	1,512,463
2010	1.6	2,169,066	0	2,169,066	0	0	0	0	0	0	2,169,066
	Totals	8,169,496	(633,771)	7,535,725	2,079,828	1,339,836	(260,880)	3,158,784	(193,282)	2,965,502	7,342,443

DIVIDENDS

An interim dividend of US 2 cents per share, approved for the half-year ended June 30, 2010, was paid on October 15, 2010 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 15, 2010. A final dividend of US 2 cents per share, payable on May 16, 2011, was approved for the financial year ended December 31, 2010 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 20, 2011. The total dividend for the 2010 financial year amounted to US 4 cents per share.

ANALYSIS OF SHAREHOLDING

Number of Shareholders by Size of Holding as at December 31, 2010 (with 2009 Comparison)								
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2010	2009	2010	2009	2010	2009	2010	2009
1 - 1,000	6,577	6,335	17.42	16.79	4,014,284	3,928,961	1.38	1.35
1,001 - 2,500	15,625	15,709	41.38	41.62	25,962,039	26,098,842	8.91	8.97
2,501 - 5,000	7,324	7,406	19.39	19.62	25,430,237	25,715,179	8.73	8.84
5,001 - 10,000	4,229	4,275	11.20	11.33	30,231,859	31,319,508	10.38	10.77
10,001 - 25,000	3,073	3,079	8.14	8.16	44,284,005	44,370,941	15.20	15.25
25,001 - 100,000	693	690	1.84	1.83	32,351,711	32,208,066	11.10	11.07
100,001 - 1,000,000	225	229	0.60	0.60	65,236,735	65,279,966	22.39	22.44
1,000,001 - & above	18	17	0.05	0.05	63,830,474	61,981,698	21.91	21.31
Total	37,764	37,740	100.00	100.00	291,341,344	290,903,161	100.00	100.00

Number of Shareholders by Country of Residence and by Type as at December 31, 2010								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	61	24.60	468	59.62	15,999	43.56	16,528	43.77
Barbados	139	56.05	229	29.17	12,199	33.20	12,567	33.27
Eastern Caribbean	25	10.08	32	4.08	7,317	19.92	7,374	19.53
Other Caribbean	12	4.84	51	6.50	193	0.53	256	0.68
Other	11	4.44	5	0.64	1,023	2.79	1,039	2.75
Total	248	100.00	785	100.00	36,731	100.00	37,764	100.00

Number of Shareholders by Country of Residence and by Type as at December 31, 2009								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	45	21.98	503	59.32	16,082	43.83	16,630	44.06
Barbados	133	73.08	256	30.19	11,919	32.49	12,308	32.61
Eastern Caribbean	2	1.10	33	3.89	7,255	19.77	7,290	19.32
Other Caribbean	6	2.75	51	6.01	350	0.95	407	1.08
Other	17	1.10	5	0.59	1,083	2.95	1,105	2.93
Total	182	100.00	848	100.00	36,689	100.00	37,740	100.00

Number of Shares by Country of Residence and by Type as at December 31, 2010								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	459,429	11.60	32,930,332	46.41	105,070,214	48.55	138,459,975	47.53
Barbados	2,700,650	68.19	33,764,569	47.58	66,667,115	30.80	103,132,334	35.40
Eastern Caribbean	68,298	1.72	450,516	0.63	20,706,220	9.57	21,225,034	7.29
Other Caribbean	548,000	13.84	3,652,034	5.15	3,482,243	1.61	7,682,277	2.64
Other	184,052	4.65	162,880	0.23	20,494,792	9.47	20,841,724	7.15
Total	3,960,429	100.00	70,960,331	100.00	216,420,584	100.00	291,341,344	100.00

Number of Shares by Country of Residence and by Type as at December 31, 2009								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	524,267	10.00	44,912,819	51.32	105,512,632	53.25	150,949,718	51.89
Barbados	3,209,019	61.18	38,272,936	43.72	64,033,380	32.32	105,515,335	36.27
Eastern Caribbean	2,884	0.05	523,516	0.60	22,104,085	11.16	22,630,485	7.78
Other Caribbean	1,099,146	20.96	2,920,314	3.34	1,976,788	1.00	5,996,248	2.06
Other	409,861	7.81	890,354	1.02	4,511,160	2.28	5,811,375	2.00
Total	5,245,177	100.00	87,519,939	100.00	198,138,045	100.00	290,903,161	100.00

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Shutts & Bowen LLP, Florida, USA

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FirstCaribbean International Bank Limited

RBTT Bank Limited

RBC Royal Bank (Barbados) Limited

The Bank of Nova Scotia

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