Sagicor

175 YEARS

OUR JOURNEY • OUR SUCCESS • OUR FUTURE

ANNUAL REPORT
2014

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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175 years of trust

We have 175 years of trust placed in us. Those who look to Sagicor for service, advice and help need to know that we will always honour that trust, and we will never let them down.

ABOUT SAGICOR

Sagicor is a dynamic, indigenous Group which has been redefining financial services in the Caribbean. Following a carefully crafted business strategy, the company transformed from a local single-line life insurance company to a financial services group with a solid regional base, before expanding into the international financial services market.

After the company demutualised in 2002, Sagicor Financial Corporation was formed as a publicly-listed holding company. Sagicor, the company name, means "wise judgment", and reflects the nature of the financial advice and services we offer. Sagicor now operates in 23 countries in the Caribbean, the USA, the UK and Latin America.

For 175 years, Sagicor's business has been based on long-term relationships with its employees, communities and customers, who entrust us with their future financial well-being. Our name and identity draw on the strength, stability and financial prudence that are our heritage, and this identity also defines the flexibility that wise financial thinking can bring to our customers throughout their lives. Local expertise and partnerships with world-class asset managers, reinsurers, and sound risk management, ensure that Sagicor is truly able to improve peoples' lives through "wise judgment", and will continue to meet their financial needs now and in the future.

It is Sagicor's view that the entire business of wealth-creation and protection is about social investment. For many decades, Sagicor has provided financial support and voluntary assistance, primarily in the areas of health, education, youth development and sports, to a number of organisations and institutions. Sagicor continues to provide significant support for the prevention of non-communicable diseases, by promoting healthy living, and improving access to and facilities for health-care in the region. Sagicor supports education at the primary, secondary and tertiary level, and sponsors a number of adult education and development activities.

As we continue to move forward through these challenging times in the economic life of our region and the rest of the world, Sagicor's core business strategies will continue to provide a wide range of financial products and services, while we continue to be committed to our vision, "To be a great company, committed to improving the lives of people in the communities in which we operate."

The Mutual Building, on Lower Broad Street in Barbados, was the first purpose-built Head Office constructed by the Barbados Mutual Life Assurance Society in 1894/95.

175 years of stability

175 years is a long time. With every year, we get stronger, wiser and better. The base we have formed in the communities we serve can never be shaken, so long as we remember how it was built.

CHAIRMAN'S STATEMENT

Stephen McNamara
Chairman

I am pleased to report to you on the 2014 performance of the Sagicor Group. The Group's financial statements in 2014, consistent with 2013 and 2012, have been presented with continuing operations being separated from the discontinued Sagicor Europe run-off operations.

The Sagicor Group had a solid year's performance, recording net income for the year of US $73.9 million, compared to US $4.1 million for 2013.

The continuing operations, comprising our businesses in the Caribbean and in the USA, continued to perform well, recording net income of US $100.3 million for 2014, compared to US $79.6 million for 2013, an increase of US $20.7 million.

Net income from continuing operations attributable to shareholders was US $53.7 million, compared to the prior year result of US $39.1 million, an improvement of US $14.6 million. Earnings per common share from continuing operations was US 17.3 cents, and represented an annualised return on common shareholders' equity of 11.2%.

Total revenue closed the year at US $1,045.2 million, compared to the prior year amount of US $1,039.5 million. Net premium revenue stood at US $625.6 million, compared to US $657.0 million for the prior year. When compared to 2013, the lower premium income resulted from lower new annuity business written in our USA segment, together with the impact of the deterioration of the Jamaica dollar to the US dollar on translated premiums in US dollars in 2014. Net investment income closed the period at US $307.2 million, and was an improvement over the prior year amount, which stood at US $279.4 million. Fees and other revenue amounted to US $83.3 million, compared to US $103.1 million in 2013, and was impacted by the lower reinsurance commissions earned as a result of lower new annuity business written in the USA segment.

On June 27, 2014, the Group completed the acquisition of RBC Royal Bank's Jamaica banking operations, and rebranded the business as Sagicor Bank. After determining the fair value of acquired assets and liabilities of the business, the Group recorded negative goodwill on acquisition of US $29.1 million. At the same time, the Jamaica segment incurred US $10.5 million in integration, restructuring and re-branding costs associated with the acquisition. These non-recurring costs have been included in Administrative Expenses.

Total benefits incurred from continuing operations totalled US $542.2 million, and is a reduction from the comparative amount in 2013 of US $592.8 million. This reduction is the result of the lower annuity business written in the USA segment, together with the impact of the deterioration of the Jamaica dollar to the US dollar on the Jamaica segment.

Expenses (including agents' and brokers' commissions) closed the year at US $385.9 million, compared to US $348.1 million for the prior year. The increase of US $37.8 million included restructuring and rebranding costs, along with operating expenses now incurred within the banking division, following the acquisition of RBC Royal Bank's Jamaica banking operations.

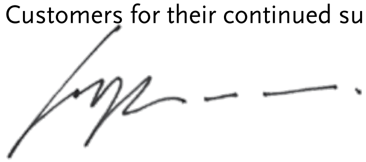
Total comprehensive income was significantly improved when compared to the prior year. Other comprehensive income showed a positive result of US $6.7 million, compared to a loss of US $54.6 million for 2013. Included in comprehensive income were net gains on financial assets of US $15.6 million and net gains on defined benefit plans of US $13.2 million. A decline in the Jamaica dollar against the US dollar contributed to currency retranslation losses of US $22.0 million. The Jamaica dollar depreciated against the US dollar by 7.8% during 2014, compared to 14% during 2013. With the continued improvement in the Jamaican economy, we expect the currency to stabilise against the US dollar and further depreciation to be lower than previous years.

The discontinued operation represents our UK business, which was sold on December 23, 2013. The terms of the sale required the Sagicor Group to retain an interest in the 2011, 2012 and 2013 underwriting years of account. Although actuarial reserves are established to cover best estimates of this liability, exposure to any fluctuations in experience continues until 2018. During 2014, the discontinued business experienced a net loss of US $26.4 million, resulting from adverse movements in our claims provisioning for 2013 and prior years. As part of the 2014 review of the discontinued business, we have decided to explore the purchase of reinsurance to cover this residual exposure. This would effectively transfer any retained risk to the reinsurer, and would effectively close this discontinued operation at the end of 2014. Subsequent to year-end, management completed the negotiation of the reinsurance, at a cost of US $12.2 million. The cost of this reinsurance will be accounted for during the 2015 financial year.

In the statement of financial position as at December 31, 2014, assets amounted to US $6.2 billion, an increase of US $0.9 billion over the amount of US $5.3 billion at December 2013. Similarly, liabilities closed at US $5.4 billion, compared to US $4.6 billion, an increase of US $0.8 billion. The increase in assets and liabilities largely reflects the acquisition of RBC Royal Bank's Jamaica banking operations. Sagicor's Group equity totalled US $773.5 million (2013, US$725.2 million). The Group's debt, which is included in other liabilities, totalled US $298.9 million (2013, US $290.2 million). The resulting debt to equity ratio was 38.7% compared to 40.0% for the prior year.

The Board has declared dividends of US 3.25 cents per preference share and US 2.0 cents per common share, payable on May 15.

On behalf of the Board of Sagicor, I wish to thank our Shareholders and Customers for their continued support.



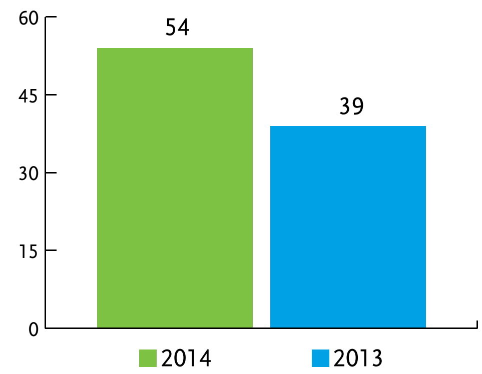
Stephen McNamara
Chairman
March 27, 2015.

FINANCIAL HIGHLIGHTS

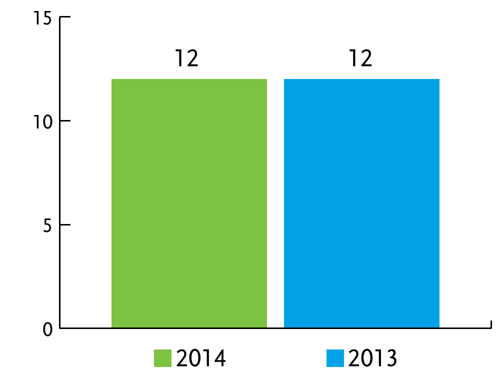
Amounts in US$ millions unless otherwise stated

SHAREHOLDER RETURNS

NET INCOME [1]

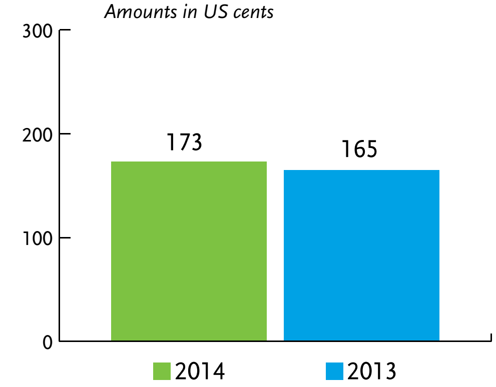


DIVIDENDS



BOOK VALUE PER SHARE

Amounts in US cents

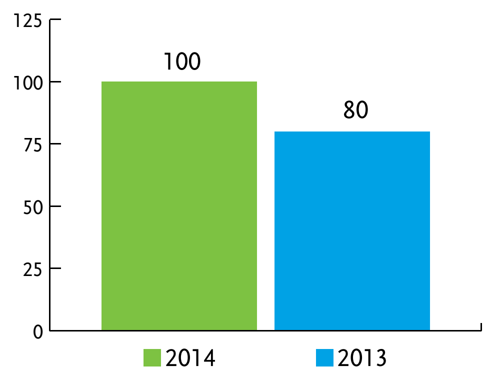


	2014	2013
Earnings per share [1]	17.3¢	12.5¢
Return on shareholder's equity [1]	11.2%	7.7%

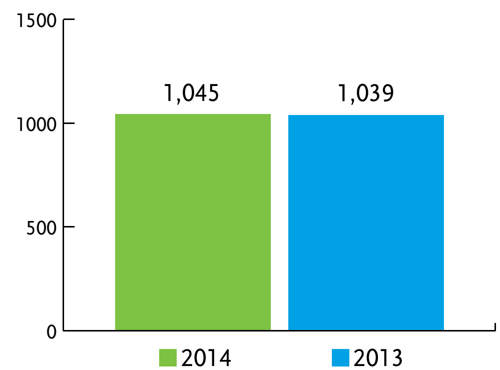
[1] *from continuing operations*

GROUP RESULTS [1]

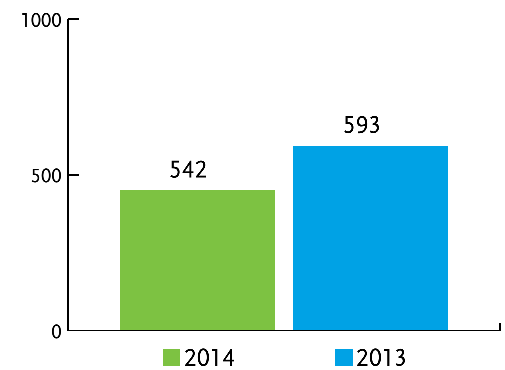
NET INCOME



REVENUE



BENEFITS

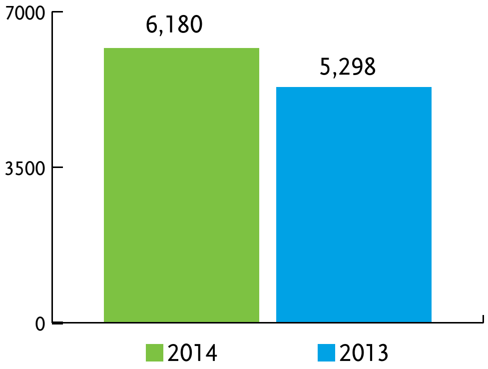


[1] *from continuing operations*

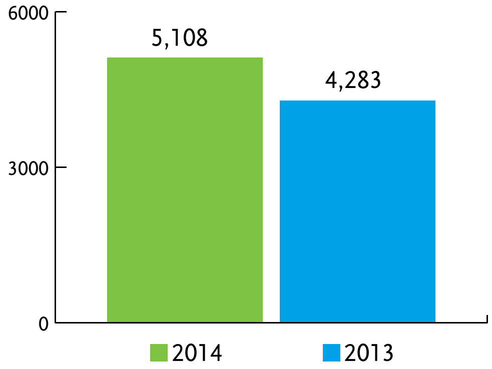
Amounts in US$ millions unless otherwise stated

GROUP FINANCIAL POSITION

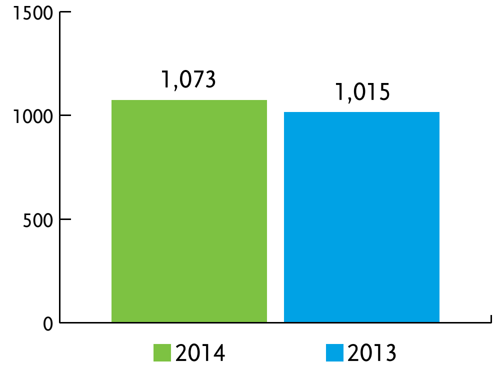
ASSETS



OPERATING LIABILITIES



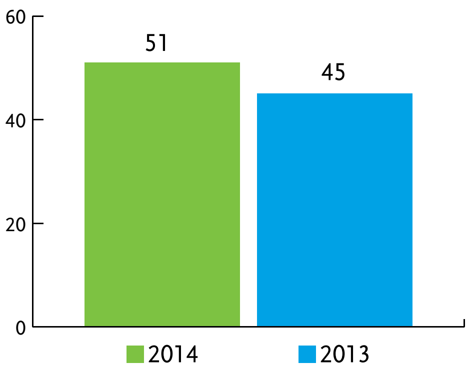
EQUITY & DEBT CAPITAL



	2014	2013
Debt to Equity	38.6%	40.0%
MCCSR	273%	259%

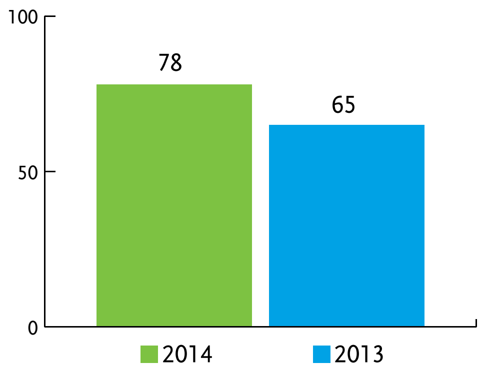
SEGMENT RESULTS

SAGICOR LIFE INC - NET INCOME



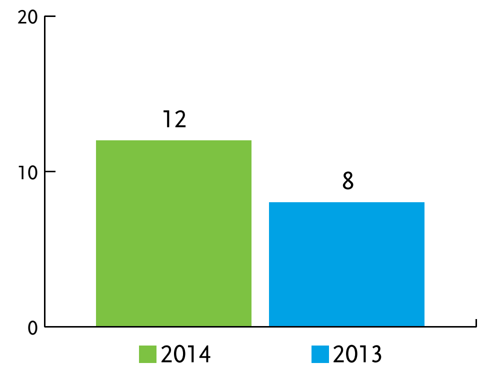
	2014	2013
Revenue	362	351
Assets	1,773	1,706

SAGICOR JAMAICA- NET INCOME



	2014	2013
Revenue	486	464
Assets	2,495	1,880

SAGICOR USA - NET INCOME



	2014	2013
Revenue	153	185
Assets	1,743	1,484

175 years of community

We pride ourselves on giving back to our community, because it is in the community that we forge our strongest connection. Our initiatives continue to build upon this valuable link, helping in the present to create a better future.

IN OUR COMMUNITIES - *Education*

As one of the four pillars outlined in the Sagicor Vision, we consider the value of education to be immeasurable. We offer strong support across the region to learning institutions from primary to tertiary, catering to traditional studies and education for those with special needs.

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1 Students of Holy Innocents Primary School in Barbados performing a short skit about healthy eating at the launch of the EduDrama programme.

2 Jai Patel, accepting the award from SLIC President and COO Bart Catmull, on behalf of Walker Middle School, for their winning Sagicor Visionaries Project, "Higher or Lower, Which angle is the best?"

3 Sagicor GSAT scholar, Alex Knibb, receives his award from SLJ's President and CEO, Richard Byles, at the company's annual GSAT Awards Ceremony.

4 SLI President & CEO, Dr Patricia Downes-Grant, and CEO & Director of Cave Hill School of Business, Dr Jeannine Comma, at the signing of the CHSB-UWI MOU. Dexter Moe, Vice President, Sagicor Asset Management Inc, and Dr Charmaine Gardner, Chairperson of the Board of Directors, Cave Hill School of Business, UWI, look on.

5 Students of the Abram Zuil Secondary School, Guyana, pictured with their winning Sagicor Visionaries project, "Paddy Husk Particle Board".

6 Students of the Bishop Martin High School, Belize, demonstrating their winning Sagicor Visionaries project, "Chaya-Mayan Power for Modern Times".

CORPORATE AND SOCIAL RESPONSIBILITY

In addition to a commitment to deliver quality products and services, Sagicor is also committed to improving the lives of people within its communities. In strengthening its role as a good corporate citizen, Sagicor supports various initiatives that provide financial and voluntary assistance, primarily in the areas of education, health, community and youth development and sports. These areas of investment have become the four pillars of Sagicor's corporate and social responsibility programme, as they, individually and collectively, lend a hand in maintaining and improving societal attitudes and values conducive to quality living.

Sagicor takes this opportunity to commend its staff members across the Group who were very active throughout 2014, giving of their time to work with a number of organisations to provide support and assistance to those in need.

EDUCATION

Secondary school students from the Caribbean region were once again invited to participate in the second Sagicor Visionaries Challenge to showcase their talents in Science, Technology, Engineering and Mathematics (STEM) subjects. Students worked with their teachers at their educational institutions, identified a problem facing their school or community, and used STEM to develop effective, innovative and sustainable solutions.

The winning schools and their respective projects in the National competitions are listed below:

Antigua & Barbuda
Winner: Christ the King High School - Nova Oven
1st Runner Up: Antigua Girls' High School - Air Purifier
2nd Runner Up: Antigua Girls' High School - Solar Powered Fans

Barbados
Winner: Queen's College - The Green Way to Get Styrofoam Away
1st Runner Up: Harrison College - Daytime Lighting System
2nd Runner Up: Harrison College - Traffic Monitoring and Alert

Belize
Winner: Bishop Martin High School - Chaya-Mayan Power for Modern Times
1st Runner Up: St Catherine Academy - StyroNOam
2nd Runner Up: St Catherine Academy - Female vs Female

Dominica
Winner: St Martin Secondary School - Techno Gardener
1st Runner Up: Dominica State College - Asphalt Emission Filtration System
2nd Runner Up: Isaiah Thomas Secondary School - Biogas Generator

St Lucia
Winner: St Mary's College - Biodegradable Plastic
1st Runner Up: Sir Arthur Lewis Community College - Rhizo Bacteria
2nd Runner Up: St Joseph's Convent - Expenergies

Guyana
Winner: Abram Zuil Secondary School - Paddy Husk Particle Board
1st Runner Up: Queen's College - Amazing Algenol
2nd Runner Up: St Stanislaus College - D.A.R.A.I.C.O. Drainage Project

Trinidad & Tobago
Winner: Five Rivers Secondary School - Cardboard Box Pallet
1st Runner Up: El Dorado West Secondary School - Life After Plastics
2nd Runner Up: St Joseph's Convent (Port of Spain) - Waving Goodbye to Microwaves

USA
Winner: Walker Middle School - Higher or Lower, Which Angle is Best?

The winners will be rewarded with a prize for one student and teacher to attend the Sagicor Visionaries Ambassadors Programme, arranged as part of the Museum of Science and Industry's (MOSI) Summer Science Camp, in Tampa, Florida, in July, 2015.

Special Prizes were also awarded to schools who demonstrated particular competencies in the categories of:

- Best Plan and Project Design;
- Most Creative and Innovative;
- Best Presentation;
- Best Use of STEM;
- Most Relevant to Sustainable Caribbean Communities, and Best Innovation.

In collaboration with the Caribbean Science Foundation (CSF) and the Caribbean Examinations Council (CXC), the Sagicor Visionaries Challenge aims to:

- Ignite an interest in innovation among secondary school students, through STEM, to help build and integrate sustainable communities throughout the Caribbean.
- Integrate knowledge gained from formal and informal education to enable tomorrow's leaders to build a more sustainable Caribbean.
- Encourage and boost institutional capacity in STEM in secondary schools within the region.

In July 2014, Sagicor Financial Corporation (SFC) and the Cave Hill School of Business, UWI (CHSB-UWI) in Barbados, finalised a Memorandum of Understanding to facilitate capacity building at the institution. The funding, to be disbursed annually over a five year period, will provide necessary resources for the School's Professional/Executive Education and developmental initiatives, as well as research in the field of business education. CHSB-UWI will be re-branded to reflect Sagicor's endowment. The institution will offer scholarships for the Executive Diploma in Management and Executive Masters in Business Administration programmes. Additionally, research will be conducted on best practices and leadership in the region. SFC will also draw on the expertise of the Cave Hill School of Business-UWI to develop their leaders through a custom-designed Corporate University, which will offer a High Potential Leaders' Programme, along with Management and Leadership Development and Performance Management Initiatives.

In Barbados, Sagicor Life Inc(SLI) continued its Academic Scholarship Programme with the University of the West Indies, Cave Hill Campus. Each year, Sagicor opens the programme to nationals of the Bahamas, Barbados, the OECS, Jamaica and Trinidad and Tobago, who have gained admission to the University and are majoring in the field of Business Studies. Eligible students must be majoring in the field of Accounting, Computer Science or Business Administration, and must have completed at least one academic year leading to a degree in one of those disciplines. Following several Interviews conducted by a Sagicor panel in February 2014, two scholarships were awarded: the first to Shaneka Greene, a Barbadian student studying Accounting and Finance, and the second to Tracey John, a Vincentian enrolled in the Computer Science Programme. Ms Greene is a civic-minded young woman who aims to contribute to her country through her work in the financial sector, and Mr John believes his studies in computer science will play a role in the development of St Vincent & the Grenadines. He looks forward to returning home to either teach or open his own business.

During 2014, SLI, the Ministry of Education and the Barbados National Non-Communicable Diseases (NCD) Commission (a division of the Ministry of Health) joined forces on an initiative to educate children about chronic diseases and the importance of healthy lifestyles at an early age. The Edu-Drama Programme, launched in September 2014, uses dramatisation to convey the wellness message to students. Using a format known as "a play-in-a-day", Class 3 students in seven primary schools learned about the dangers of chronic diseases and the health benefits of indigenous Caribbean foods. At the end of the school day, this information was presented to their teachers, peers and parents in the form of a dramatic performance. It is hoped that the children will share what they have learned with family and friends. In the long-term, this programme can have a major impact on reducing the instances of chronic non-communicable diseases in our society.

SLI and Sagicor Finance Inc in St Lucia assisted the St Lucia School of Music (SLSM) with the acquisition of a grand piano. This purchase has enabled the school to offer courses with higher levels of certification. The St Lucia School of Music was founded in 1988, and currently has a role of 500 students in eight locations. Programmes include education in a variety of music disciplines, as well as social inclusion projects for at-risk children.

In recognition of Autism Awareness Month, the staff of SLI in Antigua and Barbuda presented a donation to the parents, students and staff of the Victory Center, a non-profit school catering to children with special needs. This funding assisted the school with activities such as swimming, music and speech therapy, all of which enhance motor and communication skills of special needs children. The Victory Center, founded in 2012, currently caters to 19 students with Autism and other special needs profiles. The school offers an adapted Antigua & Barbuda School Curriculum from kindergarten to 5th form level, in order to help students with varying abilities achieve their full potential.

Sagicor Life Trinidad and Tobago (SLI TT) also supported Autism Month by raising funds through a raffle and the sale of pins and bookmarks, with many departments and branches also choosing different fundraisers to aid the effort for the LIFE Centre. The LIFE Centre is a non-profit organisation devoted to providing a school environment dispensing special education to children with medium-to-severe Autism and related communication disorders, while helping their families to better cope with the significant challenges of having an autistic family member.

Sagicor Life Jamaica (SLJ) donated scholarship funds to more than 220 students at all levels of education as part of the Sagicor Education Scholarships Programme. 14 recipients received awards in this year's GSAT, and prizes were also awarded to the Champion Boy and Girl from the JTA/Sagicor Primary and Junior High Athletic Championships. Those children will receive their full scholarships upon entering high school. In total, 84 students are presently benefitting from full scholarships throughout Jamaica. A further 119 successful applicants at both the primary and secondary level received awards at the Corporate Staff Education Function. The recipients were children of staff members. An additional 19 students at the University of the West Indies and the University of Technology in Jamaica benefitted from scholarship grants through the Sagicor Scholar Programme, a programme that has been active for over eight years.

Sagicor Life Insurance Company (SLIC) in the USA supported "Step Up For Students", a Florida-based non-profit corporation created to alleviate the enormous educational challenges faced by children in Florida who live in or near poverty. The organisation provides Tax Credit Scholarships to students in K-12 from low-income families. These scholarships allow students to enroll in a private school or an out-of-district public school that better suits their needs. The Programme recognises that children learn in different ways, and seeks to help students who are greatly disadvantaged in modern education. Step Up for Students' mission is to be a partner in the larger solution of giving disadvantaged families the best learning options for their children.

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1 *(L - R) Suzy de Verteuil of the LIFE Centre, accepting a donation from SLI Trinidad and Tobago Staff members Teona Evans, Melissa Frederick, Melissa Agard and Corporate Communications Manager, Marlene Chin.*

2 *(L – R) Piano teacher, Natalie McAllister of the SLSM, with student, Shan Lucien, and Administrative Manager, Joan Michel, along with Rae Atkinson, General Manager and Principal Representative of SLI St Lucia, and Richard Payne, Executive Director, SLSM, at the presentation of a Grand Piano.*


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1 *GSAT Scholarship awardees proudly displaying their certificates with SLJ's Chairman, Hon. R. Danny Williams (L) and SLJ President and CEO, Richard Byles (R).*
2 *Students of St Mary's College, St Lucia, with their winning Sagicor Visionaries project, "Biodegradable Plastic".*
3 *Recipients of SLIC's "Step Up for Students" Tax Credit Scholarship Programme, Florida.*
4 *Students of the Five Rivers Secondary School, Trinidad and Tobago, demonstrating their winning Sagicor Visionaries project, "Cardboard Box Pellet".*

IN OUR COMMUNITIES -

Health

The Sagicor Vision outlines our commitment to initiatives and developments which will enhance the long-term quality of life in the communities in which we operate. From this perspective, we have made health a priority area of our corporate support. As a regional leader in the industry, we lead by example, both within and outside of the organisation.

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1 An aerial view of the start of the 2014 Sagicor Sigma Corporate Run in Jamaica.
2 Participants in the Sagicor Globe-athon Walk to End Women's Cancers in Barbados.
3 Branded steps with messages to raise awareness of 'Below-the-Belt' Cancers at an SLI Barbados office.

HEALTH

During 2014, several wellness and weight management programmes took place across the Group. Activities such as Fitness Road Shows, 10,000 Step Challenges, Wellness Days, Lunch and Learn Wellness seminars and Hikes and Biking events dominated Sagicor's annual calendar. These programmes were targeted to staff and clients in an effort to improve the appreciation of lifestyle changes that reduce chronic lifestyle diseases, and so reduce national costs for medical care and health insurance costs.

The ongoing partnership between SLI in Barbados and the regional entity, the Healthy Caribbean Coalition (HCC), produced a landmark initiative on chronic non-communicable diseases (CNCDs). The HCC is a non-profit organisation, established with a mission to harness the power of civil society in collaboration with government, private enterprise, academia, and international partners as appropriate, in the development and implementation of plans for the prevention and management of chronic diseases among Caribbean people. In March 2014, at the NCD Child Conference in Trinidad & Tobago, the HCC launched the Caribbean NCD Regional Status Report. The Report is a compilation of data detailing the status of national NCD activities from the perspective of civil societies. This data will serve as a roadmap for the necessary actions needed to be undertaken by governments, as well as civil societies, as they continue their work in combating these diseases. In 2012, SLI and the HCC signed an MOU, which provides the HCC with core funding for capacity building, and increased support of regional CNCD civil society organisations.

In September 2014, SLI made a greater commitment to efforts to reduce the instances of 'below-the-belt', or gynaecological cancers, by taking title sponsorship of the Barbados Globe-athon Walk to End Women's Cancers. This annual event saw a 75% increase in participants with approximately 2,000 persons participating, including over 300 runners. SLI's contribution will go a long way towards assisting in awareness of and access to affordable screening and effective prevention and control measures such as Pap tests, human papilloma virus (HPV) testing and vaccinations against HPV, all of which can help reduce the number of incidents of gynaecological cancer. The funds raised through the Globe-athon event are managed by the Barbados Cancer Society, and donated to improve various aspects of the Gynae-Oncology services at the Queen Elizabeth Hospital. Messages of support and awareness were displayed for customers of SLI through special designs on building steps of offices and decals along the route of the Walk and Run.

In February, 2014, Sagicor Life Jamaica (SLJ) invited Jamaica's business community, groups and individuals to come together to participate in one of the Group's largest sponsorships and the largest race in the Caribbean – the Sigma Run. A major event on the Jamaican calendar, the Sagicor Sigma Corporate Run is a unique road-running event designed to inspire fun, fitness and camaraderie among all participants. More than 22,000 walkers, runners and wheelchair participants came together and raised over JMD $21.7 million for the Sickle Cell Unit TMRI at the University of the West Indies; the Sickle Cell Trust, Mandeville; The Special Care Nursery at the UHWI and The Jamaica Kidney Kids Foundation. Since 1999, SLJ has donated JMD $140 million to charities through the Sigma Run. The Run was held under the patronage of Her Excellency Lady Patricia Allen, World and Olympic Champion, Shelly-Ann Fraser-Pryce, OD, and NBC's The Voice winner - Tessanne Chin.

SLJ was title sponsor for the Keeping Abreast Luncheon, an annual event hosted by the Jamaica Cancer Society. Cancer survivors and supporters in attendance had the opportunity to hear specially-invited guest and President of Reach to Recovery International, Catherine Brice-Hirsch, who shared how her experience equipped her to help other cancer victims in the fight against the disease.

The Tampa Bay Lightning of the USA National Hockey League held its 13th annual Bolt Run, partly sponsored by SLIC, at the Tampa Bay Times Forum in Tampa. The St Patrick's Day-themed event consisted of 5K, 5-mile and 1-mile fun runs that featured pre and post-race parties on the Forum's plaza. All proceeds went to the Leukemia and Lymphoma Society, and more than 2400 runners came out to enjoy the day and support the cause.

Members of SLIC staff volunteered their time in support of the Phoenix Children's Hospital (PCH) in Arizona. Each year, PCH partners with a television station to host a telethon, along with a radio station to host a radiothon. While SLIC made a monetary donation, staff from the Scottsdale office volunteered to work at the phone bank, answering calls and taking pledges.

For the second time, SLIC's Plantation office sponsored the Vital Flight's "Special Day for Special Kids" event. During this event, volunteer pilots provided the opportunity for seriously ill children to enjoy a free airplane ride, entertainment and refreshments. The goal was to share the thrill of flying, and children from Palm Beach, Broward and Miami-Dade counties were invited to participate. Vital Flight is a non-profit, volunteer pilot organisation that coordinates air transportation for medical, compassionate and humanitarian needs. Federal Aviation Administrators and licensed pilots provide their time and aircraft at no charge to those seeking assistance.

SLIC staff in Arizona participated in the "Relay for Life" event, sponsored by the American Cancer Society (ACS) to raise money for the fight against all forms and types of cancer. 56 SLIC staff joined together to form 4 teams for the cause - Happy Feet; Sagicor Walks the Walk; Hope without Wavering and the Sagicor Steppers. Participants were also able to purchase luminaries in memory of someone who fought, or is currently fighting cancer.

Staff from SLIC's Scottsdale office took part in the City of Hope's Walk for Hope to Cure Breast Cancer event at the Phoenix Zoo. The occasion attracted 1,860 participants, of which 40 were members of the SLIC team: 20 were employees, while the others were friends and families of employees. Walk for Hope is a national movement that unites survivors and supporters in the fight against breast and women's cancers, and raises necessary funds to continue ground-breaking research, treatment and education at the City of Hope Organisation.

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1 (L-R) Karlene Mason and Professor Graham Serjeant of the Sickle Cell Trust in Mandeville, Jamaica, receiving a donation from the proceeds of the 2014 Sagicor Sigma Corporate Run, from SLJ's Willard Brown, Executive Vice President, Employee Benefits Division, and Suzette Shaw-Reid, Assistant Manager, Public Relations.

2 SLIC staff in Arizona volunteer at the Phoenix Children's Hospital's Telethon.

IN OUR COMMUNITIES -

Community and Youth Involvement

Sagicor's footprint spans over 23 countries worldwide. As we grow and develop, our presence is mirrored in each local community. Our support for the growth and development of people and social infrastructure is unwavering. This is a legacy of which we are proud.

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1 Parish Ambassadors with Barbadian community stalwart, Marseta Walcott, illuminating Bridgetown at the Sagicor Life Inc Lighting Ceremony.
2 SLIC staff dispatching items collected and donated for the School Supply Drive.
3 SLIC staff at the Tampa office with their "Boxes of Hope" collected for a food drive.

COMMUNITY AND YOUTH INVOLVEMENT

SLI in Barbados once again sponsored the Sagicor Life Inc Lighting Ceremony, a cultural festival which embraces and encourages nationalism among Barbadians. The theme of the 2014 celebration was "Uniting a Nation, One Community at a Time". The festival featured local artistes and talented performers who showcased Barbadian culture through dance, music and theatre performances. The Ceremony marked the beginning of a month of celebrations leading up to Independence Day on November 30th, when several buildings in Bridgetown, roundabouts along the highways and various parks and landmarks are illuminated.

SLI staff in Barbados supported Sagicor's Mornings at the Breakfast Club. This programme is organised by the Young Women's Christian Association (YWCA), and provides breakfast for children who need assistance during the school term. Sagicor employees volunteer their time to this programme, which now caters to approximately 300 children per day.

The Sagicor Sports and Social Club in Barbados hosted its Children's Christmas Party. Among the 450 guests, the Club catered for 33 children from Government-managed homes, and a total of 316 gifts were distributed to children at special government-run homes and institutions at the end of this Christmas programme.

SLIC's Plantation office sponsored the Palm Beach Zoo's inaugural "Save the Panther" 5k Run. This event coincided with the Zoo's debut of its newest Florida Panther, "Mira". After the race was completed, a special "Panther Talk" officially welcomed Mira to the Zoo and provided participants and race attendees with the opportunity to ask questions about the Florida Panther. SLIC was also sponsor of the Florida Panther Exhibit, which was on display during the course of 2014.

The All Children's Hospital Development Council hosted its 26th Annual VIP Auction in April, 2014, with many Tampa Bay area residents and businesses supporting the Auction by purchasing tickets for the evening and donating items for sale. SLIC donated a Martin acoustic/electric guitar and case for the event, and the final bid was more than double its original cost. The Auction was a huge success, and raised over USD $200,000 for the Hospital.

SLIC's sponsorship of the Tampa Bay Rays Major League Baseball team not only provides SLIC with significant in-stadium promotional signage on the outfield wall and behind home plate for all 81 home games during the season, but it also provides SLIC with the opportunity to partner with the Rays on important community initiatives. In 2014, SLIC continued its popular "Kids Spirits Day" hospital visits with the Tampa Bay Rays. During the season, SLIC and the Rays conducted a series of visits to the All Children's Hospital in St Petersburg, Florida. Rays' players, the Rays' mascot, Raymond, along with SLIC staff, interacted with the young patients and their parents. Players donated Sagicor-branded baseball-shaped pillows to the children, posed for pictures and signed autographs.

SLIC implemented a social responsibility programme to encourage greener practices within its offices. This resulted in practices such as mandatory dual-sided printing, and the use of water-filtering systems to eliminate the use of plastic water bottles, and to eliminate/reduce use of plastic and paper cups. The programme included a "Clean Air Programme," which encompassed a Vanpool system, whereby employees shared transportation to and from the workplace; offered incentives for carpooling, and discounts for the use of the public bus system.

Another activity was SLIC's "Corporate Giving" programme. Features of this programme included:

- The establishment of Business Resource Groups in Arizona, Florida, Oklahoma and South Florida.
- Providing employees with 8 hours of annual paid time for volunteering to a selection of organisations. (Volunteering has been incorporated into each job description, and is a mandatory requirement for all SLIC employees)
- "Dollar for Dollars" – a system whereby the company matches funds donated by SLIC employees to select organisations.

In August 2014, SLIC in Tampa completed a very successful school supply drive. The items collected were presented to the offices of the Hillsborough County Education Foundation in downtown Tampa. In addition to personally donating towards the drive, staff members also conducted in-office fundraising events.

In December 2014, SLIC staff came together for the Annual Holiday Party. In addition to preparing a delicious buffet dinner, staff and their guests, in conjunction with the organisation "Feeding Children

Everywhere," were tasked with assembling approximately 14,000 meals for the less fortunate. The meals were donated to a local charity that distributed them to the less fortunate within the Tampa Bay area.

SLIC staff at the Tampa Corporate Office and the Tampa Sales Office held a food drive challenge for families in need. Employees skipped a lunch and used their lunch money to buy items of food and gift cards. Each "Box of Hope" provided a complete holiday meal for a family of 4.

1 *Representatives from SLIC and the All Children's Hospital at the presentation of funds raised by SLIC Staff.*
2 *SLIC staff preparing Christmas meals to be donated to "Feeding Children Everywhere".*
3 *Tampa Bay Rays' team member with the Tampa Bay Rays' mascot, Raymond, on a "Kids Spirit Day" visit to the All Children's Hospital in St Petersburg, Florida.*

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IN OUR COMMUNITIES -

Sports

Nations and companies alike are built on teamwork and sportsmanship. Sagicor views these traits as character-building, and through our support of sporting events, seeks to nurture their importance across all genders, races and ages.

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1 *One of the children participating in a "Sagicor Kids on the Greens" practice session at the St Andrew's Golf Club in Trinidad & Tobago.*

2 *SGI Twenty 20 Spartan team celebrating their win in Barbados.*

SPORT

Sagicor General Insurance (SGI) in Barbados has long been associated with cricket throughout the region, and 2014 welcomed the successful hosting of the Sagicor General Insurance Twenty 20 Competition and the Sagicor General Shield. The T20 Competition opened the 2014 Barbados Cricket Association season with 18 teams divided into three zones playing 5 preliminary series, Quarter and Semi Finals and Finals. The Finals, held in June 2014, saw Spartan team emerge as the victors with a prize purse of BBD $20,000. The Sagicor General Shield Tournament attracted several local Barbadian teams, with the Barbados Fire Service defeating the team from the Psychiatric Hospital by eight wickets in the Finals at Kensington Oval.

SGI, as a keen sports sponsor, supports a wide range of sports, as well as sportsmen and women in their individual endeavours. For example, 2014 saw SGI playing a role in assisting Barbadian body builders to attend the 2014 Central American and Caribbean Championships (CAC) in St Maarten. In years past, Barbadian body builders have made their mark in international body building, and SGI's sponsorship further supported the country's legacy in hemispheric body building at the highest level.

The Sagicor Sports and Social Club of SLI TT participated in the 23rd CariFin Games, hosted by the CariFin Health and Fitness Club. The Games, designed to promote health and fitness among workers in the financial sector, were staged as a series of events over several months, and included a Torch Run, the Urban Challenge, a Fitness Burnout, a Cross Fit Qualifier and a Cross Country Run.

Golf featured in several sponsorships across the Sagicor Group during 2014. In September, SLI TT sponsored a team in the St Augustine Rotary Club Golf Tournament. The Rotary Club is part of an international organisation that unites businesses and professionals to work together for humanitarian goals. In this case, proceeds from the Tournament were donated to "Heartbeat International Trinidad and Tobago", an organisation which works to help people in need of cardiovascular treatment and implantable devices.

SLI TT also hosted the Sagicor St Andrew's Golf Invitational, one of Trinidad and Tobago's most popular golf tournaments. 132 golfers from six golf clubs played in support of the Autism Society of Trinidad and Tobago.

Both SGI Barbados and SLI TT hosted family-oriented golf tournaments during 2014. In Trinidad and Tobago, "Sagicor Kids on the Greens" invited staff members and their children to tee off, after some practice sessions on the putting green with the coach from St Andrew's Golf Club. SGI Barbados hosted the Sagicor General Family Championship at the Barbados Golf Club. 72 players, comprising 36 two-member teams, contested in several divisions, such as Parent and Child, Husband and Wife and the Open Division.

SLI TT hosted the Sagicor Junior Lawn Tennis Tournament at the Nelson Mandela Park. 150 contenders vied for top trophies and cash prizes in the six-day event, which has been a staple feature of SLI TT's event calendar. 2014 also heralded the first ever edition of the "Red Star Under-10 Tournament". This introductory beginner's Tournament is open to all children interested in taking up the sport of tennis.

SLJ is synonymous with sports sponsorships and has, over the years, forged several long-standing relationships with key stakeholders within its communities, as well as various athletic associations and clubs. One such relationship is that with the Jamaica Teachers' Association, with which SLJ partnered to host the National Primary, All-Age and Junior High School Athletic Championships. This partnership staged the two-day track and field event held at the National Stadium, benefitting over 1,200 young athletes from across the island. Sagicor has supported this event for over 20 years.

SLJ is well-known among the Guild of Students at the University of the West Indies, Mona Campus, through the sponsorship of the Sagicor/UWI Guild Champions League. During 2014, teams formed by UWI students competed in football matches for a chance to win a cash prize, as well as the associated bragging rights. Teams were fully subscribed, and over 1,500 students came to each game, while the Finals attracted several thousand students.

SLJ donated valuable computer equipment to the Manchester High School, which assisted students at the CXC, GCE and 'A' Levels. SLJ's Knutsford Branch gave their adopted school, Evangelistic Basic School, a much-needed facelift, while the Ocho Rios Branch donated stationery to the Ocho Rios Primary School in the Special Education Unit. The Sagicor/UTECH National Debating Championships, hosted by SLJ, established UTECH as the undisputed leader in British Parliamentary Debating in Jamaica, beating a record 60 teams.

In conjunction with the Tampa Bay Rays' sponsorship, the "Sagicor Junior Announcer Sweepstakes" and "Sagicor Salute to Education" both enjoyed another successful year. The Junior Announcement Sweepstakes provided children aged 8 to 16 years with the chance to be an announcer for one inning, announcing the batter's name as they came up to bat. Junior Announcers were selected for every Sunday home game throughout the season. The Salute to Education Programme was developed to recognise outstanding Tampa Bay area educators. For every other home game, 40 in total, an educator and guest were provided with VIP seating to watch a Rays' game, during which the honoured teacher was recognised on the stadium's video scoreboard as SLIC's Outstanding Educator.

The George Estock Baseball Scholarship sent its second child to the Rays' Baseball Camp for a week. The 10-year Scholarship programme was set up in 2013 in honour of George Estock, a former Sagicor President and CEO of SLIC, at retirement. Each year a deserving child will attend a week-long baseball camp with the Tampa Bay Rays, free of charge. The Rays' Baseball Camp operates during the summer, and 2014's scholarship recipient was the son of a military veteran who, without the scholarship, would not have been able to attend the Camp.

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1 Walkers and runners from SLI TT at the CariFin Green Mile Event.
2 (L to R) Huit Johnson, Chairman of the JTA National Sports Committee & Dr Mark Nicely, President of the JTA, receiving a sponsorship cheque from SLJ's Alysia White, Public Relations & Promotions Manager & Barrington Groves, Brand Manager.
3 Winners at the Sagicor Junior Lawn Tennis tournament in Trinidad & Tobago, with their Coach, Tournament Director, President of the Tennis Association of Trinidad & Tobago, and members of the SLI TT management team.

175 years of service

No matter how big we grow, how much we change, or how far we go, we must never forget that our most important purpose is to serve.

HUMAN CAPITAL REPORT

TALENT MANAGEMENT AND WORKFORCE PLANNING

EMPLOYEE DEPLOYMENT

In March 2014, Group President and Chief Executive Officer of Sagicor Financial Corporation, Mr Dodridge Miller, announced a strategic initiative, the Sagicor PRO (Process Review and Optimisation) Project to review operating systems and procedures. The Project is expected to reduce complexity and enhance management efficiency with appropriate metrics for measurement, analysis and continuous improvement. This Project, which is ongoing, is expected to deliver a better and more efficient work environment and enhance customer engagement.

In January 2014, Sagicor Life Jamaica (SLJ) welcomed approximately 500 employees into the Sagicor family, through the acquisition of RBC Royal Bank (Jamaica) Limited. This acquisition significantly expanded the banking division of SLJ's local operations.

EXECUTIVE APPOINTMENTS

During 2014, there were several key executive appointments throughout the Group. The appointments were:

- Mr Willard Brown, Executive Vice President, Employee Benefits Division, Sagicor Group Jamaica
- Mrs Althea Hazzard, General Counsel and Corporate Secretary & Chief Compliance Officer, Sagicor Financial Corporation and Sagicor Life Inc
- Mr Rohan Miller, President & Chief Executive Officer, Sagicor Investments Jamaica Limited
- Mr Donovan Perkins, President & Chief Executive Officer, Sagicor Bank Jamaica Limited
- Mr Juan Carlos Martinelli Remond, General Manager, Sagicor Panama, S.A.

RETIREMENTS

Sagicor Group bid farewell to the following individuals who retired at the end of 2014.

- Mr Anthony Bowen - Executive Vice President, Sales and Marketing - Sagicor Life Inc
- Mr Errol McKenzie - Executive Vice President, Employee Benefits Division - Sagicor Group Jamaica
- Ms Maxine MacLure - Executive Vice President, Corporate Services & Chief Compliance Officer - Sagicor Financial Corporation.

The Board, Management and Staff at Sagicor thank these individuals for their sterling contribution over the years.

SUCCESSION PLANNING

Group Companies reviewed and updated succession plans to ensure that there are adequate people with the capabilities required to match the Group's ambitions. The Human Resources Committee of the Board of Directors continuously reviews the bench strength at the top tiers of the Group, while the HR Department, working with Heads of Departments, reviews bench strengths for all other key roles. Evergreen succession plans inform recruitment and training and development programmes.

Sagicor Life Jamaica, through its Sagicor Experience Internship Programme, gave recent university graduates an opportunity to gain valuable work experience, build business confidence, and introduce them to the insurance and financial services industry. It provided the company with a talent incubator, supporting its succession plan. The Internship Programme has grown from 16 interns in 2013 to 60 in 2014. Since the Programme's inception, 27 of these interns have successfully transitioned to become members of the SLJ team.

TRAINING AND DEVELOPMENT

LEADERSHIP TRAINING

LIMRA facilitated the second phase of the Executive Development Programme with two workshops for senior managers in Sagicor Life Inc in June 2014. Workshop topics included Executive Development, Innovation Advantage, and Creating a Culture of Achievement.

Sagicor Life Insurance in the USA (SLIC) implemented a Leadership Development Training programme for key resources as part of the company's succession planning process.

SLI Trinidad and Tobago continued the Leadership Development Programme started in 2013, with the successful completion of the 12-month Management Development Programme, HarvardManagementor11. A 6-month comprehensive supervisory development programme provided training for 26 Sagicor Supervisors.

Product training for administrative staff continued during 2014, with a view to improving customer service by enhancing understanding and appreciation of the Sagicor product suite, and providing support to the sales strategy.

COMPETENCY-BASED TRAINING FUND

In December 2014, SLI in Barbados was informed of its successful bid to access training through the Competency-Based Training Fund, an Inter-American Bank initiative in Barbados. Through this arrangement, SLI Barbados will have access to US$400,000 for certification in a number of business competencies in Management, Leadership, Customer Service, Sales, Business Communication, Conflict, Time and Stress Management under the National Vocational Qualifications (NVQ) Occupational Standards.

The Barbados Institute of Management and Productivity (BIMAP) will deliver the training to develop Sagicor's employees' competencies. Workshops commenced February 2015, and will be followed by the formal assessment of skills to ensure that participants have achieved the Barbados (NVQ) Occupational Standards.

CORPORATE UNIVERSITY & MENTORSHIP PROGRAMME

SLI Barbados and the Cave Hill School of Business (CHSB), University of the West Indies, announced a collaborative agreement between the two organisations for the provision of a US$2.5m endowment to the CHSB in Barbados.

Provisions under the Deed of Covenant provide for a number of exciting developmental opportunities for Senior Managers, high-potential employees and for institutional strengthening, including:

- A corporate University exclusive for Sagicor Life Inc, which will target the company's senior level high achievers who are on the track for promotion within the next 3 to 5 years. The selected employees will work with coaches to improve their leadership skills and to make the most of identified areas of strength.
- A Management Skills Certificate Programme, which will target new and more experienced Managers and Senior Supervisors. The selected employees will be equipped with skills which will be developed into a competitive advantage.
- Performance Management Initiatives, which will develop the mentoring and coaching skills of the company's Managers and leaders. There will also be a Personal Mastery Programme, which will develop key competencies required by employees in executing the company's business strategies.

CUSTOMER SERVICE

Several customer service improvement projects drove the strategic decision to differentiate Sagicor from its competitors:

"Priority You" - a customer-care project in SLI in Trinidad and Tobago redefined the customer-care vision; developed customer-care standards and trained employees and advisors in the delivery of exceptional service.

"Creating Memorable Experiences" - a customer-service philosophy which was launched in 2014 in Barbados and the Eastern Caribbean, following the roll-out of the service standards in 2013.

Online product training, as well as classroom workshops, continued in 2014, to enhance the customer-service experience at Sagicor.

CODE OF ETHICS AND AML TRAINING

The Sagicor Group continues to reinforce its corporate standards and business ethics through compulsory training, using an online platform for employees and advisors across the SLI Group, using an online platform, as well as the annual disclosure process.

FATCA

Administrative employees and Brokers throughout Barbados, the Eastern Caribbean and Capital Life offices attended sessions on the new Foreign Account Tax Compliance Act (FATCA). The workshops were facilitated by the consulting firm, Deloitte.

FATCA, which took effect on July 1, 2014, addresses tax abuse by US persons, and the new regulations will ensure that they report financial accounts held outside of the USA.

PERFORMANCE MANAGEMENT

Having completed the pilot project for 360 degree feedback during 2014, we will roll out this element of our performance management process on the Sagicor Success – HR Technology platform in 2015.

Group companies will upgrade to the updated Success Factors platform used to manage performance in 2015.

EMPLOYEE ENGAGEMENT

While USA business reports indicated that the USA markets were making a strong recovery with promising gains in the job markets, negative economic forecasts in the Caribbean continued to stifle merit pay and cost-of-living adjustments (COLA) increases across the region. Group Companies focused on their Performance Management Programmes and Employee Rewards and Recognition Programmes to recognise and reward star performers, while keeping a close eye on the metrics that monitor employee engagement.

EMPLOYEE OPINION SURVEYS

Group companies continued to monitor employee engagement using the Life Office Management Association (LOMA). This survey seeks to measure the state of emotional and intellectual commitment of employees, and is composed of a series of 29 opinion statements.

Most Group companies reported incremental improvements in their survey results for 2014. Positive trends on all dimensions for Morale, Employee Engagement, Leadership, Recognition and Rewards and Quality of Work Life, the latter recording 3% improvement on the previous year, is an important indicator that Sagicor is experiencing some success in providing a work environment where employees feel engaged and can excel.

Management reviews survey results and recommendations, and develops programmes which support initiatives and addresses concerns within the business plans of the entities.

NATIONAL AWARDS

The Sagicor Group of Companies proudly celebrated national and other awards conferred in 2014:

- Dr Pat Downes-Grant: President and Chief Executive Officer of Sagicor Life Inc, was one of nine outstanding Barbadian citizens honoured in the Queen’s 2014 Birthday Honours List. She received the Commander of the Order of the British Empire (CBE) for service to the financial sector. Dr Downes-Grant was also awarded an Honorary Doctorate of Laws from the University of the West Indies for outstanding leadership in the financial sector.

- Mr Richard Byles: President and Chief Executive Officer, Sagicor Group Jamaica, was awarded the 2014 Business & Civic Leadership Award for Excellence from the American Chamber of Commerce.

- Mr Timar Jackson, Actuarial Analyst, Corporate Actuarial Services at Sagicor Life Jamaica was a 2014 Rhodes Scholarship recipient.

- Mr Ricardo Allen, Structured Product Analyst, Treasury & Capital Markets Department at Sagicor Group Jamaica was a 2014 Fulbright Scholarship recipient.

- Sagicor Group Jamaica received the Jamaica Bureau of Standards - “National Quality Awards” for ‘Excellence in Human Resource Focus’.

CORPORATE STRUCTURE

The following organisational changes in Sagicor Life Inc were implemented with a view to improving efficiency and complying with new regulatory requirements.

- Sagicor Life Inc and Sagicor Capital Life Inc were amalgamated on December 31, 2014.
- Sagicor Life (Eastern Caribbean) Inc was registered in St Lucia on October 10, 2014.

175 years of innovation

Our corporate footsteps show where we've been, and where we are going. With reliable information, we can ensure the best quality in service for today and tomorrow.

OPERATING AND FINANCIAL REVIEW

OVERVIEW

The Sagicor Group is a leading provider of insurance products and related services in the Caribbean region. It also provides insurance products in the United States of America (USA) and banking services in Jamaica.

The main insurance lines are life insurance, annuities and pension management, health insurance and property and casualty insurance. The customer base is predominately individuals, but certain lines are marketed to employers to provide employee benefits and to commercial enterprises to provide property and casualty products.

EXTERNAL ENVIRONMENT

The external environment impacts the operating and financial performance of the Sagicor Group.

Economic factors, such as economic growth, employment levels and disposable income, impact the levels of both new business and renewal life insurance and annuity products offered by the Group. Interest rates and investment yields affect the level of savings and investment returns offered for life insurance, annuities and banking products, and ultimately the profit margins that the Group can generate from these product lines.

The health and mortality of insured customers and beneficiaries impacts the levels of death, disability and health benefits the Group is required to meet.

Property and casualty insurance products offer policyholders financial protection against loss or damage to property, accidents, and liability to third parties.

The Group's operating units are all regulated by insurance, banking and securities regulations. The Group therefore has to meet statutory and reporting requirements to governments and government agencies.

Economic Environment

The 2014 financial year saw variability in the pace of economic recovery across the developed world, as evidenced through relatively moderate growth of 2.4% in the United States of America (USA), while the economies of Europe and Japan experienced growth of 0.8% and 0.1% respectively. Despite the positive signs in the USA, global growth remained tenuous as recessionary headwinds stagnated growth in Europe and Japan. This necessitated the prolongation of the accommodative fiscal and monetary policies, particularly within developed economies throughout 2014. Furthermore, the unexpectedly sharp and extended decline in oil prices negatively impacted oil-exporting emerging market countries, namely Russia. In light of the general anaemic economic conditions which prevailed in the broader developed and emerging market economies, the International Monetary Fund revised downward its projections for global growth by 0.3% to 3.5% for 2015.

In the USA, economic indicators showed improvement. Consumer spending increased during the fourth quarter of 2014, while the unemployment rate declined to 5.6% in December, the lowest level since 2008. Against the backdrop of encouraging economic data, the Federal Reserve concluded its bond repurchase programme in October 2014. However, the protracted decline of global oil prices further constrained the already subdued level of inflation, which stood at 1.3% in November 2014, and prompted the continuance of near zero interest rates for the foreseeable future. In Europe, the low level of inflation, coupled with the generally weak investment climate and persistently high unemployment, continued to weigh on economic growth. Therefore, the European Central Bank (ECB) maintained its relaxed fiscal policy stance and held interest rates constant at an unprecedentedly low level.

Regionally, economic growth across the majority of Caribbean islands trended positively, albeit at relatively low levels. However, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels as well as dwindling foreign direct investment, remained hindrances to the economic stability of the region.

Conversely, there was an incipient recovery in the tourism sector which generally showed moderate improvement, but remained well below the pre-crisis levels prior to 2008.

The Barbados economy experienced modest expansion of 0.3% in 2014, which was supported by growth within the tourism and construction sectors. Trinidad & Tobago and Jamaica experienced real GDP growth for 2014 of 2.0% and 0.9%, respectively. The level of unemployment remained high across the region, while the level of inflation trended lower and remained positively correlated with the decline in global oil prices. In Jamaica, areas of expansion were in tourism, services, transportation, mining and telecommunications, while the growth in the Trinidad & Tobago economy was underpinned by positive contributions from the energy and non-energy sectors. Given the dampening impact of the decline of global energy prices on the performance of Trinidad & Tobago's economy as an exporter of oil, the budgetary price assumptions for oil have been revised downwards for 2015. In tandem with an anticipated increase in short-term interest rates in the USA, Trinidad & Tobago's Repo rate increased to 3.25% by year-end, relative to 2.75% in 2013, with an additional 25 basis points increase to 3.5% in January 2015. Throughout 2014, the US dollar rallied against major international currencies. In the region, the Jamaica dollar depreciated relative to the US dollar by an annualised 7.8%.

Insurance Regulation

There has been no significant legislative change in the insurance sphere in the Caribbean. Governments and regulators either have initiated, or are contemplating enhancements to insurance regulation, as a response to the recent failure of insurance subsidiaries of CL Financial in the region.

GROUP RESULTS

Revenues from continuing operations in 2014 totalled US $1,045 million, and were US $6 million higher than the prior year amount of US $1,039 million, and included US $29.1 million in negative goodwill on the acquisition of a banking operation in Jamaica. Revenues were also impacted by lower annuity premiums written in the United States, when compared with 2013.

Insurance and other benefits also decreased in 2014 to a total of US $542 million, compared to a total of US $593 million in 2013. This reduction was largely as a result of lower annuity business written in the United States of America as indicated above. Expenses and taxes increased and reached US $403 million in 2014, as compared to a total of US $366 million in 2013. Expenses now include 6 months of operating costs on the banking business acquired in Jamaica, as well as non-recurring restructuring and rebranding costs.

Total comprehensive income from continuing operations increased significantly to US $107 million in 2014, compared to US $6 million in 2013.

CONSOLIDATED INCOME [1] - $ millions	2014	2013
Revenue	1,045	1,039
Benefits	(542)	(593)
Expenses & taxes	(403)	(366)
Net income	100	80
COMPREHENSIVE INCOME		
Other comprehensive (loss)	7	(74)
Total comprehensive income	107	6
[1] *from continuing operations*		

Other comprehensive income was US $7 million, compared to a loss of US $74 million in 2013. Comprehensive income in 2014 was impacted by US $16 million in net movements related to investment assets, gains on defined benefit plans of US $13 million, and losses on foreign currency retranslation of US $22 million.

In December 2012, the Board and Management made a decision to dispose of Sagicor Europe, which owned the Sagicor at Lloyd's operations. In accordance with International Financial Reporting Standards, the results of Sagicor Europe have been separated from the Group's continuing operations and presented as a discontinued operation. Sagicor Europe was sold on December 23, 2013. The results of the Group's continuing operations are further analysed under the next several sub-headings. The results of the discontinued operation are discussed and analysed in the Operating Segments section.

Shareholder Returns

The Group's net income and comprehensive income are allocated to the equity owners of the respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in the Sagicor Jamaica operating segment, the Group's net income is allocated accordingly between holders of Sagicor's common shares and the minority interest shareholders. There is also an allocation to Sagicor Life Inc's policyholders who hold participating policies, an arrangement which was established at the demutualisation of Barbados Mutual Life Assurance Society (now Sagicor Life Inc).

For the 2014 financial year, US $54 million of net income from continuing operations was allocated to the holders of common shares of Sagicor Financial Corporation, which corresponded to earnings per share of US 17.3 cents. The comparative amounts for 2013 were US $39 million of net income and earnings per share of US 12.5 cents. The respective annual returns on shareholders' equity were 11.2% for 2014 and 7.7% for 2013.

Dividends declared to common shareholders in respect of 2014 totalled US $12 million, and represented US 4 cents per share. The same amounts were declared for 2013.

COMMON SHAREHOLDER RETURNS [1]	2014	2013
Net income - $ millions	54	39
Dividends - $ millions	12	12
Earnings per share - cents	17.3	12.5
Dividends per share - cents	4.0	4.0
Return on equity - %	11.2	7.7

[1] *from continuing operations except for dividends.*

Revenue

The sources of the Group's revenue are insurance premiums from customers, investment income, fee income and other revenues. The following table summarises the main items of revenue.

REVENUE - $ millions	2014	2013
Net insurance premiums:		
Life and annuity	461	498
Health	146	141
Property & casualty	19	18
	626	657
Net investment income	307	279
Fees and other revenues	83	103
Gain arising on acquisition	29	-
	1,045	**1,039**

Premium revenue from life insurance and annuity was US $461 million, and represented 74% of total premium revenue. The comparative amounts for 2013 were US $498 million and 76%. The reduction in revenue occurred largely as a result of lower new annuity business written in the USA, when compared to 2013, and the impact of the deterioration of the Jamaica dollar to the US dollar on conversion of the premiums. The Group markets a range of life and annuity products, most of which are long-term contracts for which a monthly premium is paid by the customer.

For some long-term contracts, however, a single premium (usually a lump sum) is paid at the beginning of the contract. There are also annual renewable contracts which are marketed largely to employers to provide coverage to their employees on a group basis.

The Group also markets annual renewable health insurance contracts to employers and associations. These provide benefits against medical costs incurred by insured persons. Premium revenue from health insurance totalled US $146 million, an increase of US $5 million over the 2013 total.

The Group also markets property and casualty insurance contracts in the Caribbean region. These are marketed to individuals and commercial enterprises. Premium revenue from these classes of insurance totalled US $19 million, up from US $18 million in 2013.

Income is generated from the investments made by the Group. The annual yields achieved on financial investments were as follows.

INTEREST YIELDS	2014	2013
Debt securities	6.3%	6.6%
Mortgage loans	6.6%	7.5%
Policy loans	7.5%	7.1%
Finance loans & finance leases	11.4%	10.0%
Securities purchased for resale	5.6%	3.7%
Deposits	1.7%	1.8%

Income from fees and other revenues totalled US $83 million, as compared to the 2013 level of US $103 million. The reduction in revenue occurred largely as a result of lower commissions income on lower new annuity business written in the USA.

On June 26, 2014, the Group completed the acquisition of RBC Royal Bank's Jamaica banking operation, and rebranded the business as Sagicor Bank. After determining the fair value of acquired assets and liabilities of the business, the Group experienced negative goodwill on acquisition of US $29 million.

Benefits

The table below summarises the expense incurred by the Group in providing benefits.

BENEFITS - $ millions	2014	2013
Net insurance benefits:		
Life and annuity	363	415
Health	108	113
Property and casualty	8	7
	479	535
Interest expense	63	58
	542	**593**

Insurance benefits comprise amounts payable to policyholders and beneficiaries in accordance with the contract terms of insurance policies issued or assumed by the Group. Interest payable to investment contract-holders or financial institutions which have placed funds with the Group are treated as interest benefits. Current life insurance and annuity benefits are recognised on the notification of death, disability or critical illness of an insured person; on the maturity or surrender of a policy; on the declaration of a policy bonus or dividend; or an annuity payment date. Future life insurance and annuity benefits are recognised in the financial statements on in-force long-term insurance contracts, based on reserving methodologies adopted by the Group in accordance with established Canadian accepted actuarial standards (recognising local conditions).

Life and annuity benefits totalled US $363 million in 2014, of which US $322 million related to current benefits, and US $41 million related to future benefits. The corresponding amounts for 2013 were a total of US $415 million, of which US $305 million were for current benefits, and US $110 million were in respect of future benefits. The reduction in benefits occurred as a result of lower new annuity business written in the USA, when compared to 2013.

The amount of future benefits recorded in the statement of income is a function of the policy contracts in-force, and of the appropriate actuarial assumptions which are made to value them.

Health, property and casualty insurance benefits are recognised either on the notification or settlement (for short notification periods) of a claim from policyholders. In addition, incurred but not reported (IBNR) benefits are recognised in accordance with established or expected trends for claims incurred.

Total health insurance benefits were US $108 million, representing an overall claims to premium ratio of 74%. The comparative 2013 amounts were US $114 million, and an overall claims to premium ratio of 80%. Property and casualty claims amounted to US $8 million in 2014, an increase of US $1 million from the 2013 comparative figure.

The interest returns the Group has provided to investment contract-holders and financial institutions which have advanced funds are summarised in the following table.

INTEREST YIELDS	2014	2013
Investment contracts	5.4%	5.3%
Other funding instruments	2.0%	2.2%
Customer deposits	2.6%	3.6%
Securities sold for repurchase	5.0%	4.8%

Expenses and taxes

Expenses and taxes totalled US $403 million for 2014, up from US $366 million for 2013.

Expenses of administration represent the largest expense category and totalled US $234 million in 2014, compared to US $204 million in 2013.

Expenses in 2014 includes restructuring and rebranding costs, together with 6 months of operating expenses relating to the acquired RBC Royal Bank's Jamaica banking operations.

Commissions represents compensation and benefits payable to insurance agents and brokers who generate new and renewal premium revenue for the Group. Commissions totalled US $98 million for 2014 compared to US $100 million for 2013.

EXPENSES & TAXES - $ millions	2014	2013
Administrative expenses	234	204
Commissions	98	100
Finance costs, depreciation and amortisation	43	32
Premium, asset and income taxes	28	30
	403	366

The Group is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits.

Comprehensive income

Gains and losses recorded within other comprehensive income arise from fair value changes of certain classes of assets, and from the retranslation of foreign currency operations.

For 2014, fair value changes in assets accounted for a net gain of US $16 million. There was also a gain of US $13 million relating to defined benefit plans. Retranslation of foreign currency operations accounted for a loss of US $22 million. The latter arose largely from the depreciation of the Jamaica dollar. The corresponding amounts for 2013 were a loss of US $32 million arising from fair value changes in assets, and a loss of US $36 million from the retranslation of foreign currency operations.

Net income and other comprehensive income together result in total comprehensive income. Summarising the Group's results from continuing operations, total comprehensive income was US $107 million for 2014, compared to US $6 million for 2013.

GROUP FINANCIAL POSITION

Sagicor's activities of issuing insurance contracts; of accepting funds from depositors; of banking and securities dealing result in the Group receiving significant funds which are held as liabilities and are invested in a variety of assets.

The Group's sources of capital are equity contributions from shareholders, retained earnings and reserves, and borrowings.

The table below summarises the consolidated financial position of Sagicor as of December 31, 2014 and 2013.

STATEMENT OF FINANCIAL POSITION - $ millions	2014	2013
Assets	**6,180**	**5,298**
Liabilities arising from operations	5,107	4,283
Borrowings	299	290
Equity	774	725
	6,180	**5,298**

Assets

Invested assets and cash balances as of December 31 are summarised in the table below.

INVESTMENTS & CASH - $ millions	2014 [1]	2013 [1]
Debt securities	3,448	3,192
Mortgage loans	294	258
Policy loans	133	134
Finance loans and finance leases	411	165
Securities purchased for re-sale	32	41
Deposits	127	161
Cash	403	226
Investment property and other items	347	382
	5,195	**4,559**

[1] *continuing operations*

Debt securities are the largest class of invested assets, and represented 66% of total investments and cash as of December 31, 2014 (70% as of December 31, 2013). These securities are very suitable instruments to back long-term insurance liabilities because of their medium to long-term duration, the regular interest payments received, and the relatively low credit risk.

Debt instruments are issued primarily by Governments, state-sponsored agencies and corporate entities. The Group acquires and holds these instruments usually in the country where the funding arose. The Group also invests in debt instruments of short duration as a way of earning investment returns with minimal risk, and of providing opportunities for investment contract-holders to earn safe returns.

Other invested assets are spread across various asset classes such as mortgages, loans, deposits and property.

The increase in debt securities, finance loans and leases and cash, when compared to 2013, largely reflects the acquisition of the banking operation in Jamaica.

Liabilities arising from operations

The Group issues life insurance and annuity contracts either to individuals or to employers in respect of their employees. Insurance liabilities are summarised in the following table.

INSURANCE LIABILITIES - $ millions	2014 [1]	2013 [1]
Future benefits - individual contracts	2,137	1,907
Future benefits - group contracts	426	417
Current benefits and other payables	242	234
	2,805	**2,558**

[1] *continuing operations*

Future benefits represent amounts recognised at the date of the financial statements for liabilities not yet due. These liabilities may become due in the near, medium or long-term and are estimated using established actuarial techniques.

Current benefits and other payables represent amounts which are currently due and are in the course of settlement. These include benefits in respect of all classes of insurance written - life, annuity, health, property and casualty.

The Group's liabilities, which arise from issuing investment contracts, accepting deposits and funding, are as follows.

FINANCIAL LIABILITIES - $ millions	2014	2013
Investment contracts	361	367
Securities sold for re-purchase	665	524
Customer deposits	571	237
Other funding instruments and other items	369	344
	1,966	**1,472**

Investment contracts may be issued to pension funds to hold pension plan assets or to individual customers to provide savings vehicles. Securities sold for repurchase provide specific security to depositors who place funds with the Group for investment return. Deposits and other funding provide monies to the Group to invest in loans and related securities.

Other liabilities include general provisions, accruals and payables which arise in the ordinary course of business.

The discontinued operation (Sagicor at Lloyds) was sold on December 23, 2013. There is a liability of US $46 million (2013, US $55 million) relating to future price adjustments on the run off of the 2011, 2012, and 2013, underwriting years of account.

Capital

The Group has issued equity and debt instruments to provide capital for its operations. The amounts recognised in the statement of financial position in respect of these instruments are summarised below.

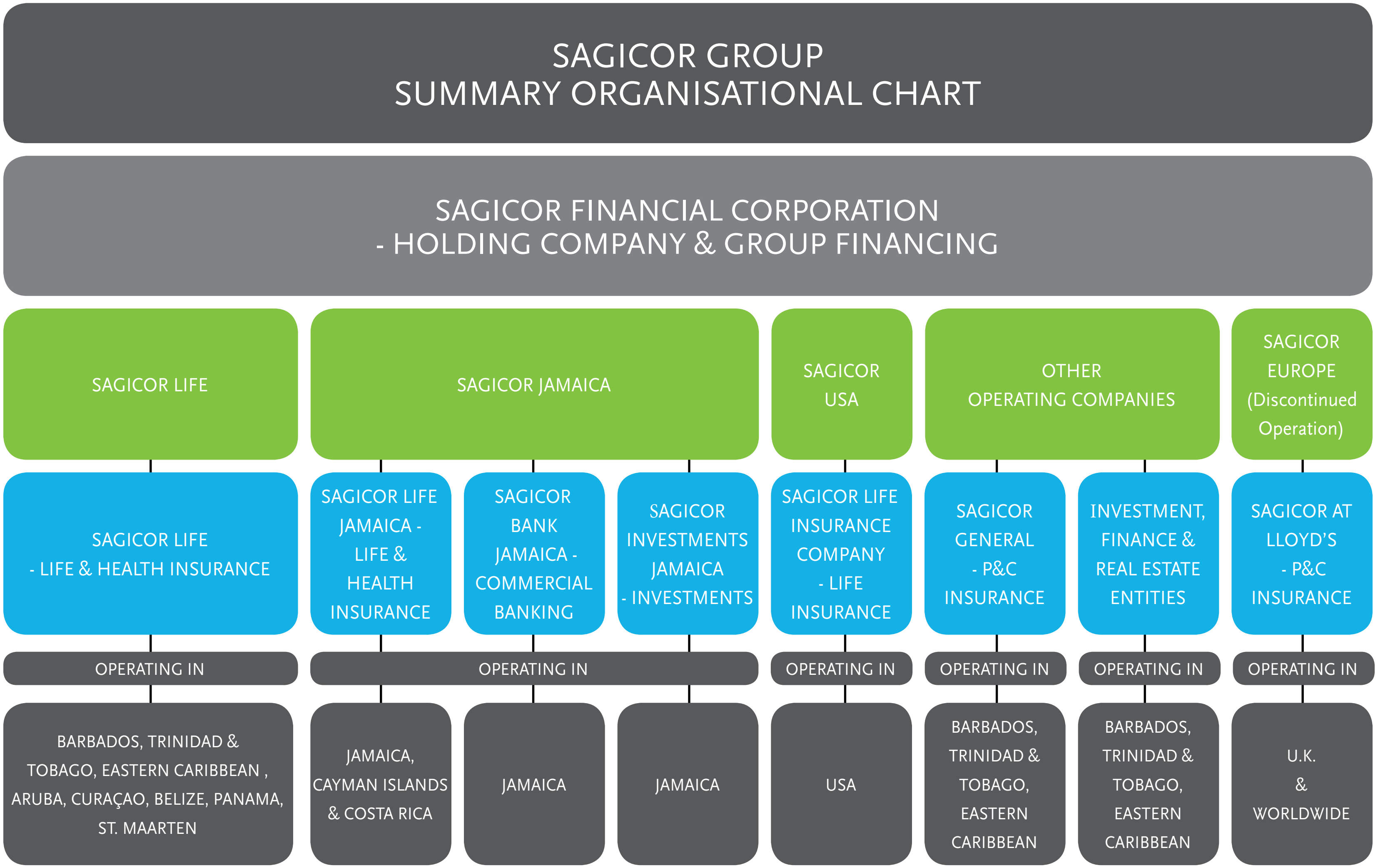
EQUITY & BORROWINGS - $ millions	2014	2013
Common shareholders' equity	522	495
Preference shareholders' balances	118	117
Minority interest shareholders' balances	242	219
7.5% senior notes due 2016	147	145
4.6% notes due 2015	43	43
Participating accounts & other	1	(4)
	1,073	**1,015**
Classified as:		
Equity	774	725
Borrowings	299	290
	1,073	**1,015**

303,917,020 common shares of Sagicor Financial Corporation are outstanding, and are tradable on the Barbados, Trinidad & Tobago and London stock exchanges. 120 million convertible redeemable 5-year 6.5% preference shares were issued by the Company in 2011, and these are also tradable on the Barbados and Trinidad & Tobago stock exchanges. Common shares of certain subsidiaries are held by minority interests, primarily in Jamaica, where those shares are tradable on the local stock exchange. In 2006, a subsidiary issued US $150 million 10-year 7.5% notes due 2016. On December 18, 2013 the Company issued 18-month US $43 million notes, which are repayable in 2015.

Participating accounts were established by a subsidiary to provide additional policyholder protection on participating policies which pay policy bonuses and dividends.

A measure of financial stability is the debt (borrowings) to equity ratio which, for the Sagicor Group, was 38.7% as of December 31, 2014, (December 31, 2013: 40%).

A measure used to determine the capital adequacy of a life insurance group, which is the predominant activity within Sagicor, is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR). The consolidated MCCSR ratio for the Sagicor Group was 273% as of December 31, 2014, compared to 259% at December 31, 2013, both of which are significantly in excess of the minimum recommended ratio of 150%. These ratios include risk factors for the potential credit default of debt instruments of Caribbean Governments held by life insurance subsidiaries.


SAGICOR GROUP
SUMMARY ORGANISATIONAL CHART
SAGICOR FINANCIAL CORPORATION
- HOLDING COMPANY & GROUP FINANCING
SAGICOR LIFE
SAGICOR JAMAICA
SAGICOR USA
OTHER OPERATING COMPANIES
SAGICOR EUROPE (Discontinued Operation)
SAGICOR LIFE - LIFE & HEALTH INSURANCE
SAGICOR LIFE JAMAICA - LIFE & HEALTH INSURANCE
SAGICOR BANK JAMAICA - COMMERCIAL BANKING
SAGICOR INVESTMENTS JAMAICA - INVESTMENTS
SAGICOR LIFE INSURANCE COMPANY - LIFE INSURANCE
SAGICOR GENERAL - P&C INSURANCE
INVESTMENT, FINANCE & REAL ESTATE ENTITIES
SAGICOR AT LLOYD'S - P&C INSURANCE
OPERATING IN
OPERATING IN
OPERATING IN
OPERATING IN
OPERATING IN
OPERATING IN
BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN , ARUBA, CURAÇAO, BELIZE, PANAMA, ST. MAARTEN
JAMAICA, CAYMAN ISLANDS & COSTA RICA
JAMAICA
JAMAICA
USA
BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN
BARBADOS, TRINIDAD & TOBAGO, EASTERN CARIBBEAN
U.K. & WORLDWIDE

OPERATING SEGMENTS

The Group's principal reportable operating segments, as defined by International Financial Reporting Standards, are Sagicor Life Inc, Sagicor Jamaica, Sagicor USA, and Sagicor Europe. The Sagicor Europe segment was disposed of on December 23, 2013. The performance of these segments in 2014 is discussed under the following sub-headings.

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, Bahamas and Panama. The main activities of this segment are the provision of life insurance, annuities, health insurance, pension investment and pension administration services.

In 2014, this segment generated revenue of US $362 million. This was an increase of US $12 million over the previous year. The main revenue component was premium income, which totalled US $266 million. Investment income totalled US $71 million, while other items totalled US $25 million.

Benefits totalled US $195 million, and closed at the same level as the prior year. Current insurance benefits were US $175 million, while amounts recognised for future insurance benefits were US $9 million.

Total expenses and taxes in 2014 closed the year at US $116 million, compared to US $110 million in 2013.

SAGICOR LIFE INC

INCOME - $ millions	2014	2013
Revenue	362	350
Benefits	(195)	(195)
Expenses and taxes	(116)	(110)
Segment income	51	45
Segment income attributable to shareholders	**44**	**40**
FINANCIAL POSITION - $ millions	**2014**	**2013**
Assets	1,773	1,706
Liabilities	(1,309)	(1,280)
Net assets	464	426

Net segment income for the year was US $51 million, compared to US $45 million for the prior year. After accounting for income allocated to policyholders, the net income attributable to shareholders for the segment totalled US $44 million in 2014, compared to US $40 million in 2013.

Financial investments comprised 71% of segment assets, and policy liabilities comprised 91% of segment liabilities at the end of 2014.

Sagicor Jamaica Segment

This segment comprises subsidiaries in Jamaica and Cayman Islands. The principle activities of the segment are the provision of life, critical illness and health insurance, annuities, pensions administration, investment management, securities dealing and commercial banking.

This segment generated revenue of US $486 million in 2014, an increase of US $22 million over the 2013 total. The main revenue component was premium income, which totalled US $264 million, compared to US $293 million in 2013. Investment income totalled US $134 million compared to US $118 million in the prior year. Revenue in 2014 also included negative goodwill of US $29 million on the acquisition of the RBC Royal Bank's Jamaica banking operations in Jamaica.

Benefits totalled US $250 million, as compared to US $272 million in 2013.

Expenses and taxes incurred totalled US $158 million in 2014, increasing by US $31 million over the prior year. The increase is attributed mainly to restructuring and rebranding costs, in addition to incurred administration costs on the RBC Royal Bank's operations acquired on June 27, 2014.

SAGICOR JAMAICA

INCOME - $ millions	2014	2013
Revenue	486	464
Benefits	(250)	(272)
Expenses and taxes	(158)	(127)
Segment income	78	65
Segment income attributable to shareholders	**38**	**32**
FINANCIAL POSITION - $ millions	**2014**	**2013**
Assets	2,495	1,880
Liabilities	(2,083)	(1,521)
Net assets	412	359

Net segment income for the year was US $78 million, compared to a total of US $65 million recorded for 2013. As the Sagicor Jamaica segment is owned 49% by the Group (51% up to May 7, 2014), the resulting net income attributable to shareholders was US $38 million in 2014 (US $32 million in 2013).

Financial investments comprised 81% of the segment's assets at the end of 2014. The liabilities of this segment were distributed 30% to policy liabilities and 70% to deposit and security liabilities at the end 2014.

Sagicor USA Segment

This segment consists of the USA operations of Sagicor, which market life insurance and annuity products to individuals.

Segment revenue totalled US $153 million in 2014, decreasing by US $32 million over the 2013. Premium revenue recorded in 2014 was US $75 million, and was reduced from the 2013 total by US $13 million. The reduction in revenue occurred as a result of lower new annuity business written in the USA, when compared to 2013. Investment income for 2014 totalled US $50 million, and was in line with the prior year.

SAGICOR USA

INCOME - $ millions	2014	2013
Revenue	153	185
Benefits	(83)	(114)
Expenses and taxes	(58)	(63)
Segment income	12	8
Segment income attributable to shareholders	12	8
FINANCIAL POSITION - $ millions	**2014**	**2013**
Assets	1,743	1,484
Liabilities	(1,535)	(1,296)
Net assets	208	188

Commensurate with the lower new annuity business in the USA in 2014, total benefits decreased to US $83 million in 2014 from US $114 million in 2013. The expense for future insurance benefits in 2014 showed a reduction of US $43 million, decreasing from US $24 million in 2013. The 2014 expense for future insurance benefits reflects the lower annuity business written.

Expenses and taxes totalled US $58 million in 2014, compared to US $63 million in 2013. Administrative and commissions expenses decreased in 2014, commensurate with the lower annuity premium income.

Net income of the segment for 2014 was US $12 million, compared to the US $8 million recorded for 2013.

As of December 31, 2014, financial investments comprised 72% of the segment assets, and policy liabilities comprised 81% of the segment liabilities.

DISCONTINUED OPERATION

The discontinued operation comprises the Sagicor at Lloyd's business, and consists primarily of property and casualty insurance business written through Lloyd's of London Syndicate 1206. The Lloyd's of London franchise enables the syndicate to write international business outside of the United Kingdom.

As stated in a foregoing section, the Group made a decision to dispose of these operations. The disposal of this segment occurred on December 23, 2013. In accordance with International Financial Reporting Standards, the Sagicor at Lloyd's operation is defined as a discontinued operation

The terms of the sale included:

- Future price adjustments to the sale consideration represented adjusted syndicate profit in the run-off of the 2011, 2012 and 2013 underwriting years. During 2014, future price adjustments amounted to US $26 million.

Sagicor Europe made a net loss of US $26 million in 2014, compared to a net loss of US $76 million in 2013.

DISCONTINUED OPERATION

DISCONTINUED OPERATION

INCOME - $ millions	2014	2013
Revenue	-	266
Benefits	-	(181)
Expenses	-	(118)
Net operating loss	-	(33)
Write down of carrying value of investment	-	(21)
Currency translation	-	(18)
Other expenses	-	(4)
Movement in price adjustment	(26)	-
Net loss	(26)	(76)
FINANCIAL POSITION - $ millions	**2014**	**2013**
Assets	-	-
Liabilities	(46)	(55)
Net assets	(46)	(55)

LOOKING FORWARD

Growth in the global economy is expected to remain relatively stable for 2015. The IMF has forecasted global growth of 3.5% in 2015, following 3.3% in 2014. The net positive impact of the extended decline in global oil prices is expected to be outweighed by various downside risks, including a reduced level of investment and persistently modest economic recovery across the developed world. Additional effects are the decline in commodity prices and the associated downward trend in the level of growth in key emerging market countries. In 2015, advanced economies are projected to expand moderately by 2.4%, led by the USA, while emerging markets are expected to experience relatively flat growth of 4.3%.

The economic recovery of the Caribbean economies remains fragile and heavily reliant upon the economic improvement of developed economies. Generally, the tourism sector is expected to show modest improvement. However, rising public debt levels, fiscal imbalances and high unemployment challenges will continue to impede the region's competitiveness. The IMF has forecasted regional growth of 1.3% in 2015.

During 2015, Sagicor will continue to focus on reducing operating costs, improving process efficiency and improving customer service through the rationalisation of its major operating centres.

175 years of vision

Our loyal and experienced team makes us the trusted financial institution we are today. We have been there for you for 175 years, and we will continue to be there for the next 175.

BOARD OF DIRECTORS

STEPHEN MCNAMARA, 64, 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, Sagicor USA, and Sagicor Finance Inc. He serves as a Director of Sagicor Group Jamaica Limited and a number of other subsidiaries within the Group.

ANDREW ALEONG, 54, 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 25 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 a number of other subsidiaries within the Group.

PROFESSOR SIR HILARY BECKLES, K.A, 59, 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. He is a member of the Secretary General of the UN, Ban Ki Moon's Advisory Board on Science and Sustainable Development; and Vice President of the Commonwealth Ministers' Advisory Board on Sport.

PETER CLARKE, 60, 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. Mr Clarke is a Financial Consultant, who formerly practised as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984 to 2000, he was the Managing Director of Money Managers Limited, and Chief Executive of West Indies Stockbrokers Limited from 2001 until his retirement in 2005.

Mr Clarke, is a Director of a number of companies in Trinidad and Tobago, including 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. Mr Clarke also serves as a Director of Sagicor Life Inc, Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

DR JEANNINE COMMA, 64, has been an independent Director since June 2007, and is Chairman of the Human Resources Committee. She 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, Cave Hill Campus. 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, Transformation Management and Corporate Governance. 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), and serves on the boards of the Barbados Tourism Inc, the National Initiative for Service Excellence and the Barbados Entrepreneurship Foundation. Dr Comma was elected a Director of Sagicor Life Inc in 2006.

MONISH DUTT, 56, has been an independent Director since 2012 and is a citizen of India and a permanent resident of the United States of America. He holds an MBA with a concentration in Finance from the London Business School, London University, and a BA in Economics from the University of Delhi. He is a Fellow of the Institute of Chartered Accountants, London, England. Currently a Consultant on Emerging Markets, Mr Dutt is a seasoned investment professional who, for the 25 years preceding 2011, was employed with International Finance Corporation (IFC), a member of the World Bank Group.

While at IFC, he held various positions, the most recent of which was Chief Credit Officer for Global Financial Institutions & Private Equity Funds. He was formerly the Head of IFC's Private Equity Advisory Group; the Head of the Baltics, Central Europe, Turkey and Balkans Group; Principal Investment Officer for Asia; Senior Investment Officer for Central & Eastern Europe, and an Investment Officer for Africa, Latin America and Asia. Mr Dutt has extensive experience evaluating investment proposals in financial institutions and private equity funds globally, structuring investments, tracking global investment portfolios, and providing quality control guidance to private equity fund investments. Mr Dutt has also represented IFC on boards of investee companies. Mr Dutt serves as a Director of Sagicor Bank Jamaica Limited.

MARJORIE FYFFE-CAMPBELL, 63, has been an independent Director since June 2005, and is a citizen of Jamaica. She is a Management Consultant and holds an MSc in Accounting from the University of the West Indies, is a Fellow of the Institute of Chartered Accountants of Jamaica and a member of the Hospitality, Financial and Technology Professionals. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica, a large development and 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 an Adjunct Lecturer in Financial and Management Accounting and Enterprise Risk Management Governance at the Mona School of Business and Management 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, 63, 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 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 also held senior actuarial and management positions and served on several Boards.

WILLIAM LUCIE-SMITH, 63, 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.

He was elected a Director of Sagicor Life Inc in 2005, and is also a Director of Sagicor USA, and a number of other subsidiaries within the Group.

DODRIDGE MILLER, 57, 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 30 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 a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica, Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services) and a number of other subsidiaries within the Group.

JOHN SHETTLE, JR, 60, 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 to 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.

RICHARD P YOUNG, 64, a citizen of Trinidad and Tobago, was appointed an independent Director of the Company in January, 2014. He is a Chartered Accountant by profession, and has had a distinguished career in accounting, auditing, insurance and banking. He has over forty years' experience in the regional financial services sector, the last seventeen of which he spent as the Managing Director of Scotiabank Trinidad & Tobago Limited and a Senior Vice President of The Bank of Nova Scotia, before retiring in 2012.

Prior to joining Scotiabank, he was the Managing Director of NEM (West Indies) Insurance Ltd. (NEMWIL). Mr Young also served as Chairman and Deputy Chairman of other Scotia Group subsidiaries, as well as Deputy Chairman of the National Housing Authority. He is a former President of the Council of the Institute of Chartered Accountants of Trinidad and Tobago; President of the Bankers Association of Trinidad and Tobago; Chairman of the Trinidad & Tobago Stock Exchange and Committee Member of the Association of Insurance Companies of Trinidad & Tobago. In July 2013, Mr Young was appointed Chairman of the Economic Development Board of Trinidad and Tobago. He is also Chairman of Catholic Media Services Limited and Youth Business Trinidad and Tobago.

175 years of responsibility

Over the years we have grown strong.
But if we are to truly fulfill our promise,
we must resolve that with strength comes
the greatest responsibility.

CORPORATE GOVERNANCE

Directors' Interests

Directors' interests as at December 31, 2014 and as at the record date, March 19, 2015, are as follows:

	Shares as at 31-Dec-14				Shares as at 19-March-15			
	Common Shares		Preference Shares		Common Shares		Preference Shares	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Stephen McNamara	23,993	0	0	0	23,993	0	0	0
Andrew Aleong	533,358	0	55,000	0	533,358	0	55,000	0
Professor Sir Hilary Beckles	9,579	0	0	0	9,579	0	0	0
Peter Clarke	10,000	0	0	0	10,000	0	0	0
Dr Jeannine Comma	16,023	0	5,000	0	22,300	0	5,000	0
Monish Dutt	1,000	0	0	0	1,000	0	0	0
Marjorie Fyffe-Campbell	49,927	0	0	0	50,850	0	0	0
Richard Kellman	213,363	0	150,000	0	213,363	0	150,000	0
William Lucie-Smith	120,000	0	0	0	120,000	0	0	0
Dodridge Miller	1,379,293	0	15,000	0	1,379,293	0	15,000	0
John Shettle, Jr	1,000	0	0	0	1,000	0	0	0
Richard P. Young	34,266	0	10,000	0	34,266	0	10,000	0

	Restricted Stock Grants				Stock options					
	As at 31-Dec-14		As at 19-Mar-15		As at 31-Dec-14			As at 19-Mar-15		
	Vested	Unvested	Vested	Unvested	Vested	Exercised	Unvested	Vested	Exercised	Unvested
Richard Kellman	290,831	142,363	290,831	142,363	187,547	0	372,765	187,547	0	372,765
Dodridge Miller	910,789	1,254,771	910,789	1,254,771	1,760,495	0	1,479,562	1,760,495	0	1,479,562

1 Board Composition and Structure

The maximum number of Directors permitted by the Restated 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 Group 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, 2014 and as at the record date, March 19, 2015, are set out earlier in this Report.

The Board of Directors considers that the quality, skills and experience of Directors enhances the Board's effectiveness and the collective Board is required to have the core set of skills identified in the Board Core Competency Matrix on the following page.

Directors' Skills and Experience	Stephen McNamara	Andrew Aleong	Prof Sir Hilary Beckles	Dr Jeannine Comma	Peter Clarke	Monish Dutt	Marjorie Fyffe-Campbell	Richard Kellman	William Lucie-Smith	Dodridge Miller	John Shettle, Jr.	Richard Young
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	■				■							
Risk Management		■		■	■	■					■	■
Information Technology										■		■
Corporate Governance	■			■			■					
Other: Education			■	■								

In addition, individual Directors must also possess specific knowledge and experience commensurate with the business requirements of the Company, and are also expected to have a style of operation which comprises:

- (a) high personal standards consistent with the Company's Code of Business Conduct and Ethics
- (b) commitment to business leadership
- (c) courage to express and defend a position
- (d) decisiveness and willingness to be held accountable
- (e) effective intervention and decision-making style
- (f) willingness to contribute to team synergy
- (g) mature and thoughtful perspective on business.

The Company is also mindful that the Board must reflect the business, social, economic and cultural jurisdictions from which the Company draws customer patronage, and that Directors must have sufficient time available to devote to performance of their Board duties. Finally, Directors are required to undergo annually a rigorous self-assessment. This assessament is designed to ensure that appropriate standards of independence and objectivity are maintained. All non-executive Directors have satisfied the 2014 independence self-assessment.

2 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.

Stephen McNamara, Marjorie Fyffe-Campbell, Richard Kellman, William Lucie-Smith and Monish Dutt retire at the Twelfth Annual Meeting, and all being qualified, have offered themselves for re-election. Profiles of the nominees are contained in the Management Proxy Circular accompanying the Notice of the Meeting. The Board recommends that all the nominees be re-elected. In making this recommendation, the Board has been guided by the nomination process overseen by the Corporate Governance and Ethics Committee, which requires a review of 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 performance as Directors, including their willingness and ability to devote the time necessary to fulfil their role as Directors. It is intended that Directors who have served on the Board for 9 or more years will be subject to enhanced due diligence by the Corporate Governance and Ethics Committee, to ensure that their performance over the period of their tenure is such as to justify the Committee's recommendation to the Board that they be nominated for re-election.

3 New Director Orientation

The Company's Corporate Governance Manual expressly recognises the importance of an efficient and effective new Director on-boarding process. To this end, the Manual establishes a New Director Orientation Programme whose objective it is to assist the new Director in developing a high level of institutional, boardroom and interpersonal comfort in order to expedite his/her effectiveness as a Director. The induction of a new Director consists of two levels, one involving Company documentary information, and the other interpersonal induction.
In the first level, the new Director receives a package containing key documentation about the Sagicor Group, to assist the new Director in settling into his/her new role with the Company. These documents include the Corporate Governance Manual; current and previous two years' Annual Reports; Group Strategic and Business Plans; Group Risk Profile; Group Organisational Chart and copies of the Minutes of at least the previous six Board and Committee Meetings. To complete the formal orientation process, in the second phase, a series of interviews with Board and Committee Chairmen, as well as key Management personnel, is set up for the new Director. The Company has established an online Board Portal for the distribution and housing of Board Meeting materials and other corporate information. All Directors therefore have immediate and constant access to all necessary company materials and documents.

4 On-going Director Education

During the year, on-going Director education included sessions on changes in the regional and international regulatory environment; International Financial Reporting Standards (IFRS); proposed changes in Investment Accounting and Insurance Contracts; as well as Board Room dynamics. The Board is committed to continuing these sessions to ensure Director effectiveness is optimised by enhancing Director knowledge.

5 Board Responsibilities

5.1 Board of Directors

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 respective roles of the Chairman of the Board, the Board, Committee Chairmen, Committees and Management are clearly defined. Position descriptions explaining the roles, responsibilities and desired competencies have been developed for the Chairman of the Board, the Chairmen of each Board Committee, as well as the President & CEO. 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.

5.2 Board Committees

The four Standing Committees of the Board - Audit; Corporate Governance and Ethics; Human Resources 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 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, regulatory and other requirements, and management of risk. The Committee's composition meets the independence and skill requirements of the Group's Corporate Governance Policy. The Members are financially literate, and in 2014, three Members, William Lucie-Smith, Monish Dutt and Marjorie Fyffe-Campbell, all Chartered Accountants, had 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), Peter Clarke (appointed a Member on March 21, 2014), Marjorie Fyffe-Campbell (appointed a Member on September 11, 2008), Dr Jeannine Comma (appointed a Member on September 11, 2008) and Monish Dutt (appointed a Member on March 18, 2014.

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's composition 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), John Shettle, Jr (appointed a Member on August 18, 2010) and Richard P. Young (appointed a Member on March 18, 2014).

The mandate of the **Human Resources Committee** is to advise the Board with respect to compensation policies, programmes 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's composition meets the independence requirements of the Group's Corporate Governance Policy. The current Members are Dr Jeannine Comma (appointed a Member on September 18, 2007, and Chairman on August 24, 2011), Stephen McNamara (appointed a Member on August 18, 2010), Andrew Aleong (appointed a Member on March 23, 2012) and Monish Dutt (appointed a Member on March 18, 2014).

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 certain 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's composition 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), John Shettle, Jr (appointed a Member on March 18, 2009), Peter Clarke (appointed a Member on August 18, 2010), Richard P. Young (appointed a Member on March 18, 2014), and William Lucie-Smith (appointed a Member on March 21, 2014).

6 Board Evaluation

In 2014, the Board undertook its annual performance evaluation to assess the effectiveness of the Board's performance as a whole. The evaluation took the form of a self-assessment and peer-review questionnaire, and an evaluation of the Corporate Governance system as a whole. Findings continue to reveal ongoing opportunities for the enhancement of our Corporate Governance practices. The Corporate Governance and Ethics Committee continued to manage Director independence and potential conflicts of interest, and the Committee concluded that Directors continued to meet the independence requirements under our Corporate Governance Policy.

7 Interlocking Directorships

The Corporate Governance Recommendations of the Barbados Stock Exchange require that the Company make certain disclosures relating to Director Interlocks. In addition to their service on the Board of the Company and the Boards of various Group subsidiaries, the following Company Directors also serve together on the Boards of the publicly-listed companies appearing next to their names:

Directors	Company
Dodridge D Miller Professor Sir Hilary Beckles	Cable & Wireless Barbados Ltd
Richard P Young William Lucie-Smith	Massy Holdings Ltd

8 Board Operations

During 2014, Management engaged the Board of Directors (BOD) 19 times, either in formal meetings or by requests for round-robin decisions in between meetings. In relation to the engagement of the Standing Committees of the Board, the Audit Committee (AC) met 5 times; the Corporate Governance and Ethics Committee (CGC) met 6 times; the Human Resources Committee (HRC) met 4 times; and the Investment and Risk Committee (IRC) met 2 times. Directors' record of attendance was as follows:

	BOD	AC	CGC	HRC	IRC	Total	%
Stephen McNamara	19 of 19		6 of 6	4 of 4	2 of 2	31 of 31	100%
Andrew Aleong	19 of 19	5 of 5		4 of 4	2 of 2	30 of 30	100%
Prof Sir Hilary Beckles	18 of 19		5 of 6			23 of 25	92%
Peter Clarke	19 of 19				2 of 2	21 of 21	100%
Dr Jeannine Comma	17 of 19	4 of 5		4 of 4		25 of 28	89%
Monish Dutt	19 of 19	3 of 3		4 of 4		26 of 26	100%
Marjorie Fyffe- Campbell	19 of 19	5 of 5	6 of 6			30 of 30	100%
Richard Kellman	19 of 19					19 of 19	100%
William Lucie-Smith	19 of 19	5 of 5				24 of 24	100%
Dodridge Miller	19 of 19					19 of 19	100%
John Shettle, Jr	17 of 19		3 of 6		1 of 2	21 of 27	77%
Richard Young	17 of 18		4 of 4		2 of 2	23 of 24	95%

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 2014 was to:

- consider and approve the Group strategic plan, capital plan and projections for the period 2015 to 2017;
- review periodically the Group capital and liquidity plan, strategic and business development initiatives forming part of the Strategic Plan, and other key initiatives;
- 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;
- review and approve actuarial reports of the Appointed Actuary; and
- receive reports on work being carried out by Board Committees, and consider and approve their recommendations as required.

9 Committee Operations

Audit Committee Report:
The 2014 activities of the Audit 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' 2013 Management Letter and Report on the 2013 audit;
- approving the 2014 Audit Engagement Letter;
- commencing audit tender process;
- generally reviewing the circumstances and conditions under which a rotation of External Auditors should be considered;
- reviewing and recommending for approval by the Board interim and annual audited financial statements;
- making dividend recommendations to the Board;
- reviewing actuarial reports of the Appointed Actuary;
- reviewing reports of 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 2014 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 litigation and claims, and pending regulatory issues;
- reviewing regulatory compliance and other compliance reports;
- assessing the adequacy of the Committee's mandate, and evaluating its effectiveness in fulfilling the same.

Corporate Governance and Ethics Committee Report:
The Committee's principal business during 2014 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;
- overseeing the Director self and peer performance evaluation process;
- monitoring Director attendance;
- reviewing investor relations plans and programs;
- conducting its annual review of the adequacy of the Code of Business Conduct and Ethics;
- generally monitoring the operation of Corporate Governance policies and practices; and
- assessing the adequacy of the Committee's mandate, and evaluating its effectiveness in fulfilling the same.

Human Resources Committee Report:
During 2014, the Human Resources Committee:

- 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), based on performance against established benchmarks;
- reviewed aspects of the rules of the Company's annual long-term incentive plans;
- reviewed ESOP financial statements;
- reviewed plans for corporate re-structuring and re-organisation; and
- assessed the adequacy of the Committee's mandate, and evaluated its effectiveness in fulfilling the same.

Investment and Risk Committee Report:
In 2014, the Investment and Risk Committee's work included monitoring key risks to which the Group is exposed:

- reviewing in detail interest rate, credit, liquidity and foreign exchange risk dashboards for the Company as a whole, and for its major subsidiaries;

- monitoring of risk exposures and reviewing mitigation strategies designed to manage risk, and generally overseeing the enterprise risk management process;
- reviewing investment performance as required; and
- assessment of the adequacy of the Committee's mandate, and an evaluation of its effectiveness in fulfilling the same.

10 Sagicor's Compensation Philosophy

Employees

The Sagicor Group's compensation strategy for all employees including Executive Management, aims to achieve an efficient and competitive position for the Company as an Employer of Choice in the markets we serve; while supporting our efforts to attract, motivate and retain the best candidates for all positions across the Group. The compensation strategy seeks to strike a balance between the needs of the employee and the strategic objectives of the Company, while ensuring that all employees are treated fairly, recognised and rewarded for team as well as individual performance. Factors such as market competition; supply and demand of critical skills and competencies; and strategic issues are all considered in determining a position's competitive market value.

Base salaries are reviewed annually for all staff and, in determining whether to approve salary increases, the Board of Directors considers various factors, including: the ability to pay; local labour market statistics e.g. cost of living and compensation trend data; merit budget; and the performance of the Company and business units. All employees must meet a minimum performance standard each year to be considered for a salary increase.

The quantum of annual incentive compensation, once earned, is calculated using a methodology called the Balance Score Card. This methodology takes into account financial as well as non-financial measures, including revenue, profitability, efficiency and customer satisfaction. For the financial year under review, salaries paid in cash to the top 5 members of the Executive Management team of the Company, including the President & CEO and Chief Operating Officer, amounted in aggregate to US $4,433,749. The table immediately below shows a breakdown of the non-cash component of the compensation of the top 5 members of the Executive Management team.

	Restricted Stock Grants				Stock options					
	As at 31-Dec-14		As at 19-Mar-15		As at 31-Dec-14			As at 19-Mar-15		
Top 5 Members of the Group Executive Management Team	Vested	Unvested	vested	Unvested	Vested	Exercised	Unvested	Vested	Exercised	Unvested
	2,020,876	**1,830,024**	**2,020,876**	**1,830,024**	**3,192,594**	**0**	**2,505,518**	**3,192,594**	**0**	**2,505,518**

Board of Directors

The Company's compensation philosophy for the Board of Directors has objectives akin to that for employees. It is designed to attract, retain and motivate Directors of the quality required to ensure the efficient oversight of the Company's business. In 2006, the Board commissioned the independent firm of Ernst & Young of Atlanta, to review Directors' compensation and make compensation recommendations. After examination of international best practice in the area, and consideration of various factors, including the level of responsibility, potential liability, and the time and commitment required for the role, Ernst & Young made certain recommendations to the Board regarding the levels and structure of compensation for Directors. These recommendations were approved by shareholders at the 2007 Annual Meeting, and remain unaltered to-date. Non-Executive Directors do not participate in any performance-based 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. Non-Executive Directors' fees for the financial year under review amounted in aggregate to US $562,000. Directors receive no additional benefits, but are reimbursed reasonable and customary out-of-pocket expenses associated with their attendance at Meetings, and the performance of their role as Directors. Executives who are Directors are not paid fees.

11 Fees Paid to External Auditors

PricewaterhouseCoopers SRL are the Company's external auditors. Following is a statement of the fees paid to the external auditors for audit and non-audit services during 2013 and 2014:

Services	Fees Paid US$ '000	
	2013	2014
Audit	3,450	3,398
Non-Audit	188	179
Statutory Returns	588	580
Other	88	383
Total	4,314	4,540

12 Enterprise Risk Management

The Group's 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 and sensitivity to financial and insurance risks are disclosed in [Notes 41 and 42] respectively to the 2014 audited financial statements contained in this Annual Report.

13 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, controls, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure, among other things, that risks are appropriately identified and managed, and that employees' actions are in compliance with policies, standards, procedures, applicable laws and regulations. The work of Internal Audit also seeks to give assurance that resources are acquired economically, used efficiently, and adequately protected, and that 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.

14 Compliance

Sagicor continues to strengthen and streamline its compliance function, in response to the increasing complexity of regulatory and other risks, with the Audit Committee continuing to exercise oversight of all aspects of compliance.

The Group Compliance Committee's mandate is to ensure that compliance is managed on a formal and proactive basis, as opposed to an ad hoc and reactive basis; is governed by appropriate policy, and is implemented and administered in accordance with policy. The Committee is also charged with ensuring that risk management practices are developed, implemented and administered for identifying, assessing, managing, reporting and monitoring compliance risk, and with lending value-added support for the administration of and compliance with Sagicor's Code of Business Conduct and Ethics. The Committee, whose membership includes the Group Chief Compliance Officer as Chair, and the Chief Compliance Officer of each major operating subsidiary, the Group Chief Risk Officer and Group General Counsel, continued to be active in 2014.

15 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 to indicate whether or not they are in compliance. Mechanisms through which code violations can be reported and channelled to the appropriate parties operated satisfactorily, including widely available anonymous whistle-blowing facilities. These enabled Management to take timely corrective action. The Corporate Governance and Ethics Committee carried out its annual review of the Code to ensure its adequacy.

16 Investor Relations and Communications

During 2014, the Company continued to execute its investor relations communications program with periodic briefings to the Media, Analysts and Brokers. The Company continues to ensure that price-sensitive information is released across markets at the same time, and to manage its Insider Trading Policy as an integral part of the Code of Business Conduct and Ethics. The annual Shareholders' briefing was held in Trinidad, where the majority of Shareholders reside, for the benefit of Shareholders who were unable to travel to Barbados for the Annual Meeting of Shareholders.

By Order of the Board of Directors.

Althea C Hazzard
Corporate Secretary

March 31, 2015

175 years of leadership

Each of us has the skill, the wisdom,
and the dedication to be great today,
but we look to our leaders to ensure that we'll
be great tomorrow.

EXECUTIVE MANAGEMENT

DODRIDGE D MILLER

FCCA, MBA, LLM, LLD (Hon)

Group President and Chief Executive Officer

Dodridge Miller 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 30 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 a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Investments Jamaica Limited and a number of other subsidiaries within the Group.

RICHARD M KELLMAN

BSc, FIA, ASA

Group Chief Operating Officer

Richard Kellman 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, 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 also held senior actuarial and management positions, and served on several Boards.

RONALD B BLITSTEIN

BA, MBA

Group Chief Information Officer

Ronald Blitstein joined Sagicor Financial Corporation in September 2013. He holds a BA in Political Science and a MBA in Finance from Syracuse University. He has attended various training programmes at Harvard Business School and Massachusetts Institute of Technology. Mr Blitstein is an IT professional, with broad and deep knowledge in all areas of information technology and its application to driving improved business outcomes. He has previously served as Director, Business Technology and Strategies Practice for the global advisory firm, Cutter Consortium, supporting Fortune 500 clients, as well as national governments and various United Nations agencies. Mr Blitstein has also held CIO or other key executive leadership positions at Revlon, Pitney Bowes, BOC Group, and Xerox Corporation. He has served as a Six Sigma Champion for firms pursuing enterprise operational excellence.

RICHARD BYLES

BSc, MSc

President and Chief Executive Officer, Sagicor Group Jamaica Limited

Richard Byles was appointed President and CEO of Sagicor Life Jamaica Limited in March 2004. He is Chairman of the Board of Sagicor Bank Jamaica Limited, Sagicor Property Services Limited, Sagicor Reinsurance Limited (Cayman), Sagicor Insurance Managers (Cayman) and Desnoes and Geddes Limited. He also serves on the Boards of several subsidiary and associated companies, and is a Director of Pan-Jamaican Investment Trust Ltd. Mr Byles is the Co-chair of the Economic Programme Oversight Committeee (EPOC), a private/public sector committee established to oversee the Implementation of the IMF Programme in Jamaica. He has earned valuable experience within the financial sector, spanning the areas of Life, Health and General Insurance, Asset and Investment Management, Banking, Pension Administration, Property Development and Reinsurance Management. Mr Byles holds a BSc in Economics from the University of the West Indies and an MSc in National Development from the University of Bradford, England.

BART F CATMULL

BSc, CPA

President and Chief Operating Officer, Sagicor USA, Inc

Bart Catmull was appointed President and Chief Operating Officer in April 2013. A citizen of the United States of America, Mr Catmull is a Certified Public Accountant (CPA), and obtained his Bachelor of Science degree in Accounting from Brigham Young University in 1992. He has more than 20 years' experience in the insurance industry. Prior to his appointment as President, he held the positions of Chief Operating Officer, Chief Financial Officer, Treasurer and Chief Accounting Officer. Mr Catmull joined the Group in 2005, when the predecessor of Sagicor Life Insurance Company (the US operating company) was acquired by the Group. He has been with the Company since 1999.

ANTHONY CHANDLER

CGA, MBA

Group Chief Financial Controller

Anthony Chandler was appointed Group Chief Financial Controller on July 1, 2013. Prior to this, he served as Executive Vice President and Chief Financial Officer of Sagicor Life Inc from 2011. He joined Sagicor in 1995 as Financial Accountant, and was transferred to the Group subsidiary, Island Life Insurance Company Ltd, in 2000. In 2003 he joined the management of Life of Jamaica as Head of its Internal Audit function, before returning to Barbados in the position of Vice President, Finance, of Sagicor Life Inc later in the same year. In 2006, he was promoted to Vice President and Chief Financial Officer. Mr Chandler is a member of the Certified General Accountants Association of Canada, and holds an MBA from the University of Manchester.

DR M PATRICIA DOWNES-GRANT

CBE, MA, MBA, DBA, LLD (Hon)

Chief Executive Officer and President, Sagicor Life Inc

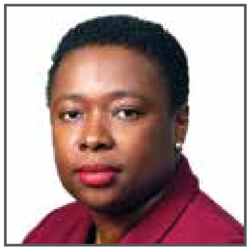
Dr Patricia Downes-Grant was appointed Chief Executive Officer and President of Sagicor Life Inc on January 1, 2006, having served as Group Chief Operating Officer since July 1, 2002. She joined Sagicor in 1991, and held several senior positions, including those of Vice President, Investments and Treasury and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer. She holds an MBA in Finance, an MA in Economics, a Doctorate in Business Administration (Finance) and an Honourary Doctor of Laws from the University of the West Indies. Prior to joining Sagicor, Dr Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers). Dr Downes-Grant has also had significant work experience in development banking. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository, and a Director of several companies within the Sagicor Group and within the private sector of Barbados.

J ANDREW GALLAGHER

FSA, FCIA, CERA

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, is both a Fellow of the Canadian Institute of Actuaries and a Fellow of the Society of Actuaries, and is a Chartered Enterprise Risk Analyst. Prior to joining Sagicor, Mr Gallagher worked with Eckler Partners in Toronto in their financial institutions practice. He has over 25 years of experience in the industry.



ALTHEA HAZZARD

LLM (Cantab), FCIS, MICA

Executive Vice President, General Counsel and Corporate Secretary

Althea Hazzard was appointed Executive Vice President, General Counsel and Corporate Secretary of Sagicor Financial Corporation on January 1, 2014, having previously served in the positions of Vice President, Legal and Compliance of Sagicor Life Inc and Corporate Secretary of Life of Barbados Limited. An Attorney-at-Law, Chartered Secretary and Compliance Professional, Mrs Hazzard joined the Group in 1997 after an eight-year attachment to a leading corporate law firm in Barbados, specialising in international business. Mrs Hazzard holds a Bachelor of Laws Honors Degree from the University of the West Indies and a Certificate in Legal Education from the Hugh Wooding Law School in Trinidad, and was called to the Bar in Barbados and Trinidad and Tobago in 1989. She obtained her Master of Laws degree from the University of Cambridge, United Kingdom, and also holds International Diplomas in Compliance and Anti-money Laundering from the International Compliance Association in the United Kingdom and the Executive Diploma in Management from the UWI Centre for Management Development (now the Cave Hill School of Business). *Mrs* Hazzard is a professional member of the International Compliance Association and a Fellow of the Institute of Chartered Secretaries and Administrators in Canada.

MAXINE MACLURE*

BSc, MEd, MBA

Executive Vice President, Corporate Services and Chief Compliance Officer

Maxine MacLure was appointed Executive Vice President, Corporate Services, Sagicor Financial Corporation in February 2007. Prior to this, she served as President and CEO, Sagicor USA, from March 2004. Ms MacLure joined Sagicor in December 2001 as President and CEO of Life of Jamaica (LOJ). Before joining Sagicor, Ms MacLure was General Manager of Insurance for FINSAC in Jamaica, where she ran a 2-year insurance reform project sponsored by the Inter-American Development Bank and the Jamaican Government. She also spent 7 years as a senior Financial Sector Regulator in Canada, and 11 years in banking in Canada and the UK. 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.

RAVI RAMBARRAN

BSc, MSc, FIA

President and Chief Executive Officer, Sagicor International

Ravi Rambarran has 25 years of experience, both regionally and internationally, in the pension, insurance and asset management industries. He was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, has a BSc (Hons) in Actuarial Science from City University, London, an MSc in Finance from the University of London, and is a Fellow of the Institute of Actuaries. He is a member of the Executive of the Caribbean Actuarial Association and represents the Caribbean on the International Actuarial Association Insurance Committee.

* *Ms MacLure retired on December 31, 2014*

175 years of wisdom

When we act wisely, we act best. Our guiding principle is, and always has been, to do what is wise. For 175 years, we have seen the rewards.

INDEX TO THE FINANCIAL STATEMENTS AND NOTES

AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sagicor Financial Corporation

We have audited the accompanying consolidated financial statements of **Sagicor Financial Corporation** and its subsidiaries as shown on pages 88 to 195, which comprise the consolidated statement of financial position as of December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

PricewaterhouseCoopers SRL, 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

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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, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

This report is made solely to the company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

March 28, 2015
Bridgetown, Barbados

ACTUARY'S REPORT

Eckler

Sagicor

SAGICOR FINANCIAL CORPORATION

APPOINTED ACTUARY'S

2014 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) ("SLI"), including the previous entity "Sagicor Capital Life Insurance Company Limited (Barbados) ("SCLI")" which was amalgamated into Sagicor Life,
- Capital Life Insurance Company Bahamas Limited (Bahamas),
- Sagicor Life Aruba NV (Aruba),
- Sagicor Panamá SA (Panama),
- Nationwide Insurance Company Limited (Trinidad & Tobago),
- Sagicor Life Jamaica Limited (Jamaica) *,
- Sagicor Life of the Cayman Islands Limited (Cayman Islands) *, and
- Sagicor Life Insurance Company (USA) *,

for the balance sheet, at 31st December 2014, 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") or the Canadian Asset Liability Method ("CALM") where appropriate, 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

Sylvain Goulet, FCIA, FSA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation

28 February 2015

Amounts expressed in US $000

	Note	2014	2013
ASSETS			
Investment property	5	88,766	98,369
Property, plant and equipment	7	169,469	151,539
Associates and joint ventures	6	40,806	44,202
Intangible assets	8	76,056	71,893
Financial investments	9	4,661,494	4,191,766
Reinsurance assets	10	527,171	336,427
Income tax assets	11	57,503	29,035
Miscellaneous assets and receivables	12	156,630	148,151
Cash resources		402,525	226,370
Total assets		**6,180,420**	**5,297,752**

These financial statements have been approved for issue by the Board of Directors on March 27, 2015.

Director

Director

	Note	2014	2013
LIABILITIES			
Actuarial liabilities	13	2,562,221	2,324,319
Other insurance liabilities	14	197,420	194,434
Investment contract liabilities	15	360,961	367,001
Total policy liabilities		3,120,602	2,885,754
Notes and loans payable	16	298,942	290,160
Deposit and security liabilities	17	1,623,971	1,106,083
Provisions	18	78,356	75,083
Income tax liabilities	19	41,767	29,225
Accounts payable and accrued liabilities	20	197,444	131,237
Liabilities of discontinued operation	38	45,796	55,024
Total liabilities		**5,406,878**	**4,572,566**
EQUITY			
Share capital	21	295,989	295,450
Reserves	22	(8,765)	(4,825)
Retained earnings		244,474	221,472
Total shareholders' equity		531,698	512,097
Participating accounts	23	364	(5,662)
Non-controlling interest in subsidiaries		241,480	218,751
Total equity		**773,542**	**725,186**
Total liabilities and equity		**6,180,420**	**5,297,752**

Amounts expressed in US $000

	Note	2014	2013
REVENUE			
Premium revenue	24	889,121	1,016,538
Reinsurance premium expense	24	(263,564)	(359,510)
Net premium revenue		625,557	657,028
Net investment income	25	307,215	279,350
Fees and other revenue	26	83,344	103,105
Gain arising on acquisition	37	29,051	-
Total revenue		1,045,167	1,039,483
BENEFITS			
Policy benefits and change in actuarial liabilities	27	714,770	797,743
Policy benefits and change in actuarial liabilities reinsured	27	(236,292)	(262,564)
Net policy benefits and change in actuarial liabilities		478,478	535,179
Interest expense	28	63,739	57,611
Total benefits		542,217	592,790
EXPENSES			
Administrative expenses		233,742	203,959
Commissions and related compensation		97,965	99,821
Premium and asset taxes		11,474	11,988
Finance costs		22,544	17,143
Depreciation and amortisation		20,220	15,230
Total expenses		385,945	348,141
INCOME BEFORE TAXES		117,005	98,552
Income taxes	32	(16,700)	(18,924)
NET INCOME FROM CONTINUING OPERATIONS		**100,305**	**79,628**

	Note	2014	2013
Net income from continuing operations		100,305	79,628
Net loss from discontinued operation	38	(26,367)	(75,508)
NET INCOME FOR THE YEAR		73,938	4,120
Net income/(loss) is attributable to:			
Common shareholders:			
From continuing operations		53,737	39,138
From discontinued operation		(26,367)	(75,508)
		27,370	(36,370)
Participating policyholders		6,200	5,005
Non-controlling interests		40,368	35,485
		73,938	4,120
Basic earnings /(loss) per common share:	34		
From continuing operations		17.3 cents	12.5 cents
From discontinued operation		(8.7) cents	(25.1) cents
		8.6 cents	(12.6) cents
Fully diluted earnings /(loss) per common share:	34		
From continuing operations		16.6 cents	12.2 cents
From discontinued operation		(8.2) cents	(24.8) cents
		8.4 cents	(12.6) cents

Amounts expressed in US $000

OTHER COMPREHENSIVE INCOME	Note	2014	2013
Items net of tax that may be reclassified subsequently to income:	35		
Available for sale assets:			
Gains / (losses) on revaluation		38,386	(47,442)
Gains transferred to income		(2,830)	(14,769)
Net change in actuarial liabilities		(19,970)	30,445
Retranslation of foreign currency operations		(22,036)	(36,441)
		(6,450)	(68,207)
Items net of tax that will not be reclassified subsequently to income:	35		
Gains on revaluation of owner-occupied property		27	3,813
Gains / (losses) on defined benefit plans		13,212	(9,475)
Other items		(108)	-
		13,131	(5,662)
OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS		6,681	(73,869)
Other comprehensive income from discontinued operation	38	-	19,272
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		6,681	(54,597)

TOTAL COMPREHENSIVE INCOME	2014	2013
Net income	73,938	4,120
Other comprehensive income	6,681	(54,597)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	80,619	(50,477)
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	64,156	(515)
From discontinued operation	(26,367)	(56,236)
	37,789	(56,751)
Participating policyholders	6,262	4,913
Non-controlling interests	36,568	1,361
	80,619	(50,477)

Amounts expressed in US $000

	Share Capital (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2014							
Balance, beginning of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186
Total comprehensive income from continuing operations	-	2,556	61,600	64,156	6,262	36,568	106,986
Total comprehensive income from discontinued operation	-	-	(26,367)	(26,367)	-	-	(26,367)
Transactions with holders of equity instruments:							
Movements in treasury shares	539	-	-	539	-	-	539
Changes in reserve for equity compensation benefits	-	(463)	-	(463)	-	79	(384)
Dividends declared (note 21.3)	-	-	(19,835)	(19,835)	-	(12,303)	(32,138)
Changes in ownership interest in subsidiaries	-	-	1,499	1,499	-	(1,779)	(280)
Transfers and other movements	-	(6,033)	6,105	72	(236)	164	-
Balance, end of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542
2013							
Balance, beginning of year	296,058	16,411	274,565	587,034	(10,333)	226,433	803,134
Total comprehensive income from continuing operations	-	(36,413)	35,898	(515)	4,913	1,361	5,759
Total comprehensive income from discontinued operation	-	19,272	(75,508)	(56,236)	-	-	(56,236)
Transactions with holders of equity instruments:							
Movements in treasury shares	(608)	-	-	(608)	-	-	(608)
Changes in reserve for equity compensation benefits	-	2,123	-	2,123	-	55	2,178
Dividends declared (note 21.3)	-	-	(19,835)	(19,835)	-	(9,182)	(29,017)
Transfers and other movements	-	(6,218)	6,352	134	(242)	84	(24)
Balance, end of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186

Amounts expressed in US $000

	Note	2014	2013
OPERATING ACTIVITIES			
Income before taxes		117,005	98,552
Adjustments for non-cash items, interest and dividends	36.1	(185,855)	(75,741)
Interest and dividends received		275,582	258,552
Interest paid		(81,518)	(73,683)
Income taxes paid		(19,402)	(28,063)
Net increase in investments and operating assets	36.1	(245,772)	(351,404)
Net increase in operating liabilities	36.1	305,976	183,379
Acquisition of insurance portfolio, net of cash and cash equivalents	13.2	-	30,699
Net cash flows - operating activities		166,016	42,291
INVESTING ACTIVITIES			
Property, plant and equipment, net	36.2	(20,916)	(18,284)
Associates and joint ventures, net		7,320	1,082
Intangible assets, net		(2,469)	(1,015)
Acquisition of subsidiary, net of cash and cash equivalents	37	93,227	-
Sale of subsidiaries, net of disposal costs		-	86,697
Net cash flows - investing activities		77,162	68,480

	Note	2014	2013
FINANCING ACTIVITIES			
Movement in treasury shares		(1,114)	(622)
Shares issued to non-controlling interests		-	(18)
Other notes and loans payable, net	36.3	(683)	42,432
Dividends paid to common shareholders		(11,819)	(11,849)
Dividends paid to preference shareholders		(7,800)	(7,810)
Dividends paid to non-controlling interests		(11,498)	(9,007)
Net cash flows - financing activities		(32,914)	13,126
Effects of exchange rate changes		7,925	21
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		218,189	123,918
Net change in cash and cash equivalents - discontinued operation		(35,595)	(78,882)
Cash and cash equivalents, beginning of year		258,600	213,564
CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	441,194	258,600

1 INCORPORATION AND PRINCIPAL ACTIVITIES

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

Sagicor 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 Sagicor's holdings and operations are set out in notes 4 and 38.

The principal activities of the Sagicor 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 activities.

2 ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The Group has adopted accounting policies for the computation of actuarial liabilities of life insurance and annuity contracts which comply with the Canadian accepted actuarial standards. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that Canadian accepted actuarial standards 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.

2.1 Basis of preparation (continued)

(a) Amendments to IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements (see note 2.25).

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to the variable returns from its ownership interest in the entity and when the Group has the ability to affect those returns through its power over the entity. 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.

2.2 Basis of consolidation (continued)

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.

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 non-controlling interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the 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.

Non-controlling interest balances represent the equity in a subsidiary not attributable to Sagicor's interests.

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the non-controlling interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of non-controlling interests, other IFRS may override the fair value option.

Non-controlling interest balances are subsequently re-measured by the non-controlling's proportionate share of changes in equity after the date of acquisition.

2.2 Basis of consolidation (continued)

(b) Discontinued operation

In December 2012, the Group agreed to sell Sagicor Europe Limited, its subsidiary Sagicor at Lloyd's Limited and its interest in Lloyd's of London syndicate 1206. The decision to sell resulted in the closure of the Sagicor Europe operating segment and therefore met the criteria of a discontinued operation. The sale was concluded in December 2013. Consequently, the balances and results associated with the discontinued operation have been classified separately in these financial statements.

As of December 31, 2014, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value. Prior to the sale (as of December 31, 2012 and during interim financial periods in 2013), the net assets of the discontinued operation were carried in the statement of financial position at their estimated fair value less costs to sell. As this amount was less than the previous carrying value, impairments were recorded and applied to the goodwill and intangible assets component of the discontinued operation's assets.

(c) Sale of subsidiaries

On the sale of or loss of control of a subsidiary, the Group de-recognises the related assets, liabilities, non-controlling 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 sale recorded in income is the excess (or shortfall) of the fair value of the consideration received over the de-recognised and reclassified balances.

(d) Associates and joint venture

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.

2.2 Basis of consolidation (continued)

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group recognises in income its share of associates and joint venture 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 and joint ventures are eliminated to the extent of the Group's interest. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

(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 are applied towards the future purchase of 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.

(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:

	2014 closing	2014 average	2013 closing	2013 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	114.3232	110.5386	105.9952	99.7566
Trinidad & Tobago dollar	6.3586	6.3920	6.4386	6.4064
Pound sterling	0.64070	0.60482	0.60500	0.64036

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 policy 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

Reportable operating segments have been defined on the basis of performance and resource allocation decisions of the Group's Chief Executive Officer.

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 as determined by independent valuation, with the appreciation or depreciation in value being taken to investment income. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

Investment property includes property partially owned by the Group and held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows.

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 property.

Rental income is recognised on an accrual 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.

2.6 Property, plant and equipment (continued)

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuation. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date. 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.

Owner-occupied property includes property held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows. On the disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

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.

2.6 Property, plant and equipment (continued)

An impairment loss is recognised for the amount by which an 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.

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.

2.7 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 whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment. An impairment loss is recognised for the amount by which the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is the higher of an operating segment's (or operation's) fair value less costs to sell and its value in use.

On the 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.

2.7 Intangible assets (continued)

(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. 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. 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
Contract based	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.

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.

2.8 Financial assets (continued)

(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.

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 the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

2.8 Financial assets (continued)

(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.

For an available for sale equity security or investment in an associated company, 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 and a decline that has persisted for more than twelve months to be prolonged. 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.

2.8 Financial assets (continued)

(e) Securities purchased for resale

Securities purchased under agreements to resell are recognised initially at fair value and are subsequently stated at amortised cost. Securities purchased for resale 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) 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.

2.9 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 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 discernible 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.

2.10 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

(i) Property and casualty insurance contracts

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

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.

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.

2.10 Policy contracts (continued)

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.

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, premium taxes and acquisition-related administrative expenses attributable to 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.

2.10 Policy contracts (continued)

(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 accrued 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 2.11.

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.

(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.

2.10 Policy contracts (continued)

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 2.11.

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.

(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.

2.10 Policy contracts (continued)

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 or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.11.

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.

(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.

2.10 Policy contracts (continued)

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 in accounts payable and accrued liabilities and in actuarial liabilities.

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

(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.

2.10 Policy contracts (continued)

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 2.11.

(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.

2.11 Actuarial liabilities

(a) Life insurance and annuity contracts

The determination of actuarial liabilities of long-term insurance contracts has been done using Canadian accepted actuarial standards. These liabilities consist of the 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. Canadian standards may change from time to time, but infrequently.

2.11 Actuarial liabilities (continued)

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 resulting provisions for adverse deviations will be included in future income to the extent they are released when they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on insurer and industry experience and are updated annually.

The Canadian accepted actuarial standards for the valuation of policy liabilities are 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 this methodology, assets of each insurer are selected to back its actuarial liabilities. 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 unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of equity for the accumulation of changes in actuarial liabilities which are recorded in other comprehensive income and which arise from recognised unrealised gains or losses in fair value of available for sale securities.

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.

2.12 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 2.10(b) (vii) and in the following paragraphs.

(a) Securities sold for re-purchase

Securities sold under agreements to repurchase are recognised initially at fair value and are subsequently stated at amortised cost. Securities sold for re-purchase are treated as collateralised financing transactions. The difference between the sale and re-purchase 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) Loans and other debt obligations

Loans and other debt obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, 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.

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.

(d) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

2.13 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.

2.14 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.

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. 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 net investment income or interest expense.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 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.

2.17 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 less the fair value of plan assets. 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 on government bonds for the maturity dates and currency of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the other comprehensive income and retained earnings or non-controlling interest in the period in which they arise. Past service costs are charged to income in the period in which they arise.

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. Contributions are recognised in income in the period in which they are due.

(b) Other retirement benefits

Certain Group subsidiaries provide supplementary health 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the other comprehensive income and retained earnings or non-controlling interest in the period in which they arise.

2.17 Employee benefits (continued)

(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.

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 reserve for equity compensation benefits or in non-controlling 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 reserve for equity compensation benefits are transferred to share capital or non-controlling interest either on the distribution of share grants or on the exercise of share options.

2.17 Employee benefits (continued)

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.

(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.

2.18 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of tax are summarised in the following table.

Premium tax rates	Life insurance and non-registered annuities	Health insurance	Property and casualty insurance
Barbados	3% - 6%	4%	3% - 5%
Jamaica	3%	Nil	Nil
Trinidad and Tobago	15%	Nil	Nil
United States of America	0.75% - 3.5%	Nil	Nil

(b) Asset tax

The Group is subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions, and is 0.14% of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions and is 0.20% of adjusted assets held at the end of a period.

(c) 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 the current year are set out in the next table.

Amounts expressed in US $000

2.18 Taxes (continued)

Income tax rates	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% - 25% of investment income	Nil	25% of net income
United States of America	35% of net income	Nil	35% of net income

(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 enacted or substantially enacted by the end of the reporting period. 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 and once they relate to the same entity. 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.

2.19 Common and preference shares

(a) Common shares

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.

(b) Preference shares

On July 18, 2011, the Company issued convertible redeemable preference shares that are accounted for as a compound financial instrument. The shares are contractually redeemable on July 18, 2016 if the shareholder has not opted to convert the shares prior to this date. Dividends may be declared semi-annually by the Company's directors.

The redemption value is recognised as a contractual liability, and is measured initially at its discounted fair value. The discount rate reflects as of July 18, 2011: (i) the rate of interest applicable to a similar liability with a contractual dividend rate, and (ii) the interest premium required by the shareholder for an instrument with a non-contractual dividend. The liability component is disclosed in note 16.

The preference shareholders' rights to receive dividends is recognised within shareholders' equity, and is measured initially as the residual fair value of the preference shares in their totality after deducting the liability for the redemptive value. The equity component is initially recorded as a preference share reserve in note 22.

Incremental costs directly attributable to the issue of the preference shares are allocated between the liability for the redemption value and the equity reserve in proportion to their initial carrying amounts. After initial recognition, the liability component is accreted to its ultimate redemption value using the effective interest yield method, with the accretion being recorded as a finance cost in the statement of income. After initial recognition, the preference share reserve is transferred to retained earnings pro-rata to the dividends declared over the period to redemption.

2.19 Common and preference shares (continued)

On the initial recognition of the preference shares, the conversion feature of the instrument was deemed to have no value. Subsequently, when a number of preference shares are converted to common shares, the associated liability for redemption will be extinguished and consequently will be transferred to the share capital account for common shares. Additionally at conversion, the proportion of the preference share reserve attributable to the converted number of preference shares will also be transferred to the share capital account for common shares. In summary, the total transfer to the share capital account for common shares will approximate the original consideration for the converted number of preference shares less attributable issue costs.

(c) Dividends

On the declaration by the Company's directors of common or preference share dividends payable, the total value of the dividend is recorded as an appropriation of retained earnings.

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.

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.

2.20 Participating accounts (continued)

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.

2.20 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 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, insurance beneficiaries or depositors.

2.22 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.

2.23 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.

2.24 Cash flows

The following classifications apply to the cash flow statement.

Cash flows from operating activities consist of cash flows arising from revenues, benefits, expenses, taxes, operating assets and operating liabilities. Cash flows from investing activities consist of cash flows arising from long-term tangible and intangible assets to be utilised in the business and in respect of changes in subsidiary holdings, insurance businesses, and associated company and joint venture investments. Cash flows from financing activities consist of cash flows arising from the issue, redemption and exchange of equity instruments and notes and loans payable and from equity dividends payable to holders of such instruments.

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.

Amounts expressed in US $000

2.25 Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Group's financial statements are summarised in the following tables.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	Classification and measurement of financial instruments IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The group is yet to assess IFRS 9's full impact.

IFRS (Effective Date)	Subject / Comments
IFRS 15 – Revenue from contracts with customers (January 1, 2017)	IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The group is assessing the impact of IFRS 15. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

3.2 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 after tax of these business units and the expected returns to providers of capital to the business units and / or to the Group as a whole. For the Sagicor Life reporting segment, the Group uses an actuarial appraisal value technique for testing goodwill impairment.

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. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 8.2.

(b) Other intangible assets

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

3.4 Valuation of actuarial liabilities

(a) Canadian Actuarial Standards

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 as the present value of liability cash flows discounted at effective interest rates resulting in a value equivalent to the market value of assets supporting these policy liabilities under an adverse economic scenario.

The AA identifies a conservative economic scenario forecast, and together with the existing investment portfolio as at the date of the actuarial valuation and assumed reinvestment of net asset and policy liability cash flows, calculates the actuarial liabilities required at the date of valuation to ensure that sufficient monies are available to meet the liabilities as they become due in future years.

The methodology produces the total reserve requirement for each policy group fund. In general, the methodology is used to determine the net overall actuarial liabilities required by the insurer. Actuarial liabilities are computed by major group of policies and 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, and other individual 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.

3.4 Valuation of 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

The property and casualty insurance contracts issued by Sagicor at Lloyd's insurance syndicate 1206 (the principal business of the discontinued operation) up to and including the 2013 underwriting year of account contain material accounting judgements which may affect the Group's results until the close of the run-off period contracted with the purchaser of the discontinued operation. The significant judgements are summarised in the following sections.

(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. Reserving for claims payable, involves 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.

3.5 Property and casualty contracts (continued)

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.

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.

A variety of standard actuarial reserving methods are utilised to estimate claim liabilities, including claims development, expected claims ratio, Bornhuetter-Ferguson and frequency-severity methodologies. An independent actuary is engaged to confirm the claim liabilities recognised by the syndicate as of the date of the financial statements. The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

(b) Carrying value of the assets and liabilities of the discontinued operation

As of December 31, 2014, the liability of the discontinued operation is the estimated residual liability due to the purchaser arising from the estimated results of the syndicate for the underwriting years of account up to and including 2013 until the end of the run-off period. The reported liability is also impacted by movements in various foreign exchange rates as the insured risks are denominated in a number of different currencies.

Amounts expressed in US $000

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.

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 three principal subsidiary Groups within continuing operations which represent the reportable operating segments of Sagicor. These segments and other Group companies are set out in the following sections. Details of the discontinued operating segment are set out in note 38.

(a) Sagicor Life

These comprise Group subsidiaries conducting life, health and annuity insurance business, and pension administration services in (i) Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America and (ii) Trinidad and Tobago. As these two segments are broadly similar in products, services, distribution, administrative and regulatory environment, they are presented on an aggregated basis in these financial statements. The companies are set out in the following two tables.

4 SEGMENTS (continued)

Sagicor Life Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc[1]	Life and health insurance, annuities and pension administration services	Barbados	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%
Associates			
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
FamGuard Corporation Limited	Investment holding company	Bahamas	20%
Principal operating company: Family Guardian Insurance Company Limited	Life and health insurance and annuities	Bahamas	20%
Primo Holding Limited	Property investment	Barbados	38%

(1) On December 31, 2014, Sagicor Life Inc and its wholly-owned subsidiary Sagicor Capital Life Insurance Company Limited were amalgamated under the laws of Barbados. Under the terms of the amalgamation, the two companies continue as one corporate entity under the name of Sagicor Life Inc.

Amounts expressed in US $000

4 SEGMENTS (continued)

(b) Sagicor Jamaica

This segment comprises Group subsidiaries conducting life, health, annuity, property and casualty insurance business, and pension administration services and financial services in Jamaica, Cayman Islands and Costa Rica.

Effective May 2014, Sagicor Investment Jamaica Limited (SIJL) became a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ). Previously, Sagicor Investment Jamaica Limited was owned 85.45% (2013 – 85.45%) by Sagicor Life Jamaica Limited. The existing minority shareholders of Sagicor Investment Jamaica Limited exchanged their shares for Sagicor Group Jamaica Limited (SGJ) shares. The existing parent company, Sagicor Life Jamaica Limited exchanged their shares in SIJL for unsecured debenture bonds from SGJ. SIJL was subsequently delisted from the Jamaica Stock Exchange. The exchange of SIJL shares to SGJ shares took effect on 7 May, 2014. This transaction resulted in a reduction of the Sagicor Financial Corporation's effective shareholder's interest from 51% to 49.11%.

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited and rebranded that business to Sagicor Bank.

All Jamaican subsidiaries are now wholly owned by Sagicor Group Jamaica Limited. The companies comprising this segment are as follows.

Sagicor Jamaica Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Group Jamaica Limited	Group holding company	Jamaica	49.11%(1)
Sagicor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	49.11%(1)
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	49.11% (1)
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	49.11% (1)

4 SEGMENTS (continued)

Sagicor Jamaica Segment Companies (continued)	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Employee Benefits Administrator Limited	Pension administration services	Jamaica	49.11% (1)
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	49.11% (1)
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	49.11% (1)
Sagicor International Administrators Limited	Group insurance administration	Jamaica	49.11% (1)
Sagicor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	49.11% (1)
Sagicor Property Services Limited	Property management	Jamaica	49.11%(1)
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	49.11%(2)
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%(2)
Sagicor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor St Lucia Limited	Financial services holding company	St Lucia	49.11%(1)

(1) 51% prior to May 7, 2014. (2) 44% prior to May 7, 2014

Control of the company is established through the following:

- The power of the group to appoint a majority of the directors of the company and thereby direct relevant activities.
- The Group is exposed to the variable returns from its effective shareholder's interest.
- The Group has the ability to use the power to affect the amount of investor's returns.

Amounts expressed in US $000

4 SEGMENTS (continued)

(c) Sagicor Life USA

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

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

4 SEGMENTS (continued)

(d) Head office function and other operating companies

These comprise the following:

Other Group Companies	Principal Activities	Country of Incorporation	Effective 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	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 Finance Limited	Group financing vehicle	The Cayman Islands	100%

Amounts expressed in US $000

4.1 Statement of income by segment

2014	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	266,017	263,880	74,538	21,122	-	625,557
Interest income	70,728	133,818	49,671	10,144	-	264,361
Other investment income	6,689	23,790	14,045	(1,670)	-	42,854
Fees and other revenues	10,419	35,365	15,230	22,306	24	83,344
Gain arising on acquisition	-	29,051	-	-	-	29,051
Inter-segment revenues	7,911	-	-	33,763	(41,674)	-
	361,764	485,904	153,484	85,665	(41,650)	1,045,167
Net policy benefits	174,595	156,024	97,697	9,165	-	437,481
Net change in actuarial liabilities	9,247	49,967	(18,217)	-	-	40,997
Interest expense	11,566	44,098	3,642	4,433	-	63,739
Administrative expenses	64,638	104,386	30,548	32,827	1,343	233,742
Commissions and premium and asset taxes	37,798	40,847	20,618	10,176	-	109,439
Finance costs	-	-	41	(243)	22,746	22,544
Depreciation and amortisation	5,026	9,177	1,437	4,580	-	20,220
Inter-segment expenses	354	1,336	926	8,065	(10,681)	-
	303,224	405,835	136,692	69,003	13,408	928,162
Segment income / (loss) before taxes	58,540	80,069	16,792	16,662	(55,058)	117,005
Income taxes	(8,297)	(2,700)	(4,878)	(825)	-	(16,700)
Net income / (loss) from continuing operations	50,243	77,369	11,914	15,837	(55,058)	100,305
Net income/(loss) attributable to shareholders from continuing operations	44,043	38,055	11,914	(7,963)	(32,312)	53,737
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,330	34,004	19,478	(7,428)	(32,228)	64,156

Amounts expressed in US $000

4.1 Statement of income by segment (continued)

2013	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	257,892	292,959	87,650	18,527	-	657,028
Interest income	70,612	118,386	49,609	10,204	-	248,811
Other investment income	2,532	7,705	20,661	(187)	(172)	30,539
Fees and other revenues	7,714	43,575	27,178	24,556	82	103,105
Gain arising on acquisition	119	-	-	(119)	-	-
Inter-segment revenues	11,960	1,416	-	11,831	(25,207)	-
	350,829	464,041	185,098	64,812	(25,297)	1,039,483
Net policy benefits	171,950	157,930	88,486	7,049	-	425,415
Net change in actuarial liabilities	10,452	74,951	24,361	-	-	109,764
Interest expense	12,574	39,599	1,541	3,897	-	57,611
Administrative expenses	61,999	73,017	31,163	36,702	1,078	203,959
Commissions and premium and asset taxes	36,075	42,630	24,865	8,239	-	111,809
Finance costs	-	-	58	(243)	17,328	17,143
Depreciation and amortisation	5,388	4,654	1,266	3,922	-	15,230
Inter-segment expenses	349	1,055	865	13,472	(15,741)	-
	298,787	393,836	172,605	73,038	2,665	940,931
Segment income / (loss) before taxes	52,042	70,205	12,493	(8,226)	(27,962)	98,552
Income taxes	(7,049)	(5,631)	(4,372)	(1,872)	-	(18,924)
Net income / (loss) from continuing operations	44,993	64,574	8,121	(10,098)	(27,962)	79,628
Net income/(loss) attributable to shareholders from continuing operations	39,988	32,143	8,121	(30,479)	(10,635)	39,138
Total comprehensive income/(loss) attributable to shareholders from continuing operations	40,251	(1,130)	(377)	(28,620)	(10,639)	(515)

4.1 Statement of income by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica).

Out of the total net income attributable to non-controlling interests of $40,368 (2013 - $35,485), Sagicor Jamaica contributed $39,314 (2013 - $32,431).

4.2 Variations in segment income

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.

(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) Gains on acquisitions/divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognised directly in the statement of income.

4.2 Variations in segment income (continued)

(iv) 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.

(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, asset default 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.

Amounts expressed in US $000

4.2 Variations in segment income (continued)

The table below summarises by segment the individual line items within income from continuing operations which are impacted by the foregoing factors.

Variations in income by segment	2014					2013				
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and Other	Total
Investment gains / (losses)	3,306	30,616	13,371	375	47,668	7,559	8,249	20,649	87	36,544
Impairment of financial investments	(3,409)	(7,030)	(13)	(2,186)	(12,638)	(11,276)	(450)	(246)	(590)	(12,562)
Foreign exchange gains / (losses)	(1,376)	4,421	-	180	3,225	1,286	10,376	-	(280)	11,382
Gains on acquisitions/divestitures	-	29,051	-	-	29,051	119	-	-	(119)	-
Decrease / (increase) in actuarial liabilities from changes in assumptions	5,622	17,472	(25,443)	-	(2,349)	14,009	15,080	39,365	-	68,454

Amounts expressed in US $000

4.3 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.

(iv) Defined benefit plans gains and losses

Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

The table below summarises by segment the individual line items within other comprehensive income from continuing operations which are impacted by the foregoing factors.

	Variations in other comprehensive income by segment					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head Office and other	Adjustments	Total
2014						
Unrealised investment (losses)	6,207	6,602	25,371	206	-	38,386
Changes in actuarial liabilities	(4,178)	-	(15,792)	-	-	(19,970)
Retranslation of foreign currency operations	1,339	(23,528)	-	69	84	(22,036)
Gains/(losses) on defined benefit plans	2,763	9,086	-	1,363	-	13,212
2013						
Unrealised investment (losses)	(8,273)	(8,712)	(30,155)	(302)	-	(47,442)
Changes in actuarial liabilities	5,567	-	24,878	-	-	30,445
Retranslation of foreign currency operations	(819)	(35,606)	-	(12)	(4)	(36,441)
Gains/(losses) on defined benefit plans	1,191	(12,901)	-	2,235	-	(9,475)

Amounts expressed in US $000

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2014						
Financial investments	1,259,473	2,021,180	1,247,365	133,476	-	4,661,494
Other external assets	379,124	464,724	495,735	179,343	-	1,518,926
Inter-segment assets	134,254	9,363	241	49,805	(193,663)	-
Total assets	1,772,851	2,495,267	1,743,341	362,624	(193,663)	6,180,420
Policy liabilities	1,197,480	622,299	1,244,053	56,770	-	3,120,602
Other external liabilities	87,733	1,460,700	250,792	441,255	-	2,240,480
Liabilities of discontinued operation	-	-	-	45,796	-	45,796
Inter-segment liabilities	23,620	217	40,582	129,244	(193,663)	-
Total liabilities	1,308,833	2,083,216	1,535,427	673,065	(193,663)	5,406,878
Net assets	464,018	412,051	207,914	(310,441)	-	773,542
2013						
Financial investments	1,187,903	1,687,893	1,182,892	133,078	-	4,191,766
Other external assets	392,282	183,066	300,721	229,917	-	1,105,986
Inter-segment assets	126,211	9,324	151	49,649	(185,335)	-
Total assets	1,706,396	1,880,283	1,483,764	412,644	(185,335)	5,297,752
Policy liabilities	1,170,526	608,883	1,051,588	54,757	-	2,885,754
Other external liabilities	86,789	906,187	203,498	435,314	-	1,631,788
Liabilities of discontinued operation	-	-	-	55,024	-	55,024
Inter-segment liabilities	23,479	5,846	40,581	115,429	(185,335)	-
Total liabilities	1,280,794	1,520,916	1,295,667	660,524	(185,335)	4,572,566
Net assets	425,602	359,367	188,097	(247,880)	-	725,186

Amounts expressed in US $000

4.4 Statement of financial position by segment (continued)

The principal non-controlling interests in the Group are in respect of Sagicor Group Jamaica Limited (Sagicor Jamaica). Out of the total non-controlling interests in the statement of financial position of $241,480 (2013 - $218,751), Sagicor Jamaica contributed $202,133 (2013 - $178,920).

4.5 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:

	2014	2013
Sagicor Life	7,384	5,986
Sagicor Jamaica	7,878	3,946
Sagicor Life USA	2,064	1,124
Head office and other	10,645	11,548
	27,971	22,604

4.6 Products and services

Total external revenues relating to the Group's products and services are summarised as follows:

	2014	2013
Life, health and annuity insurance contracts issued to individuals	584,973	591,698
Life, health and annuity insurance and pension administration contracts issued to groups	273,138	299,497
Property and casualty insurance	34,308	33,956
Banking, investment management and other financial services	112,927	94,530
Farming and unallocated revenues	39,821	19,802
	1,045,167	1,039,483

4.7 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business.

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 by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2014	2013	2014	2013
Barbados	146,640	148,901	198,624	195,204
Jamaica	458,565	426,141	69,985	59,672
Trinidad & Tobago	145,735	140,704	67,396	78,167
Other Caribbean	140,737	138,514	35,499	29,983
USA	153,490	185,223	3,593	2,977
	1,045,167	1,039,483	375,097	366,003

Amounts expressed in US $000

5 INVESTMENT PROPERTY

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

	2014	2013
Balance, beginning of year	98,369	115,224
Additions at cost	1,638	1,424
Transfer from property, plant and equipment	583	884
Disposals	(8,269)	(18,040)
Change in fair values	(3,468)	982
Effects of exchange rate changes	(87)	(2,105)
Balance, end of year	88,766	98,369

Investment property includes $14,372 (2013 - $15,223) which represents the Group's proportionate interest in joint operations summarised in the following table.

Country	Description of property	Percentage ownership
Barbados	Freehold lands	50%
	Freehold office buildings	10% -50%
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 ASSOCIATES AND JOINT VENTURE

The movements in the investment in associates and joint ventures during the year and the aggregate balances and results of associates and joint venture companies are summarised in the following table.

	2014	2013
Movement during the year:		
Investment, beginning of year	44,202	42,433
Additions	540	266
Disposals and divestitures	-	(28)
Dividends received	(7,860)	(1,348)
Share of:		
Income before taxes	4,419	3,519
Amortisation of intangible assets identified on acquisition	(178)	(181)
Income taxes	(738)	(364)
Other comprehensive income	577	923
Effects of exchange rate changes	(156)	(1,018)
Investment, end of year	40,806	44,202
Aggregate balances and results:		
Total assets	548,430	532,852
Total liabilities	365,428	374,794
Total revenue	150,650	139,858
Net income for the year	12,665	14,413

Amounts expressed in US $000

7 PROPERTY, PLANT AND EQUIPMENT

	2014					2013				
	Owner-occupied property		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total	Owner-occupied properties		Office furnishings, equipment & vehicles	Operating lease vehicles & equipment	Total
	Lands	Land & buildings				Land	Land & buildings			
Net book value, beginning of year	38,428	66,281	33,893	12,937	151,539	38,428	65,124	31,978	10,288	145,818
Additions at cost	-	2,173	14,637	6,514	23,324	-	1,418	11,777	6,704	19,899
Additions arising from acquisitions	-	11,568	2,473	-	14,041	-	-	-	-	-
Transfer to investment property	-	(583)	-	-	(583)	-	(884)	-	-	(884)
Transfer to intangible assets (note 8)	-	-	(3,286)	-	(3,286)	-	-	(1,801)	-	(1,801)
Other transfers	-	15	386	-	401	-	296	228	-	524
Transfers to real estate developed or held for sale	(7)	-	-	-	(7)	-	-	-	-	-
Disposals	-	-	(834)	(2,748)	(3,582)	-	(963)	(1,045)	(1,361)	(3,369)
Change in fair values	(201)	278	-	-	77	-	3,451	-	-	3,451
Depreciation charge	-	(1,013)	(6,713)	(3,265)	(10,991)	-	(809)	(6,126)	(2,694)	(9,629)
Effects of exchange rate changes	-	(818)	(646)	-	(1,464)	-	(1,352)	(1,118)	-	(2,470)
Net book value, end of year	38,220	77,901	39,910	13,438	169,469	38,428	66,281	33,893	12,937	151,539
Represented by:										
Cost or valuation	38,220	80,885	111,025	19,707	249,837	38,428	67,253	99,453	18,188	223,322
Accumulated depreciation	-	(2,984)	(71,115)	(6,269)	(80,368)	-	(972)	(65,560)	(5,251)	(71,783)
	38,220	77,901	39,910	13,438	169,469	38,428	66,281	33,893	12,937	151,539

Owner-occupied lands are largely utilised for farming operations.

Owner-occupied land and buildings consist largely of commercial office buildings.

Amounts expressed in US $000

8 INTANGIBLE ASSETS

8.1 Analysis of intangible assets and changes for the year

	2014				2013			
	Goodwill	Customer & broker relationships	Software	Total	Goodwill	Customer & broker relationships	Software	Total
Net book value, beginning of year	47,948	16,220	7,725	71,893	50,338	20,801	8,473	79,612
Additions at cost	-	-	2,469	2,469	-	-	1,015	1,015
Assumed on acquisition	-	10,304	-	10,304	-	-	-	-
Transfer from property, plant and equipment (note 7)	-	-	3,286	3,286	-	-	1,801	1,801
Amortisation	-	(5,995)	(3,056)	(9,051)	-	(2,094)	(3,326)	(5,420)
Effects of exchange rate changes	(1,305)	(1,400)	(140)	(2,845)	(2,390)	(2,487)	(238)	(5,115)
Net book value, end of year	46,643	19,129	10,284	76,056	47,948	16,220	7,725	71,893
Represented by:								
Cost or valuation	48,456	40,224	39,776	128,456	49,761	32,577	33,288	115,626
Accumulated depreciation and impairments	(1,813)	(21,095)	(29,492)	(52,400)	(1,813)	(16,357)	(25,563)	(43,733)
	46,643	19,129	10,284	76,056	47,948	16,220	7,725	71,893

Amounts expressed in US $000

8.2 Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash generating units (CGUs). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell. Annually, the management of each operating segment or other operating company prepares financial projections for the next three years.

For those CGU's which the fair value less costs to sell methodology is used, the financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from the financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements.

The Group obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The carrying values of goodwill and the impairment test factors used are considered in the following sections.

(a) Sagicor Life operating segment

	2014	2013
Carrying value of goodwill	27,157	27,031

8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2014 & 2013

An actuarial appraisal value technique was adopted to test goodwill impairment. The principal assumptions included the following:

- Discount rates of 8 - 9% (2013 - 9%) for individual life and annuity inforce business,
- New individual life and annuity business was included for the five year period 2015 to 2019,
- Annual growth rate for new individual life and annuity business was 7.5% from 2014 to 2019 (2013 – 7.5% and 10.0% from 2014 to 2018, and 2.0% from 2019 to 2023),
- Discount ratesof 12 - 13% (2013 - 13%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 200%.

Sensitivity

The excess of the appraisal value over carrying value of the operating segment was also tested by varying the discount rates and capital ratios. The results are set out in the following tables. Negative amounts illustrate the extent of possible impairment.

Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America			**MCCSR target ratio**		
			Low	**Mid**	**High**
Discount rate	**Inforce**	**New business**	175%	200%	225%
Low	7%	11%	266,629	266,910	267,204
Mid	9%	13%	154,566	150,955	147,144
High	11%	15%	74,961	68,931	62,617

Amounts expressed in US $000

8.2 Impairment of intangible assets (continued)

Trinidad and Tobago			MCCSR target ratio		
			Low	Mid	High
Discount rate	Inforce	New business	175%	200%	225%
Low	6%	10%	109,346	106,917	104,224
Mid	8%	12%	46,310	39,851	32,574
High	10%	14%	4,448	(4,070)	(13,820)

(b) Sagicor Jamaica operating segment

	2014	2013
Carrying value of goodwill	14,617	16,048

The fair value less cost to sell methodology was adopted to test goodwill impairment in both years. The after tax multiple used for the segment was 7.1 (2013 – 7.1) which was derived from a pre-tax factor of 6.14 (2013 - 6.36) using an iterative method.

Sensitivity

The possible impairment of goodwill is sensitive to changes in earnings multiples and after tax earnings. This is illustrated in the following table.

	2014 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	7.1	6.4	5.6
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	38,234	328	n/a
Impairment (of 49.11% interest)	Nil	Nil	(25,392)

8.2 Impairment of intangible assets (continued)

(c) Other operating companies

	2014	2013
Carrying value of goodwill	4,869	4,869

The Group recognised goodwill on the acquisition of its interests in Sagicor General Insurance Inc and Globe Finance Inc. The value in use methodology has been used to test goodwill impairment in both years. The after tax discount factors were 14.0% and 13.1% respectively for each company and the residual growth rates were 3.8% and 2.1% respectively.

Amounts expressed in US $000

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	20,364	21,102	20,200	20,466
Available for sale securities:				
Debt securities	2,357,014	2,357,014	2,074,114	2,074,114
Equity securities	76,221	76,221	92,375	92,375
	2,433,235	2,433,235	2,166,489	2,166,489
Financial assets at fair value through income:				
Debt securities	142,840	142,840	148,306	148,306
Equity securities	118,053	118,053	103,185	103,185
Derivative financial instruments (note 41.6)	23,268	23,268	45,215	45,215
Mortgage loans	38,718	38,718	36,838	36,838
Securities purchased for resale	-	-	162	162
	322,879	322,879	333,706	333,706
Loans and receivables:				
Debt securities	927,331	972,759	949,156	981,486
Mortgage loans	255,515	255,630	220,769	221,427
Policy loans	133,483	142,150	134,236	141,464
Finance loans and finance leases	410,585	417,476	165,050	161,631
Securities purchased for resale	31,524	26,271	40,713	40,713
Deposits	126,578	126,578	161,447	161,447
	1,885,016	1,940,864	1,671,371	1,708,168
Total financial investments	4,661,494	4,718,080	4,191,766	4,228,829

9.1 Analysis of financial investments (continued)

	2014	2013
Non-derivative financial assets at fair value through income comprise:		
Assets designated at fair value upon initial recognition	299,611	288,491
Debt securities comprise:		
Government and government-guaranteed debt securities	1,776,729	1,609,133
Collateralised mortgage obligations	227,519	195,858
Corporate debt securities	1,325,583	1,289,061
Other securities	117,718	97,724
	3,447,549	3,191,776

9.2 Pledged assets

Debt and equity securities include $226,153 (2013 - $213,703) 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 $8,434 (2013 - $7,143), and mortgages and mortgage backed securities having a total market value of $199,387 (2013 - $160,250).

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, 2014, these pledged assets totalled $764,909 (2013 - $643,127). Of these assets pledged as security, $73,501 (2013 – $30,934) 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.

Amounts expressed in US $000

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.

	2014	2013
Debt securities	95,316	93,864
Equity securities	111,950	97,255
Mortgage loans	38,718	36,838
Securities purchased for re-sale	-	162
	245,984	228,119

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.

9.4 Reclassification of financial investments (continued)

The following disclosures are in respect of these reclassified assets.

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Government debt securities maturing after September 2018	49,282	56,236	51,342	49,344
Other debt securities	2,721	3,479	3,458	4,095
	52,003	59,715	54,800	53,439

	2014	2013
Cumulative net fair value loss, beginning of year	(7,322)	(4,783)
Net fair value gains / (losses) subsequent to restatement	9,437	(2,716)
Disposals	174	-
Effect of exchange rate changes	(295)	177
Cumulative net fair value gain / (loss), end of year	1,994	(7,322)

The net fair value gain or loss subsequent to restatement approximates the fair value gain or loss 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.

Amounts expressed in US $000

10 REINSURANCE ASSETS

	2014	2013
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	470,271	285,250
Policy benefits payable (note 14.2)	31,998	28,325
Provision for unearned premiums (note 14.3)	20,152	20,153
Other items	4,750	2,699
	527,171	336,427

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

11 INCOME TAX ASSETS

	2014	2013
Deferred income tax assets (note 33)	28,310	4,808
Income and withholding taxes recoverable	29,193	24,227
	57,503	29,035

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

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2014	2013
Net defined benefit assets (note 31)	1,055	495
Real estate developed or held for resale (ii)	12,199	14,626
Prepaid and deferred expenses	20,753	15,688
Premiums receivable	39,731	36,318
Legal claim (iii)	34,174	-
Other assets and accounts receivable (i)	48,718	81,024
	156,630	148,151

(i) Other assets and accounts receivables include:

(a) Nil (2013 - $50,104) representing the liquidation of collateral for a banker's letter of credit facility (see note 38); and

(b) $7,493 (2013 - $4,636) due from managed funds.

(ii) Real estate developed for resale includes $6,953 (2013 - $6,699) which is expected to be realised within one year of the financial statements date. Prepaid and deferred expenses are also expected to be realised within one year of the financial statements date.

(iii) $34,174 (2013 – Nil) Legal claim
In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank of Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited (Finsac) in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 20).

Amounts expressed in US $000

13 ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2014	2013	2014	2013
Contracts issued to individuals:				
Life insurance - participating policies	251,011	319,075	100	106
Life insurance and annuity - non-participating policies	1,698,485	1,424,285	448,021	260,031
Health insurance	11,190	7,115	503	517
Unit linked funds	146,703	133,882	-	-
Reinsurance contracts held	29,135	23,037	-	-
	2,136,524	1,907,394	448,624	260,654
Contracts issued to groups:				
Life insurance	36,554	38,575	819	1,448
Annuities	351,826	343,291	20,681	22,981
Health insurance	37,317	35,059	147	167
	425,697	416,925	21,647	24,596
Total actuarial liabilities	2,562,221	2,324,319	470,271	285,250

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $98,666 (2013 - $101,731) in assumed reinsurance.
- The liability for reinsurance contracts held occurs because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of a policy contract.

13.2 Movement in actuarial liabilities

	Gross liability		Reinsurers' share	
	2014	2013	2014	2013
Balance, beginning of year	2,324,319	2,040,907	285,250	56,683
Amounts assumed on business and portfolio acquisitions (note 13.2(a))	-	33,910	-	-
Changes in actuarial liabilities:				
Recorded in income	226,018	338,331	185,021	228,568
Recorded in other comprehensive	28,473	(43,840)	-	-
De-recognised on divestiture	-	(886)	-	-
Other movements	(326)	-	-	-
Effect of exchange rate changes	(16,263)	(44,103)	-	(1)
Balance, end of year	2,562,221	2,324,319	470,271	285,250
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	270,600	403,700	185,021	228,609
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	2,349	(68,454)	-	(41)
Other changes:				
Actuarial modelling, refinements, improvements and corrections	(6,378)	(5,928)	-	-
Other items	(12,080)	(34,827)	-	-
Total	254,491	294,491	185,021	228,568

Amounts expressed in US $000

13.2 Movement in actuarial liabilities (continued)

(a) Acquisition of insurance portfolio

During 2013, Sagicor Life Inc acquired the British American Insurance Company Limited (BAICO) Eastern Caribbean insurance portfolio. This was accounted for as a portfolio acquisition. The insurance portfolio acquired by Sagicor was made up of group pensions and traditional life policies issued by BAICO in the Eastern Caribbean. The obligation to pay certain unpaid amounts to policyholders under these policies (being claims, maturities, surrenders and bonuses) has been assumed by Sagicor with the transfer of the insurance portfolio, and the Eastern Caribbean Governments funded the payment of these in accordance with the terms of the policies. The payment of claims will be subject to the claimant meeting the requirements of the policy terms, and signing an appropriate release.

The effects of this transaction in the financial statements are set out below.

	Fair Value
Net assets acquired:	
Financial investments	5,598
Miscellaneous assets and receivables	594
Cash resources	36,299
Actuarial liabilities	(33,910)
Other insurance liabilities	(7,185)
Total net assets	1,396
Purchase consideration and related costs	5,600
Loss arising on net assets acquired	4,204

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.

Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including the Canadian Institute of Actuaries (CIA) 1997 - 2004 tables. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is 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

Policyholders may allow their policies to lapse prior to the maturity date either by choosing not to pay premiums or by surrendering their policy for its cash value. Lapse studies are updated annually by insurers to determine the persistency of the most recent period. Assumptions for lapse experience are generally based on five-year averages.

Amounts expressed in US $000

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 long-term government bonds. It is established for each geographic area and is summarised in the following table.

Ultimate rate of return	2014	2013
Barbados	6.5%	6.0%
Jamaica	5.0%	5.0%
Trinidad & Tobago	4.5%	4.25%
Other Caribbean	4.5% - 6.5%	4.5% - 6.0%
USA	0.85% - 4.75%	1.75% - 3.96%

(e) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for the 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 are updated annually and are applied on a per policy basis.

Taxes reflect assumptions for future premium taxes and income taxes levied directly on investment income (see note 32). For income taxes levied on net income, actuarial liabilities are adjusted for policy related recognised deferred tax assets and liabilities.

13.3 Assumptions – life insurance and annuity contracts (continued)

(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, where appropriate, for assets backing the actuarial liabilities, e.g. for investment property, 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 provisions for adverse deviations being included in the actuarial liabilities as set out in the following table.

Provisions for adverse deviations	2014	2013
Mortality and morbidity	79,362	81,199
Lapse	61,605	64,469
Investment yields and asset default	51,630	45,851
Operating expenses and taxes	17,273	19,777
Other	2,726	2,846
	212,596	214,142

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.

Amounts expressed in US $000

14 OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2014	2013
Dividends on deposit and other policy balances	68,542	70,036
Policy benefits payable	95,276	90,834
Provision for unearned premiums	33,602	33,564
	197,420	194,434

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2014	2013	2014	2013
Analysis of policy benefits payable:				
Life insurance and annuity benefits	65,987	64,498	14,711	12,400
Health claims	3,389	2,687	2,071	2,759
Property and casualty claims	25,900	23,649	15,216	13,166
	95,276	90,834	31,998	28,325

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2014	2013	2014	2013
Movement for the year:				
Balance, beginning of year	90,834	83,814	28,325	25,080
Policy benefits assumed on business and portfolio acquisitions	-	7,185	-	-
Policy benefits incurred	485,321	457,010	51,272	33,997
Policy benefits paid	(479,423)	(454,975)	(47,477)	(30,576)
Effect of exchange rate changes	(1,456)	(2,200)	(122)	(176)
Balance, end of year	95,276	90,834	31,998	28,325

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2014	2013	2014	2013
Analysis of the provision:				
Property and casualty insurance	32,413	32,410	20,152	20,153
Health insurance	1,189	1,154	-	-
	33,602	33,564	20,152	20,153

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

Amounts expressed in US $000

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2014	2013	2014	2013
Movement for the year:				
Balance, beginning of year	33,564	33,353	20,153	20,323
Premiums written	72,704	71,875	47,882	47,914
Premium revenue	(72,669)	(71,661)	(47,883)	(48,086)
Effect of exchange rate changes	3	(3)	-	2
Balance, end of year	33,602	33,564	20,152	20,153

15 INVESTMENT CONTRACT LIABILITIES

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	128,404	128,404	119,512	119,512
Other investment contracts	115,748	119,317	133,115	135,876
	244,152	247,721	252,627	255,388
At fair value through income:				
Unit linked deposit administration liabilities	116,809	116,809	114,374	114,374
	360,961	364,530	367,001	369,762

16 NOTES AND LOANS PAYABLE

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
7.5% senior notes due 2016	147,182	154,867	145,178	156,924
6.5% convertible redeemable preference shares due 2016	107,689	122,863	100,417	115,339
4.6% notes due 2015	43,363	43,363	43,174	43,174
Finance lease payable	708	708	1,391	1,391
	298,942	321,801	290,160	316,828

The Group issued ten year $150,000 senior notes which are repayable in 2016. The notes carry a 7.5% annual 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. Financial covenants in respect of these notes are summarised in note 46.3(a).

Details of the 6.5% convertible redeemable preference shares due 2016 are set out in note 21.2. The initial fair value of the subscription proceeds was determined by discounting the ultimate redemption value ($120,000), at a rate of 6.5% for 5 years. The subsequent finance cost recognised is the amortisation of the difference between the ultimate redemption value and the initial carrying value, calculated on an effective interest method for the 5 years to maturity.

On December 18, 2013, the Company issued eighteen month $43,386 notes which are repayable in 2015. The notes carry a 4.6% annual rate of interest fixed for the period and interest is payable semi-annually. Issue costs amounted to $290. Financial covenants in respect of these notes are summarised in note 46.3(a).

Amounts expressed in US $000

17 DEPOSIT AND SECURITY LIABILITIES

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	360,810	362,514	313,439	316,632
Customer deposits	570,567	589,519	219,192	235,393
Securities sold for re-purchase	664,802	657,506	524,232	525,267
Bank overdrafts	1,459	1,459	1,933	1,933
	1,597,638	1,610,998	1,058,796	1,079,225
At fair value through income:				
Structured products	20,068	20,068	17,371	17,371
Derivative financial instruments (note 41.6)	6,265	6,265	29,916	29,916
	26,333	26,333	47,287	47,287
	1,623,971	1,637,331	1,106,083	1,126,512

Other funding instruments consist of loans from banks and other financial institutions and include balances of $189,928 (2013 - $157,608) 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 capitalize on current market trends.

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

18 PROVISIONS

	2014	2013
Net defined benefit liabilities (note 31)	77,926	74,767
Other provisions	430	316
	78,356	75,083

19 INCOME TAX LIABILITIES

	2014	2013
Deferred income tax liabilities (note 33)	31,557	22,532
Income taxes payable	10,210	6,693
	41,767	29,225

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

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Amounts due to policyholders	16,526	16,830
Amounts due to reinsurers	28,404	22,929
Legal claim (i)	34,174	-
Other accounts payable and accrued liabilities	118,340	91,478
	197,444	131,237

(i) In March 2014, the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank of Jamaica Limited (formerly RBC Royal Bank of Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT International Limited from Finsac Limited (Finsac) in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac (Note 12).

Amounts expressed in US $000

21 COMMON AND PREFERENCE SHARES

The Company is authorised to issue:

- an unlimited number of common shares,
- an unlimited number of preference shares, and
- an unlimited number of convertible redeemable preference shares.

In each case the shares are without nominal or par value.

21.1 Common shares

	2014		2013	
	Number in 000's	Share capital	Number in 000's	Share capital
Issued and fully paid:				
Balance, beginning of year	303,917	301,600	303,917	301,600
Balance, end of year	303,917	301,600	303,917	301,600
Treasury shares:				
Shares held for LTI and ESOP, end of year (note 30.1)	(3,145)	(5,611)	(3,583)	(6,150)
Total	300,772	295,989	300,334	295,450

The common shares are listed on the Barbados, Trinidad & Tobago and London stock exchanges.

21.2 Convertible redeemable preference shares

On July 18, 2011, the Company issued 120,000,000 convertible redeemable preference shares with the following features:

- Issue price of US $1.00 or Barbados $2.00 per share;
- Annual dividend rate of 6.5%, dividends to be declared by the Company's directors and payable half yearly on May 15 and November 15;
- Convertible into common shares at a ratio of 1.98 preference shares to 1.00 common shares, conversion to be at the option of the shareholder and exercisable on May 16 or November 16 in any year prior to the redemption date;
- Redeemable on July 18, 2016 at issue price, if not converted before.

The preference shares are accounted for as a compound financial instrument and were initially recognised in the statement of financial position as a financial liability (note 16) and also as equity (note 22). The preference shares are listed on the Barbados and Trinidad & Tobago stock exchanges. Put option rights in respect of the preference shares are disclosed in note 46.3(b).

21.3 Dividends

The dividends declared and paid during the year in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2014		2013	
	Per share	Total	Per share	Total
Dividends declared and paid:				
Preference shares	6.50 ¢	7,800	6.50 ¢	7,800
Common shares	4.0 ¢	12,035	4.0 ¢	12,035
		19,835		19,835

Amounts expressed in US $000

21.3 Dividends (continued)

The dividends declared after the date of the financial statements in respect of the Company's convertible redeemable preference shares and common shares are set out in the following table.

	2014		2013	
	Per share	Total	Per share	Total
Dividends proposed:				
Preference shares - May 15	3.25 ¢	3,900	3.25 ¢	3,900
Common shares - final for current year	2.0 ¢	6,018	2.0 ¢	6,018
		9,918		9,918

21.4 Restrictions on common share dividends

The Company's Articles of Incorporation include the following limitations on the payment of common share dividends.

(i) For any 6 month period that the convertible redeemable preference shares are not paid, dividends on common shares shall be suspended for that period plus the next 6 month period, and the Company shall not repurchase any of its common shares, except when pursuant to the LTI plan and ESOP.

(ii) The Company shall not pay any dividends on its common shares, in respect of the 2011 financial year or thereafter, or repurchase any of its common shares, other than a repurchase pursuant to the LTI plan and ESOP, if the cumulative amount of such dividends and repurchases after July 31, 2011 would exceed 50% of the cumulative amount of Group net income from January 1, 2011.

Amounts expressed in US $000

22 RESERVES

	Fair value reserves						
	Owner occupied property	Available for sale assets	Actuarial liabilities	Currency translation reserves	Preference share reserves	Other reserves	Total reserves
2014							
Balance, beginning of year	25,433	8,798	(16,779)	(77,411)	16,743	38,391	(4,825)
Other comprehensive income from continuing operations allocated to reserves	(184)	35,052	(21,777)	(10,535)	-	-	2,556
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	2,057	2,057
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(2,520)	(2,520)
Transfers to retained earnings and other movements	-	-	-	-	(6,262)	229	(6,033)
Balance, end of year	25,249	43,850	(38,556)	(87,946)	10,481	38,157	(8,765)
2013							
Balance, beginning of year	22,978	59,946	(47,224)	(77,864)	23,005	35,570	16,411
Other comprehensive income from continuing operations allocated to reserves	3,109	(51,624)	30,445	(18,343)	-	-	(36,413)
Other comprehensive income from discontinued operation	-	476	-	18,796	-	-	19,272
Transactions with holders of equity instruments:							
Allocated to reserve for equity compensation benefits	-	-	-	-	-	2,169	2,169
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(46)	(46)
Transfers to retained earnings and other movements	(654)	-	-	-	(6,262)	698	(6,218)
Balance, end of year	25,433	8,798	(16,779)	(77,411)	16,743	38,391	(4,825)

Other reserves comprise reserves for equity compensation benefits of $16,070 (2013 - $16,533) and statutory reserves of $22,087 (2013 - $21,858).

Amounts expressed in US $000

23 PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year and the amounts in the financial statements relating to participating accounts were as follows:

	Closed participating account		Open participating account	
	2014	2013	2014	2013
Movement for the year:				
Balance, beginning of year	(3,159)	2,273	(2,503)	(12,606)
Total comprehensive income / (loss)	2,209	(5,432)	4,053	10,345
Return of transfer to support profit distribution to shareholders	-	-	(236)	(242)
Balance, end of year	(950)	(3,159)	1,314	(2,503)
Financial statement amounts:				
Assets	86,687	95,096	200,007	229,543
Liabilities	87,637	98,255	198,693	232,046
Revenues	8,524	8,110	28,636	23,441
Benefits	5,512	11,938	21,176	5,549
Expenses	606	1,447	2,813	6,873
Income taxes	172	159	681	580

The Group has the ability to reduce future policy bonuses and dividends in order to eliminate a deficit in a participating account.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2014	2013	2014	2013
Life insurance	361,552	358,876	32,445	34,627
Annuity	309,329	445,135	177,564	271,665
Health insurance	151,571	146,055	5,672	5,132
Property and casualty insurance	66,669	66,472	47,883	48,086
	889,121	1,016,538	263,564	359,510

Amounts expressed in US $000

25 NET INVESTMENT INCOME

	2014	2013
Investment income:		
Interest income	264,361	248,811
Dividend income	2,577	2,235
Rental income from investment property	4,760	3,723
Net investment gains	47,668	36,544
Share of operating income of associates and joint venture	4,419	3,519
Other investment income	382	250
	324,167	295,082
Investment expenses:		
Allowances for impairment losses	12,638	12,562
Direct operating expenses of investment property	2,410	1,284
Other direct investment expenses	1,904	1,886
	16,952	15,732
Net investment income	307,215	279,350

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 classification.

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)

Further details of interest income and investment gains are set out in the following table.

	2014	2013
Interest income:		
Debt securities	201,441	201,982
Mortgage loans	17,652	18,926
Policy loans	9,683	8,951
Finance loans and finance leases	31,121	15,270
Securities purchased for resale	1,960	1,094
Deposits	2,422	2,623
Other balances	82	(35)
	264,361	248,811
Net investment gains / (losses):		
Debt securities	21,560	7,685
Equity securities	15,087	16,741
Investment property	(626)	1,195
Other financial instruments	11,647	10,923
	47,668	36,544

Amounts expressed in US $000

26 FEES AND OTHER REVENUE

	2014	2013
Fee income – assets under administration	19,406	19,300
Fee income – deposit administration and policy funds	1,363	1,033
Commission income on insurance and reinsurance contracts	28,653	40,424
Other fees and commission income	14,694	15,150
Foreign exchange gains	3,225	11,382
Other operating and miscellaneous income	16,003	20,020
Loss arising on acquisition of insurance portfolio (note 13.2 (a))	-	(4,204)
	83,344	103,105

27 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2014	2013	2014	2013
Life insurance benefits	208,096	199,420	12,409	12,298
Annuity benefits	149,092	126,698	23,276	8,997
Health insurance claims	111,486	117,480	3,420	3,937
Property and casualty claims	20,078	15,814	12,166	8,765
Total policy benefits	488,752	459,412	51,271	33,997
Change in actuarial liabilities	226,018	338,331	185,021	228,567
Total policy benefits and change in actuarial liabilities	714,770	797,743	236,292	262,564

28 INTEREST EXPENSE

	2014	2013
Insurance contracts	2,607	2,912
Investment contracts	15,241	14,697
Other funding instruments	6,552	6,038
Customer deposits	9,989	7,310
Securities sold for re-purchase	28,805	26,218
Other items	545	436
	63,739	57,611

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 classification.

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

29 EMPLOYEE COSTS

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

	2014	2013
Administrative staff salaries, directors' fees and short-term benefits	98,529	85,666
Social security and defined contribution retirement costs	7,917	6,635
Equity-settled compensation benefits (note 30.1 to 30.3)	3,732	3,499
Defined benefit expense (note 31 (b))	14,936	12,493
	125,114	108,293

30 EQUITY COMPENSATION BENEFITS

30.1 The Company

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

(a) LTI plan – restricted share grants

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

30.1 The Company (continued)

The movement in restricted share grants during the year is as follows:

	2014		2013	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted Average price
Balance, beginning of year	3,524	US$1.14	2,618	US$1.25
Grants issued	2,576	US$1.00	2,183	US$1.03
Grants vested	(897)	US$1.07	(1,229)	US$1.17
Grants lapsed/forfeited	(1,454)	US$1.29	(48)	US$1.30
Balance, end of year	3,749	US$1.02	3,524	US$1.14

Grants issued may be satisfied out of new shares issued by the Company or by shares acquired in the market. The shares acquired in the market and distributed during the year were as follows:

	2014		2013	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	673	714	112	92
Shares acquired	753	819	561	622
Shares distributed	(1,424)	(1,531)	-	-
Balance, end of year	2	2	673	714

30.1 The Company (continued)

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. 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. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

The movement in share options for the year and details of the share options and assumptions used in determining their pricing are as follows:

	2014		2013	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	13,290	US$1.75	11,255	US$1.86
Options granted	2,916	US$1.08	2,269	US$1.15
Options lapsed/forfeited	-	-	(234)	US$1.68
Balance, end of year	16,206	US$1.63	13,290	US$1.75
Exercisable at the end of the year	10,264	US$1.88	8,228	US$1.99

	2014	2013
Share price at grant date	US $1.08 – 2.50	US $1.15 – 2.50
Fair value of options at grant date	US$0.24 – 0.69	US$0.28 – 0.69
Expected volatility	19.3% – 35.8%	19.3% – 35.8%
Expected life	7.0 years	7.0 years
Expected dividend yield	2.6% - 3.7%	2.6% - 3.5%
Risk-free interest rate	4.8% - 6.8%	4.8% - 6.8%

30.1 The Company (continued)

The expected volatility of options is based on statistical analysis of monthly share prices over the 7 years prior to grant date.

(c) ESOP

From 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2014		2013	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	2,910	5,436	2,916	5,450
Shares acquired	286	295	-	-
Shares distributed	(53)	(122)	(6)	(14)
Balance, end of year	3,143	5,609	2,910	5,436

30.2 Sagicor Group Jamaica Limited

(a) Long-term incentive plan

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares of J$0.10 each for the stock grants and stock options.

Amounts expressed in US $000

30.2 Sagicor Group Jamaica Limited (continued)

In January 2007, the Group introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the 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 of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

In December 2013, the Sagicor Group of companies in Jamaica was reorganized to establish a new holding company which directly or indirectly carries the Group's holdings in member companies. As a consequence Sagicor Life Jamaica (SLJ) was delisted from the Jamaica Stock Exchange (JSE) and Sagicor Group Jamaica Limited (SGJ) was listed. Further, to harmonize compensation plans across the Group and considering the pending delisting of the subsidiary, Sagicor Investments Jamaica Limited (SIJL), all outstanding options in SIJL as at December 2013 were converted to corresponding SGJ options with equivalent monetary value. From the 2013 measurement year, all executives of the Group participate in the SGJ LTI plan.

Details of the share options outstanding are set out in the following table. J$ represents Jamaica $.

	2014		2013	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	72,148	J$8.22	44,590	J$6.39
Options granted	19,077	J$7.11	30,918	J$10.58
Options exercised	(13,826)	J$5.68	(1,524)	J$4.82
Options lapsed/forfeited	(7,374)	J$10.56	(1,836)	J$6.50
Balance, end of year	70,025	J$8.19	72,148	J$8.22
Exercisable at the end of the year	50,841	J$9.69	55,885	J$7.92

30.2 Sagicor Group Jamaica Limited (continued)

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

	2014	2013
Fair value of options outstanding	J$70,025,000	J$72,148,000
Share price at grant date	J$4.20 – 14.10	J$4.20 – 14.10
Exercise price	J$4.20 – 14.10	J$4.20 – 14.10
Standard deviation of expected share price returns	27.0%	25.0%
Remaining contractual term	0.25 - 7 years	0.25 - 7 years
Risk-free interest rate	9.19%	8.04%

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

(b) Employee share purchase plan

Sagicor Life Jamaica 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 $711 (2013 – $285).

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS

The Group maintains a number of defined contribution and defined benefit retirement benefit plans for eligible sales agents and administrative employees. The plans for sales agents and some administrative employees provide defined contribution benefits. The plans for administrative employees in Barbados, Jamaica, Trinidad, Eastern Caribbean and certain other Caribbean countries provide defined benefits based on final salary and number of years active service. Also, in these countries, retired employees may be eligible for medical and life insurance benefits which are partially or wholly funded by the Group. The principal defined benefit retirement plans are as follows:

Funded Plans	Unfunded Plans
Sagicor Life Barbados & Eastern Caribbean Pension	Sagicor Life Trinidad Pension
Sagicor Life Jamaica Pension	Sagicor Life (Heritage Life of Barbados - Barbados & Eastern Caribbean) Pension
Sagicor Investments Jamaica Pension	Group medical and life plans

The above plans also incorporate employees of the Company and other subsidiaries, whose attributable obligations and attributable assets are separately identified for solvency, contribution rate and reporting purposes.

The assets of the Sagicor Life Trinidad and Sagicor Life (Heritage Life of Barbados) pension plans are held under deposit administration contracts with Sagicor Life Inc and because these assets form part of the Group's assets, these plans are presented as unfunded in accordance with IAS 19 (revised).

The above pension plans are registered with the relevant regulatory authorities in the Caribbean and are governed by Trust Deeds which conform with the relevant laws. The plans are managed by the Group under the direction of appointed Trustees.

The group medical and life obligations arise from employee benefit insurance plans where benefits are extended to retirees.

All disclosures in sections 31(a) to (d) of this note relate only to defined retirement benefit plans.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Amounts recognised in the statement of financial position

	2014	2013
Present value of funded pension obligations	186,752	162,772
Fair value of retirement plan assets	(169,380)	(136,084)
	17,372	26,688
Present value of unfunded pension obligations	35,034	32,164
Present value of unfunded medical and life benefits	24,465	15,420
Net liability	76,871	74,272
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	40,623	42,143
Other recognised liabilities	37,303	32,624
Total recognised liabilities (note 18)	77,926	74,767
Recognised assets (note 12)	(1,055)	(495)
Net liability	76,871	74,272

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations are included in actuarial liabilities in the statement of financial position and are excluded from the table above.

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2014			2013		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
Net liability / (asset), beginning of year	210,356	(136,084)	74,272	189,276	(131,476)	57,800
Current service cost	8,424	-	8,424	7,067	-	7,067
Interest expense / (income)	18,933	(14,301)	4,632	14,021	(11,490)	2,531
Past service cost and gains / losses on settlements	1,766	114	1,880	2,895	-	2,895
Net expense recognised in income	29,123	(14,187)	14,936	23,983	(11,490)	12,493
(Gains) / losses from changes in assumptions	(4,848)	-	(4,848)	16,634	(1,805)	14,829
(Gains) / losses from changes in experience	(8,526)	(3,670)	(12,196)	(6,923)	1,567	(5,356)
Return on plan assets excluding interest income	-	2,099	2,099	-	1,330	1,330
Net losses recognised in other comprehensive income	(13,374)	(1,571)	(14,945)	9,711	1,092	10,803
Contributions made by the Group	419	(6,297)	(5,878)	184	(5,088)	(4,904)
Contributions made by employees and retirees	6,532	(5,316)	1,216	5,308	(4,177)	1,131
Benefits paid	(13,088)	11,546	(1,542)	(8,860)	7,292	(1,568)
Liabilities assumed on acquisition of subsidiary	31,846	(22,268)	9,578	-	-	-
Other items	1,150	105	1,255	3,840	(2,897)	943
Effect of exchange rate movements	(6,713)	4,692	(2,021)	(13,086)	10,660	(2,426)
Other movements	20,146	(17,538)	2,608	(12,614)	5,790	(6,824)
Net liability / (asset), end of year	246,251	(169,380)	76,871	210,356	(136,084)	74,272

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2014	2013
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund (Barbados)	(24,579)	(27,921)
Sagicor Bonds Fund (Barbados)	(13,847)	(17,955)
Sagicor Pooled Investment Funds (Jamaica):		
Equity Funds	(19,827)	(15,768)
Mortgage & Real Estate Fund	(13,270)	(12,730)
Fixed Income Fund	(21,689)	(12,894)
Foreign Currency Funds	(18,130)	(12,043)
Money Market Fund	(5,221)	(9,433)
Other Funds	(17,161)	(5,220)
	(133,724)	(113,964)
Other assets	(35,656)	(22,120)
Total plan assets	(169,380)	(136,084)

The equity unit linked pension funds are funds domiciled in Barbados and Jamaica. Annual reports of these funds are available to the public.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2014 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	9.50%	4.00%
Discount rate - US$ indexed benefits	n/a	6.50%	n/a
Expected return on plan assets	7.75%	9.50%	4.00%
Future promotional salary increases	4.50%	0.00%	0.0%
Future inflationary salary increases	4.50% for 5 years, 5.75% thereafter	5.50%	3.00%
Future pension increases	2.00%	2.00%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	0.00%
Mortality table	UP94 with projection scale AA	GAM1994 with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% up to age 30, reducing to 1% at age 50, 0% at age 51	10% up to age 30, reducing to 5% at age 50, 0% at age 51	3% up to age 30, reducing to 1% at age 50, 0% at age 51
Early retirement	100% at the earliest possible age receive unreduced benefits	n/a	100% at the earliest possible age receive unreduced benefits

Amounts expressed in US $000

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	**Jamaica**
Long term increase in health costs	8.00%

(e) Sensitivity of actuarial assumptions

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is summarised below:

	Barbados & Eastern Caribbean	**Jamaica**	**Trinidad**
Base pension obligation	71,029	114,130	12,704
Change in absolute assumption	**Increase / (decrease) in pension obligations**		
Decrease discount rate by 1.0%	9,833	7,414	2,220
Increase discount rate by 1.0%	(7,493)	(5,837)	(1,618)
Decrease salary growth rate by 0.5%	(1,862)	(2,385)	(497)
Increase salary growth rate by 0.5%	2,086	6,464	565
Increase average life expectancy by 1 year	206	1,099	16

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(f) Amount, timing and uncertainty of future cash flows

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group as the recommendations are made.

For the 2014 financial year, the total Group contributions to its defined benefits pension plans are estimated at $10,457.

Amounts expressed in US $000

32 INCOME TAXES

Group companies operating in Caribbean countries are largely taxed according to the taxation rules of the country where the operations are carried out. The principal rates of taxation are summarised in note 2.18(c). The income tax expense and the income subject to taxation in the statement of income are set out in the following table.

	2014	2013
Income tax expense:		
Current tax	14,548	16,315
Deferred tax	1,414	2,245
Share of tax of associates	738	364
	16,700	18,924
Sources of income subject to tax:		
Investment income subject to direct taxation	115,957	105,638
Net income / (loss) subject to direct taxation	50,577	(109,296)
Total income / (loss) subject to taxation	166,534	(3,658)

32 INCOME TAXES (continued)

Income tax on the total income subject to taxation differs from the theoretical amount that would arise is as follows:

	2014	2013
Total income / (loss) subject to taxation	166,534	(3,658)
Taxation at the applicable rates on income subject to tax	34,343	(7,346)
Adjustments to current tax for items not subject to / allowed for tax	(28,839)	11,228
Other current tax adjustments	(78)	(21)
Adjustments for current tax of prior periods	23	770
Movement in unrecognised deferred tax asset	7,666	11,792
Deferred tax relating to the origination of temporary differences	(424)	(91)
Deferred tax relating to changes in tax rates or new taxes	(17)	8
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	(752)	(524)
Tax on distribution of profits from policyholder funds	1,598	-
Other taxes	3,180	3,108
	16,700	18,924

In addition to the above, the income tax on items in other comprehensive income is set out in note 35.

Amounts expressed in US $000

33 DEFERRED INCOME TAXES

	2014	2013
Analysis of deferred income tax assets:		
Defined benefit liabilities	7,330	3,271
Unrealised losses on financial investments	-	(1,525)
Unused tax losses	26,413	1,586
Off-settable tax liabilities in respect of policy liability timing differences and other items	-	(953)
Other items	(5,433)	2,429
Total deferred income tax assets (note 11) (note 37)	28,310	4,808
Deferred income tax assets to be recovered within one year	4,771	2,083
Unrecognised tax balances:		
Tax losses	217,174	204,404
Potential deferred income tax assets	54,305	51,050
Expiry period for unrecognised tax losses:		
2014	-	9,160
2015	14,370	14,337
2016	18,807	18,795
2017	20,495	21,063
2018	25,334	25,750
2019	27,627	27,687
After 2019	110,541	87,612
	217,174	204,404

33 DEFERRED INCOME TAXES (continued)

Analysis of deferred income tax liabilities	2014	2013
Accelerated tax depreciation	1,748	1,773
Policy liabilities taxable in the future	40,064	40,577
Defined benefit assets	111	39
Accrued interest	963	902
Unrealised gains on financial investments	(1,744)	2,175
Off-settable tax assets in respect of unused tax losses and other items	(9,984)	(23,524)
Other items	399	590
Total (note 19)	31,557	22,532
Deferred income tax liabilities to be settled within one year	6,211	7,124

34 EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing earnings attributable to common shareholders by the weighted average number of shares in issue during the year, after deducting treasury shares. Earnings attributable to common shareholders recognise the impact on net income of the Company's convertible redeemable preference shares (note 21.2).

The table below derives the earnings attributable to common shareholders and the basic earnings per common share.

	2014	2013
Net income / (loss) attributable to common shareholders	27,370	(36,370)
Finance costs attributable to preference share subscription	6,483	6,483
Amortisation of issue expenses allocated to preference share reserve	(221)	(221)
Preference share dividends declared	(7,800)	(7,800)
Earnings / (loss) attributable to common shareholders	25,832	(37,908)
Weighted average number of shares in issue in thousands	301,558	301,591
Basic earnings / (loss) per common share	**8.6 ¢**	**(12.6) ¢**
Attributable to:		
Continuing operations	**17.3 ¢**	**12.5 ¢**
Discontinued operation	**(8.7) ¢**	**(25.1) ¢**

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options (note 30.1), ESOP shares grants (note 30.1), and the convertible redeemable preference shares. In computing diluted earnings per share, the income attributable to common shareholders is adjusted by the dilutive impact of the convertible preference shares and the weighted average number of common shares is adjusted by the dilutive impacts of the aforementioned share grants, options and preference shares.

34 EARNINGS PER COMMON SHARE (continued)

The table below derives the adjusted earnings attributable to common shareholders, the adjusted weighted average number of common shares, and the fully diluted earnings per common share.

	2014	2013
Earnings / (loss) attributable to common shareholders	25,832	(37,908)
Weighted average number of shares in issue in thousands	301,558	301,591
LTI restricted share grants	3,131	2,252
ESOP shares	2,697	2,337
Adjusted weighted average number of shares in issue	307,386	306,180
Fully diluted earnings / (loss) per common share	**8.4 ¢**	**(12.6) ¢**
Attributable to:		
Continuing operations	**16.6 ¢**	**12.2 ¢**
Discontinued operation	**(8.2) ¢**	**(24.8) ¢**

Amounts expressed in US $000

35 OTHER COMPREHENSIVE INCOME (OCI)

Schedule to OCI from continuing operations

	2014					2013				
		After tax OCI is attributable to					After tax OCI is attributable to			
	OCI tax expense	Shareholders	Participating policyholders	Non-controlling interests	Total	OCI tax expense	Shareholders	Participating policyholders	Non-controlling interests	Total
Items that may be reclassified subsequently to income:										
Available for sale assets:										
Gains / (losses) arising on revaluation	(15,278)	36,707	(1,792)	3,471	38,386	19,218	(43,215)	(15)	(4,212)	(47,442)
(Gains) / losses transferred to income	1,158	(1,655)	-	(1,175)	(2,830)	1,643	(8,409)	-	(6,360)	(14,769)
Net change in actuarial liabilities	8,503	(21,777)	1,807	-	(19,970)	(13,396)	30,445	-	-	30,445
Retranslation of foreign currency operations	-	(10,535)	47	(11,548)	(22,036)	-	(18,343)	(77)	(18,021)	(36,441)
	(5,617)	2,740	62	(9,252)	(6,450)	7,465	(39,522)	(92)	(28,593)	(68,207)
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied property	(48)	(184)	-	211	27	(32)	3,109	-	704	3,813
Defined benefit gains / (losses)	(1,733)	7,971	-	5,241	13,212	1,328	(3,240)	-	(6,235)	(9,475)
Other items	-	(108)	-	-	(108)	-	-	-	-	-
	(1,781)	7,679	-	5,452	13,131	1,296	(131)	-	(5,531)	(5,662)
Total OCI movements	(7,398)	10,419	62	(3,800)	6,681	8,761	(39,653)	(92)	(34,124)	(73,869)
Allocated to equity reserves		2,556					(36,413)			
Allocated to retained earnings		7,863					(3,240)			
		10,419					(39,653)			

Amounts expressed in US $000

36 CASH FLOWS

36.1 Operating activities

	2014	2013
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(266,938)	(251,046)
Net investment (gains)	(47,668)	(36,544)
Gain arising on acquisition	(29,051)	-
Net increase in actuarial liabilities	40,997	109,764
Interest expense and finance costs	86,283	74,754
Depreciation and amortisation	20,220	15,230
Increase in provision for unearned premiums	44	390
Other items	10,258	11,711
	(185,855)	(75,741)
Net increase in investments and operating assets:		
Investment property	9,472	16,616
Debt securities	(222,964)	(270,725)
Equity securities	8,463	(23,156)
Mortgage loans	(35,500)	2,785
Policy loans	(4,491)	(3,332)
Finance loans and finance leases	(17,510)	(24,504)
Securities purchased for re-sale	(3,632)	(24,547)
Deposits	37,346	(24,426)
Other assets and receivables	(16,956)	(115)
	(245,772)	(351,404)

36.1 Operating activities (continued)

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

	2014	2013
Investment property:		
Disbursements	(1,638)	(1,424)
Disposal proceeds	11,110	18,040
	9,472	16,616
Debt securities:		
Disbursements	(1,037,913)	(1,115,332)
Disposal proceeds	814,949	844,607
	(222,964)	(270,725)
Equity securities:		
Disbursements	(70,757)	(90,976)
Disposal proceeds	79,220	67,820
	8,463	(23,156)
Net increase in operating liabilities:		
Insurance liabilities	2,930	2,007
Investment contract liabilities	1,314	38,667
Other funding instruments	55,072	57,330
Deposits	32,877	47,636
Securities sold for re-purchase	151,980	(24,712)
Other liabilities and payables	61,803	62,451
	305,976	183,379

Amounts expressed in US $000

36.2 Investing activities

	2014	2013
Property, plant and equipment:		
Purchases	(23,324)	(19,899)
Disposal proceeds	2,408	1,615
	(20,916)	(18,284)

36.3 Financing activities

	2014	2013
Other notes and loans payable:		
Proceeds	-	43,096
Repayments	(683)	(664)
	(683)	42,432

36.4 Cash and cash equivalents

	2014	2013
Cash resources	402,525	226,370
Call deposits and other liquid balances	57,782	67,998
Bank overdrafts	(1,459)	(1,933)
Other short-term borrowings	(17,654)	(33,835)
	441,194	258,600

37 SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

On June 27, 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited.

The net assets acquired amounted to $113,427 for a purchase consideration of $84,378. This gave rise to negative goodwill of $29,051.

Management has assessed the bank's ability to recognise the deferred tax asset arising from tax losses and has deemed it appropriate to have such recognition based on projections of future profits.

Banking operations of the acquired and existing bank were combined during 2014, management has restructured the organisation to remove duplication of resources and costs. The bank is also expected to benefit in 2015 from improved efficiencies and synergies within the Sagicor Group.

	Fair Value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	14,041	6,390
Intangible assets	10,304	8,816
Financial investments	255,036	255,036
Deferred tax asset	30,602	-
Miscellaneous assets and receivables	45,946	17,503
Cash resources	178,778	178,778
Other insurance liabilities	(10,957)	(10,957)
Deposit and security liabilities	(356,044)	(356,044)
Provisions	(40,281)	(6,107)
Income tax liabilities	(4,228)	(4,228)
Accounts payable and accrued liabilities	(9,770)	(9,770)
Total net assets	113,427	79,417
Share of net assets acquired	113,427	
Purchase consideration and related costs	84,378	
Goodwill arising on acquisition (note 8)	(29,051)	

	Total Revenue	Net Income
Details of acquiree’s net income and total revenue:		
For the year ended December 31, 2014	56,317	(7,425)
Consolidated from acquisition date to December 31, 2014	18,626	(5,049)

Amounts expressed in US $000

38 DISCONTINUED OPERATION

On July 29, 2013, the Company entered into an agreement to sell Sagicor Europe and its subsidiaries to AmTrust Financial Services, Inc. (AmTrust), subject to regulatory approvals. Final regulatory approvals were obtained on December 23, 2013, on which date the sale was completed.

The operations of the Sagicor Europe operating segment are presented as discontinued operations in these financial statements and a financial liability has been included for the settlement of open underwriting years.

The Group's effective shareholder's interest in these companies prior to divestment was 100% and the effective legal interest was 93%.

The consideration for the sale was £56,178,000 ($91,913), representing the assumption by AmTrust of indebtedness of Sagicor Europe and its subsidiaries to Sagicor.

The terms of the sale required the Company to take certain actions and provide certain commitments which included:

(ii) The purchase prior to the sale by Sagicor of the legal 7% shareholding interest held by the minority shareholders;

(iii) Future price adjustments to the consideration, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicates 1206 and 44, the total price adjustments subject to a limit.

Immediately prior to the sale, Sagicor purchased the minority shareholdings for $1,157. The minority shareholders were participating employees who had subscribed in cash for shares of Sagicor Europe. Each participating employee had contracted with Sagicor Europe and the Company under a share subscription agreement. Under the provisions of these agreements, participating employees could exercise a put option to the Company to acquire their shares at the prevailing fair value. The first tranches of put options vested in 2012 and 2013 representing 7% of the total shareholding and were exercised for cash consideration of $1,305. The put options were accounted for as cash settled share based payment arrangements.

38 Discontinued operation (continued)

As of December 31, 2014, the price adjustments have been estimated at £28,833,000 ($45,003) which has been recorded as a liability to AmTrust. The anticipated settlement dates are as follows:

	2014	2013
March 31, 2014	-	34,262
March 31, 2015 (i)	21,069	-
March 31, 2016	30,682	33,758
March 31, 2019	(5,955)	(12,996)
	45,796	55,024

(i) On March 20, 2015, the Group entered into a Convertible Senior Note with AmTrust. This facility becomes due in 2016 (Note 48).

Movement in Price Adjustments

	2014
Balance Payable end 2013	55,024
Payment made	(35,003)
Experience loss for 2014	26,192
Net currency movements	(417)
Payable end 2014	45,796

The price adjustments have a limit of a further £19,948,726 ($31,135) which is the Group's maximum possible contingent liability for future price adjustments. The price adjustments are subject to insurance risk (as indicated in note 3.5) and to investment and foreign currency risk as the results of run-off of the underwriting years up to 2013 could vary if there are future deviations in projected underwriting returns, investment returns and foreign exchange rates.

Amounts expressed in US $000

38 Discontinued operation (continued)

After accounting for its status as a discontinued operation and for the details of the sale, the net loss recognised in the statement of income and the statement of comprehensive income is as follows.

Statement of income	**2014**	**2013**
Loss from operations	-	(33,247)
Write-down of carrying value of investment in Sagicor Europe	-	(21,123)
Expenses incurred on sale	-	(2,900)
Available for sale asset fair value loss realised on sale	-	(623)
Currency translation gain / (loss) realised on sale	417	(17,615)
Other expenses	(592)	-
Movement in price adjustment	(26,192)	-
Net loss	(26,367)	(75,508)
Other comprehensive income:		
Items that may be reclassified subsequently to income:		
Fair value reserve for available for sale assets:		
Net fair value movements prior to sale	-	(147)
Cumulative loss transferred to income on sale	-	623
Net currency translation movements prior to sale	-	1,181
Currency translation loss transferred to income on sale	-	17,615
Other comprehensive loss	-	19,272
Total comprehensive loss	(26,367)	(56,236)

38 Discontinued operation (continued)

Included in premium revenue and reinsurance premium expense are property and casualty insurance lines as follows:

	Gross premium	**Ceded to reinsurers**
	2013	**2013**
Direct property	134,072	24,719
Direct motor	(6,269)	(5)
Direct accident and liability	133,406	15,813
Reinsurance assumed	29,762	6,084
	290,971	46,611

Included in policy benefits and change in actuarial liabilities (reinsured) are property and casualty insurance claims as follows:

	Gross benefit	**Ceded to reinsurers**
	2013	**2013**
Direct property	97,901	30,908
Direct motor	(2,799)	(5,146)
Direct accident and liability	83,266	2,066
Reinsurance assumed	29,206	3,250
	207,574	31,078

Amounts expressed in US $000

38 Discontinued operation (continued)

Net cash flows from the discontinued operation were as follows:

	Year ended December 23, 2013
Operating activities	(20,653)
Investing activities	(167)
Financing activities	1,150
Cash on disposal	(61,069)
Effects of exchange rate changes	1,857
	(78,882)

Under the terms of sale, the banker's letter of credit facility and the reinsurance financing facility were cancelled. The banker's letter of credit was secured by $50,104 which was returned to Sagicor in January 2014. These funds were included in other receivables at December 31, 2013 (note 12). As a result of the sale, Sagicor has no Funds at Lloyd's in respect of the 2013 and prior underwriting years of account.

39 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:

	2014	2013
Customer guarantees and letters of credit (1)	16,288	12,372

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

(a) Legal proceedings

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

(b) Tax assessments

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

Amounts expressed in US $000

40 FAIR VALUE OF PROPERTY

Investment and owner-occupied property are carried at fair value as determined by independent valuations 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. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Group's property as of December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	88,766	88,766
Owner-occupied lands	-	-	38,220	38,220
Owner-occupied land and buildings	-	-	77,901	77,901
	-	-	204,887	204,887

40 Fair value of property (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner occupied property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

	Investment property	Owner-occupied property		Total
		Lands	Land and buildings	
Balance, beginning of year	98,369	38,428	66,281	203,078
Additions	1,638	-	13,741	15,379
Transfers in / (out)	583	(7)	(568)	8
Fair value changes recorded in net investment income	(3,468)	-	-	(3,468)
Fair value changes recorded in other comprehensive income	-	(201)	278	77
Depreciation	-	-	(1,013)	(1,013)
Disposals and divestitures	(8,269)	-	-	(8,269)
Effect of exchange rate changes	(87)	-	(818)	(905)
Balance, end of year	88,766	38,220	77,901	204,887

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 default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 42 and 43.

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 amounts disclosed in this note and in notes 42 and 43, exclude amounts in the statement of financial position as liabilities of discontinued operation.

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 Group has developed an internal credit rating standard. 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		Sagicor 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, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

41.1 Credit risk (continued)

The Group applies this rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash balances;
- Lending portfolios, comprising mortgage, policy and finance loans and finance leases;
- Reinsurance exposures, comprising reinsurance assets for life, annuity and health insurance (see note 43.3) or realistic disaster scenarios for property and casualty insurance (see note 42.3).

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

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.

	2014		2013	
	$000	**%**	**$000**	**%**
Investment portfolios	4,008,176	71.4	3,620,468	76.7
Lending portfolios	838,301	14.9	556,893	11.8
Reinsurance assets	507,019	9.0	316,274	6.7
Other financial assets	145,891	2.6	162,557	3.4
Total financial statement exposures	5,499,387	97.9	4,656,192	98.6
Loan commitments	69,307	1.2	40,728	0.9
Customer guarantees and letters of credit	16,288	0.4	12,372	0.2
Other	25,415	0.5	13,626	0.3
Total off financial statement exposures	111,010	2.1	66,726	1.4
Total	5,610,397	100.0%	4,722,918	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.

41.1 Credit risk (continued)

The Group's largest exposures to individual counterparty credit risks as of December 31, 2014 and 2013 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

	Sagicor Risk Rating	**2014**	**Sagicor Risk Rating**	**2013**
Investment portfolios:				
Government of Jamaica	5	929,353	5	869,609
Government of Trinidad and Tobago	2	156,574	2	144,897
Government of Barbados	5	297,742	4	301,385
The Bank of Nova Scotia	1	86,405	1	74,886
Government of St Lucia	5	79,013	5	70,370
The Federal National Mortgage Association	1	91,943	1	88,020
The Federal Home Loan Mortgage Corporation	1	81,139	1	66,444
Lending portfolios:				
Value Assets International S.A. and Egret Limited	4	32,611	4	59,452
Reinsurance assets:				
Guggenheim Partners(1)	5	412,516	5	229,433

(1)The reinsurance asset held in the name of Guggenheim Partners are secured by assets held in trust totalling $421,098 (2013 - $230,255).

41.1 Credit risk (continued)

(a) Investment portfolios

The results of the risk rating of investment portfolios are as follows:

Investment portfolios					
Risk Rating	Classification	2014		2013	
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	587,359	15%	484,677	13%
2	Low risk	642,099	16%	677,896	19%
3	Moderate risk	994,603	25%	792,690	22%
4	Acceptable risk	119,418	3%	432,679	12%
5	Average risk	1,610,551	40%	1,182,436	33%
6	Higher risk	11,575	0%	15,849	0%
7	Special mention	5,692	0%	6,461	0%
8	Substandard	10,851	0%	9,535	0%
TOTAL RATED EXPOSURES		3,982,148	99%	3,602,223	99%
UN-RATED EXPOSURES		26,028	1%	18,245	1%
TOTAL		4,008,176	100%	3,620,468	100%

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell for which title to the securities is transferred to the Group for the duration of each agreement.

41.1 Credit risk (continued)

(b) Lending portfolios

The results of the risk rating of lending portfolios are as follows:

Lending portfolios					
Risk Rating	Classification	2014		2013	
		Exposure $000	Exposure %	Exposure $000	Exposure %
1	Minimal risk	407,558	49%	134,565	24%
2	Low risk	57,952	7%	101,367	18%
3	Moderate risk	198,498	24%	122,481	22%
4	Acceptable risk	16,919	2%	37,076	7%
5	Average risk	30,102	4%	54,500	10%
6	Higher risk	12,779	2%	13,250	2%
7	Special mention	647	0%	904	0%
8	Substandard	13,763	2%	10,977	2%
9	Doubtful	5,665	1%	2,381	0%
10	Loss	11,020	1%	2,469	0%
TOTAL RATED EXPOSURES		754,903	92%	479,970	85%
UN-RATED EXPOSURES		83,398	8%	76,923	15%
TOTAL		838,301	100%	556,893	100%

Amounts expressed in US $000

41.1 Credit risk (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for lending portfolios. For mortgage loans, the collateral is real estate property, and the approved loan limit is 80% 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 $4,592.

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 may be advanced to the extent of available cash surrender value.

Exposure to the lending portfolios by geographic area is as follows.

	2014	2013
Barbados	212,236	206,762
Jamaica	361,387	123,276
Trinidad & Tobago	111,662	78,364
Other Caribbean	97,585	91,217
USA	55,431	57,274
	838,301	556,893

(c) Past due and impaired financial assets

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 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.

41.1 Credit risk (continued)

Mortgage loans less than 90 to 180 days past due and finance loans and finance leases less than 30 to 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. Accumulated allowances for impairment reflect the Group's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities, mortgage loans, finance loans and finance leases, analysed by past due or impairment status.

	Debt securities	Mortgage loans	Finance loans & leases
2014			
Neither past due nor impaired	3,435,400	233,202	330,215
Past due up to 3 months, but not impaired	683	23,810	67,037
Past due up to 12 months, but not impaired	125	8,944	419
Past due up to 5 years, but not impaired	-	9,177	-
Past due over 5 years, but not impaired	-	4,765	-
Total past due but not impaired	808	46,696	67,456
Impaired assets (net of impairment)	11,341	14,335	12,914
Total carrying value	3,447,559	294,233	410,585
Accumulated allowances on impaired assets	9,334	3,976	20,575
Accrued interest on impaired assets	216	400	212

Amounts expressed in US $000

41.1 Credit risk (continued)

	Debt securities	Mortgage loans	Finance loans & leases
2013			
Neither past due nor impaired	3,175,967	167,522	143,909
Past due up to 3 months, but not impaired	6,587	55,945	16,937
Past due up to 12 months, but not impaired	250	11,444	193
Past due up to 5 years, but not impaired	-	4,034	-
Past due over 5 years, but not impaired	-	6,881	-
Total past due but not impaired	6,837	78,304	17,130
Impaired assets (net of impairment)	8,972	11,781	4,011
Total carrying value	3,191,776	257,607	165,050
Accumulated allowances on impaired assets	9,759	3,034	2,682
Accrued interest on impaired assets	4,096	319	132

The Group is also exposed to impaired premiums receivable. Property and casualty insurers frequently provide settlement terms to customers and intermediaries which extend up to 3 months. 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.

(d) 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.

41.1 Credit risk (continued)

(e) 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.

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.

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

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.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 5% of their total assets in investment property.

Amounts expressed in US $000

41.2 Liquidity risk (continued)

(a) Insurance liabilities

The Group's monetary 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.

	Expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2014				
Actuarial liabilities	193,615	597,671	1,770,935	2,562,221
Other insurance liabilities	95,220	13,691	54,907	163,818
Total	288,835	611,362	1,825,842	2,726,039
2013				
Actuarial liabilities	159,515	547,912	1,616,892	2,324,319
Other insurance liabilities	92,323	12,567	55,980	160,870
Total	251,838	560,479	1,672,872	2,485,189

Amounts expressed in US $000

41.2 Liquidity risk (continued)

(b) Financial liabilities and commitments

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. 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.

	2014 - Contractual un-discounted cash flows				2013 - Contractual un-discounted cash flows			
	On demand or within 1 year	1 to 5 years	After 5 years	Total	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:								
Investment contract liabilities	314,269	43,026	9,241	366,536	301,539	61,773	10,759	374,071
Notes and loans payable	56,353	275,644	-	331,997	13,968	331,571	-	345,539
Deposit and security liabilities:								
Other funding instruments	330,844	31,778	11,527	374,149	283,099	33,510	9,010	325,619
Customer deposits	532,004	44,978	4	576,986	178,566	48,357	-	226,923
Structured products	1,221	18,860	-	20,081	9,548	7,823	-	17,371
Securities sold for re-purchase	669,455	122	-	669,577	503,906	23,755	-	527,661
Derivative financial instruments	9,063	1,425	-	10,488	28,730	5,877	-	34,607
Bank overdrafts	1,459	-	-	1,459	1,933	-	-	1,933
Accounts payable and accrued liabilities	117,784	45,859	34,870	198,513	109,316	21,649	844	131,809
Total financial liabilities	2,032,452	461,692	55,642	2,549,786	1,430,605	534,315	20,613	1,985,533
Off financial statement commitments:								
Loan commitments	47,732	7,656	13,919	69,307	31,288	8,187	1,253	40,728
Non-cancellable operating lease and rental payments	4,553	7,875	4,324	16,752	7,001	16,581	5,908	29,490
Guarantees, acceptances and other financial facilities	22,730	1,542	2,486	26,758	10,321	1,917	134	12,372
Total off financial statements commitments	75,015	17,073	20,729	112,817	48,610	26,685	7,295	82,590
Total	2,107,467	478,765	76,371	2,662,603	1,479,215	561,000	27,908	2,068,123

Amounts expressed in US $000

41.2 Liquidity risk (continued)

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise policy loans and reinsurance assets.

	2014 – Contractual or expected discounted cash flows				2013 – Contractual or expected discounted cash flows			
	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	427,885	892,531	2,127,133	3,447,549	375,659	810,560	2,005,557	3,191,776
Mortgage loans	24,449	28,132	241,652	294,233	27,096	31,945	198,566	257,607
Policy loans	5,237	14,298	113,948	133,483	5,387	14,851	113,998	134,236
Finance loans and finance leases	106,041	143,164	161,380	410,585	47,044	73,670	44,336	165,050
Securities purchased for re-sale	31,487	37	-	31,524	40,875	-	-	40,875
Deposits	116,070	8,530	1,978	126,578	147,406	11,434	2,607	161,447
Derivative financial instruments	21,845	1,423	-	23,268	40,362	4,853	-	45,215
Reinsurance assets: share of actuarial liabilities	52,877	168,454	248,940	470,271	29,966	102,656	152,628	285,250
Reinsurance assets: other	32,082	4,449	217	36,748	27,260	3,539	225	31,024
Premiums receivable	39,731	-	-	39,731	36,318	-	-	36,318
Other assets and accounts receivable	42,436	3,010	37,446	82,892	79,625	534	865	81,024
Cash resources	402,525	-	-	402,525	226,370	-	-	226,370
Total	1,302,665	1,264,028	2,932,694	5,499,387	1,083,368	1,054,042	2,518,782	4,656,192

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.

41.3 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.

Amounts expressed in US $000

41.3 Interest rate risk (continued)

The table following summarises the exposures to interest rates on the Group's monetary 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.

	2014					2013				
	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	43,990	4,859	54,422	60,547	163,818	45,521	5,133	55,981	54,235	160,870
Investment contract liabilities	312,935	40,052	7,974	-	360,961	300,215	57,617	9,169	-	367,001
Notes and loans payable	708	298,637	-	(403)	298,942	683	292,813	-	(3,336)	290,160
Deposit and security liabilities:										
Other funding instruments	325,194	28,443	6,681	492	360,810	278,196	27,362	7,699	182	313,439
Customer deposits	533,351	37,048	4	164	570,567	174,979	43,133	-	1,080	219,192
Structured products	184	13,149	-	6,735	20,068	8,640	6,016	-	2,715	17,371
Securities sold for re-purchase	655,048	6,158	-	3,596	664,802	497,455	23,162	-	3,615	524,232
Derivative financial instruments	4,600	-	-	1,665	6,265	-	26,168	-	3,748	29,916
Bank overdrafts	1,459	-	-	-	1,459	1,933	-	-	-	1,933
Accounts payable and accrued liabilities	8,117	292	-	189,035	197,444	10,050	-	-	121,187	131,237
Total	1,885,586	428,638	69,081	261,831	2,645,136	1,317,672	481,404	72,849	183,426	2,055,351

Amounts expressed in US $000

41.3 Interest rate risk (continued)

The table following summarises the exposures to interest rate and reinvestment risks of the Group's monetary 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.

	2014					2013				
	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	627,847	828,091	1,942,487	49,124	3,447,549	497,918	860,716	1,788,189	44,953	3,191,776
Equity securities	742	-	-	193,532	194,274	14,811	-	-	180,749	195,560
Mortgage loans	49,590	33,754	207,015	3,874	294,233	122,658	34,703	96,436	3,810	257,607
Policy loans	4,358	14,049	110,646	4,430	133,483	4,368	14,599	110,682	4,587	134,236
Finance loans and leases	288,177	64,861	55,637	1,910	410,585	46,137	73,647	44,236	1,030	165,050
Securities purchased for re-sale	31,378	-	-	146	31,524	40,713	-	-	162	40,875
Deposits	115,621	8,422	1,570	965	126,578	146,554	11,529	2,282	1,082	161,447
Derivative financial instruments	4,999	-	-	18,269	23,268	-	24,847	-	20,368	45,215
Reinsurance assets: other	2,281	-	217	34,250	36,748	1,842	-	225	28,957	31,024
Premiums receivable	2,286	-	-	37,445	39,731	2,435	-	-	33,883	36,318
Other assets and accounts receivable	5,229	605	12	77,046	82,892	1,683	207	27	79,107	81,024
Cash resources	273,993	-	-	128,532	402,525	163,043	-	-	63,327	226,370
Total	1,406,501	949,782	2,317,584	549,523	5,223,390	1,042,162	1,020,248	2,042,077	462,015	4,566,502

Amounts expressed in US $000

41.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets and liabilities held during the year in respect of continuing operations.

	2014	2013
Financial assets:		
Debt securities	6.3%	6.6%
Mortgage loans	6.6%	7.5%
Policy loans	7.5%	7.1%
Finance loans and finance leases	11.4%	10.0%
Securities purchased for re-sale	5.6%	3.7%
Deposits	1.7%	1.8%
Financial liabilities:		
Investment contract liabilities	5.4%	5.3%
Notes and loans payable	8.3%	7.2%
Other funding instruments	2.0%	2.2%
Deposits	2.6%	3.6%
Securities sold for re-purchase	5.0%	4.8%

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 43.4. 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 in the following paragraphs.

41.3 Interest rate risk (continued)

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

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 the above companies which operate in Jamaica.

The sensitivity of income is the effect of the assumed changes in interest rates on income based on floating rate debt securities 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.

2014				2013			
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%	(996)	11,653	- 1%	- 0.5%	(2,287)	8,831
+2.5%	+ 2%	1,799	(37,376)	+2.5%	+ 2%	6,174	(27,580)

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 amounts 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.

41.4 Foreign exchange risk (continued)

2014	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	478,885	689,190	289,162	135,458	2,684,225	190,300	4,467,220
Reinsurance assets	10,174	911	10,149	2,507	481,543	1,735	507,019
Receivables [1]	16,357	65,213	10,382	8,400	17,751	4,520	122,623
Cash resources	16,313	48,162	71,990	9,137	205,568	51,355	402,525
Total monetary assets	521,729	803,476	381,683	155,502	3,389,087	247,910	5,499,387
Other assets [2]	211,032	275,029	83,939	33,860	66,396	10,777	681,033
Total assets of continuing operations	732,761	1,078,505	465,622	189,362	3,455,483	258,687	6,180,420
LIABILITIES							
Actuarial liabilities	401,181	270,145	327,944	71,624	1,404,396	86,931	2,562,221
Other insurance liabilities[1]	68,178	18,861	26,603	9,351	27,799	13,026	163,818
Investment contracts	34,726	66,206	126,811	48,703	76,544	7,971	360,961
Notes and loans payable	18,630	-	-	-	280,312	-	298,942
Deposit and security liabilities	87,245	521,969	1,774	12,293	969,762	30,928	1,623,971
Provisions	26,744	29,400	13,586	1,026	1,492	6,108	78,356
Accounts payable and accruals	29,863	79,045	12,912	7,677	64,800	3,147	197,444
Total monetary liabilities	666,567	985,626	509,630	150,674	2,825,105	148,111	5,285,713
Other liabilities [2]	13,059	6,258	22,208	3,652	29,110	1,082	75,369
Total liabilities of continuing operations	679,626	991,884	531,838	154,326	2,854,215	149,193	5,361,082
Net position	53,135	86,621	(66,216)	35,036	601,268	109,494	819,338

[1] Monetary balances only

[2] Non-monetary balances, income tax balances and retirement plan assets

41.4 Foreign exchange risk (continued)

2013	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments[1]	485,069	566,073	294,036	122,584	2,298,468	229,976	3,996,206
Reinsurance assets	8,291	664	10,617	2,277	292,327	2,098	316,274
Receivables [1]	12,051	24,730	9,761	6,365	9,885	54,550	117,342
Cash resources	25,244	12,884	24,929	7,420	129,525	26,368	226,370
Total monetary assets	530,655	604,351	339,343	138,646	2,730,205	312,992	4,656,192
Other assets [2]	209,384	190,941	96,006	34,280	100,589	10,360	641,560
Total assets of continuing operations	740,039	795,292	435,349	172,926	2,830,794	323,352	5,297,752
LIABILITIES							
Actuarial liabilities	412,830	288,580	303,083	70,562	1,162,915	86,349	2,324,319
Other insurance liabilities[1]	65,868	18,538	25,696	11,225	26,263	13,280	160,870
Investment contracts	35,797	69,879	116,304	44,852	92,551	7,618	367,001
Notes and loans payable	17,372	-	-	-	272,788	-	290,160
Deposit and security liabilities	92,762	260,637	1,946	11,865	699,248	39,625	1,106,083
Provisions	30,339	25,088	11,780	961	1,119	5,796	75,083
Accounts payable and accruals	29,701	30,540	16,541	6,543	42,090	5,822	131,237
Total monetary liabilities	684,669	693,262	475,350	146,008	2,296,974	158,490	4,454,753
Other liabilities [2]	13,765	3,738	20,378	3,151	20,216	1,541	62,789
Total liabilities of continuing operations	698,434	697,000	495,728	149,159	2,317,190	160,031	4,517,542
Net position	41,605	98,292	(60,379)	23,767	513,604	163,321	780,210

[1] Monetary balances only
[2] Non-monetary balances, income tax balances and retirement plan assets

Amounts expressed in US $000

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of 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).

- 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 or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

41.4 Foreign exchange risk (continued)

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, 2014 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	1,292,783	1,052,094	2,344,877	(129,279)
Liabilities	1,045,321	1,143,878	2,189,199	(104,532)
Net position	247,462	(91,784)	155,678	(24,747)
Represented by:				
Currency risk of the Group's investment in foreign operations				(24,747)
Income statement:				
Revenue	375,719	53,251	428,970	(47,065)
Benefits	(212,992)	(8,973)	(221,965)	21,299
Expenses	(132,177)	(14,270)	(146,447)	13,218
Income taxes	(7,740)	-	(7,740)	774
Net income	22,810	30,008	52,818	(11,774)
Represented by:				
Currency risk relating to the future cash flows of monetary balances				(9,493)
Currency risk of reported results of foreign operations				(2,281)
				(11,774)

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.5 Fair value of financial instruments

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

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 instrument is not classified as Level 1.

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

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.

41.5 Fair value of financial instruments (continued)

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.

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.

(iii) *Level 3 – inputs for the instrument that are not based on observable market data*

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

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.

Level 3 assets designated fair value through income include mortgage loans and securities purchased for re-sale for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non traded financial assets and liabilities may also used in determining the fair value of Level 3 instruments.

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available for sale securities:								
Debt securities	396,980	1,947,067	12,967	2,357,014	327,742	1,734,391	11,981	2,074,114
Equity securities	36,010	29,200	11,011	76,221	59,898	22,834	9,643	92,375
	432,990	1,976,267	23,978	2,433,235	387,640	1,757,225	21,624	2,166,489
Investments at fair value through income:								
Debt securities	22,824	49,495	70,521	142,840	22,674	57,235	68,397	148,306
Equity securities	20,841	91,108	6,104	118,053	20,268	76,992	5,925	103,185
Derivative financial instruments	-	6,663	16,605	23,268	-	28,488	16,727	45,215
Mortgage loans	-	-	38,718	38,718	-	-	36,838	36,838
Securities purchased for re-sale	-	-	-	-	-	-	162	162
	43,665	147,266	131,948	322,879	42,942	162,715	128,049	333,706
Total assets	476,655	2,123,533	155,926	2,756,114	430,582	1,919,940	149,673	2,500,195
Total assets by percentage	17%	77%	6%	100%	17%	77%	6%	100%
Investment contracts:								
Unit linked deposit administration liabilities	-	-	116,809	116,809	-	-	114,374	114,374
Deposit and security liabilities:								
Structured products	-	-	20,068	20,068	-	-	17,371	17,371
Derivative financial instruments	-	6,265	-	6,265	-	29,916	-	29,916
	-	6,265	20,068	26,333	-	29,916	17,371	47,287
Total liabilities	-	6,265	136,877	143,142	-	29,916	131,745	161,661
Total liabilities by percentage	0%	4%	96%	100%	0%	19%	81%	100%

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

Balances totalling $165 have been transferred from Level 1 to Level 2 in 2014 (2013 - $10,018).

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following table presents the movements in Level 3 instruments for the year.

	2014				2013	2014			2013
	Available for sale securities	Investments at fair value through income	Derivative instruments	Total assets	Total assets	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of year	21,624	111,322	16,727	149,673	144,465	114,374	17,371	131,745	113,300
Additions	2,763	27,814	13,057	43,634	49,923	-	-	-	-
Issues	-	-	-	-	-	15,888	3,963	19,851	20,460
Settlements	-	-	-	-	-	(6,332)	-	(6,332)	(5,379)
Fair value changes recorded within net investment income	1,189	184	5,473	6,846	13,128	-	-	-	-
Fair value changes recorded within interest expense	-	-	-	-	-	(742)	-	(742)	5,524
Fair value changes recorded in other comprehensive income	19	-	-	19	28	-	-	-	-
Disposals	(691)	(25,033)	(18,652)	(44,376)	(31,795)	-	-	-	-
Transfers out of Level 3	-	-	-	-	(20,599)	-	-	-	-
Transfers from (to) instruments carried at amortised cost	-	-	-	-	-	(7,766)	-	(7,766)	-
Effect of exchange rate changes	(926)	1,056	-	130	(5,477)	1,387	(1,266)	121	(2,160)
Balance, end of year	23,978	115,343	16,605	155,926	149,673	116,809	20,068	136,877	131,745
Fair value changes recorded in investment income for instruments held at end of year	-	183	3,835	4,018	7,506	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	(742)	-	(742)	5,524

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2014 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
Held to maturity securities:				
Debt securities	-	21,102	-	21,102
Loans and receivables:				
Debt securities	6,171	372,708	593,880	972,759
Mortgage loans	95	19,284	236,251	255,630
Policy loans	-	-	142,150	142,150
Finance loans and finance leases	-	-	417,476	417,476
Securities purchased for resale	-	-	26,271	26,271
	6,266	391,992	1,416,028	1,814,286
	6,266	413,094	1,416,028	1,835,388

41.5 Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	10,003	118,401	128,404
Other investment contracts	-	-	119,317	119,317
	-	10,003	237,718	247,721
Notes and loans payable:				
Convertible redeemable preference shares	-	122,863	-	122,863
Notes and lease payables	-	154,867	44,071	198,938
	-	277,730	44,071	321,801
Deposit and security liabilities				
Other funding instruments	-	-	362,514	362,514
Customer deposits	-	2,305	587,214	589,519
Securities sold for repurchase	-	-	657,506	657,506
	-	2,305	1,607,234	1,609,539
	-	290,038	1,889,023	2,179,061

Amounts expressed in US $000

41.5 Fair value of financial instruments (continued)

(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the market values of its equity securities. The Group mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

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, 2014 on total comprehensive income before tax (TCIBT) are as follows.

Available for sale equities	**Carrying value**	**20% change on TCIBT**
Listed on Caribbean stock exchanges and markets	18,510	3,702
Listed on US stock exchanges and markets	49,319	9,864
Listed on other exchanges and markets	8,392	1,678
	76,221	15,244

41.6 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

41.6 Derivative financial instruments and hedging activities (continued)

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. 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 contract or notional amounts of derivatives and their fair values are set out below.

	Contract / notional amount	**Fair value**	
		Assets	**Liabilities**
2014			
Derivatives held for trading:			
Cross currency swap	19,226	5,022	4,626
Equity indexed options	473,982	18,246	1,639
	493,208	23,268	6,265
2013			
Derivatives held for trading:			
Currency forwards	2,763	2,683	2,763
Cross currency swap	24,965	24,965	26,313
Equity indexed options	317,699	17,567	840
	345,427	45,215	29,916

41.6 Derivative financial instruments and hedging activities (continued)

(i) Currency forwards and swaps

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 gross basis.

(ii) Cross currency swap

A Group company entered into a currency swap with an initial notional principal amount of Euro 45 million maturing in February 2015. Under the terms of this swap, the Group company pays Euro at a rate of 5% and receives 4.26% in US dollars on the notional principal amount.

The Group company obtains principal and interest in Euros on a promissory note included in debt securities classified as financial assets at fair value through income in note 9.

(iii) 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.

41.6 Derivative financial instruments and hedging activities (continued)

For certain universal life and annuity insurance contracts, an insurer has purchased custom call 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 insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. 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.

Amounts expressed in US $000

41.7 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis on the balance sheet pursuant to criteria described in Note 1 "Accounting Policies: 2.15 Offsetting financial instruments".

The following tables provide information on the impact of offsetting on the consolidated balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement as well as available cash and financial instrument collateral.

2014	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting arrangements	Financial instruments collateral	Net amount
ASSETS						
Financial investments	4,606,702	-	4,606,702	(750,813)	(106,365)	3,749,524
Securities purchases under resale agreement	31,524	-	31,524	(31,524)	-	-
Derivative financial instruments	23,268	-	23,268	(6,663)	-	16,605
	4,661,494	-	4,661,494	(789,000)	(106,365)	3,766,129
LIABILITIES						
Security Liabilities	1,617,706	-	1,617,706	(750,813)	(106,365)	760,528
Derivative financial instruments	6,265	-	6,265	(6,265)	-	-
	1,623,971	-	1,623,971	(757,078)	(106,365)	760,528

2013						
ASSETS						
Financial investments	4,105,838	-	4,105,838	(592,511)	(56,422)	3,456,905
Securities purchases under resale agreement	40,713	-	40,713	(40,713)	-	-
Derivative financial instruments	45,215	-	45,215	(26,413)	-	18,802
	4,191,766	-	4,191,766	(659,637)	(56,422)	3,475,707
LIABILITIES						
Security Liabilities	1,076,167	-	1,076,167	(592,511)	(56,422)	427,234
Derivative financial instruments	29,916	-	29,916	(27,737)	-	2,179
	1,106,083	-	1,106,083	(620,248)	(56,422)	429,413

42 INSURANCE RISK – PROPERTY & CASUALTY CONTRACTS

Property and casualty insurers in the Group are exposed to insurance risks such as underwriting, claims and availability of reinsurance, and to credit risk in respect of reinsurance counterparties.

Sagicor General Insurance is the principal insurer within the Group's continuing operations that issues property and casualty insurance contracts. It operates mainly in Barbados and Trinidad and Tobago.

The principal insurance risks affecting property and casualty contracts are disclosed in the following sections.

42.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies, including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the insurer is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk 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.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

42.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;

42.2 Claims risk (continued)

- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular date, there are claims incurred but not reported (IBNR).

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

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

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

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, 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 by class of insurance.

42.2 Claims risk (continued)

Total insurance coverage		2014	2013
Property	Gross	6,196,281	5,999,030
	Net	1,435,522	1,347,863
Motor	Gross	356,963	346,662
	Net	178,482	173,331
Accident and liability	Gross	2,153,760	2,053,672
	Net	1,035,102	995,697
Total	Gross	8,707,004	8,399,364
	Net	2,649,106	2,516,891

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes and floods and events triggering multi-coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2014 is presented below and results in estimated gross and net losses.

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200 year return period.	293,355	5,000

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.3 Reinsurance risk

To limit the potential loss for single policy claims and for aggregations of catastrophe claims, 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 holding a recovery from 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.

42.3 Reinsurance risk (continued)

The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

The reinsurance programmes are negotiated annually with reinsurers for coverage generally over a 12 month period. It is done by class of insurance, though for some classes there is aggregation of classes and / or subdivision of classes by the location of risk.

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 program used by Sagicor General for its property insurance class is summarised in the following table.

Type of risk	**Retention by insurers -** currency amounts in thousands
Property	• maximum retention of \$5,250 for a single event; • maximum retention of \$5,000 for a catastrophic event; • quota share retention to maximum of 30% in respect of treaty limits; • quota share retention is further reduced to a maximum of \$1,500 per event.

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

42.3 Reinsurance risk (continued)

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenario:

- Hurricane with a 200 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 foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure $000	Exposure %
1	Minimal risk	218,546	34%
2	Low risk	402,484	63%
3	Moderate risk	19,291	3%
4	Acceptable risk	-	0%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		640,321	100%

43 INSURANCE RISK – LIFE, ANNUITY & HEALTH CONTRACTS

Insurers are exposed to insurance risks such as product design and pricing, mortality and morbidity, lapse, expense, reinsurance, and actuarial liability estimation in respect of life, annuity and health contracts. Disclosure of these risks is set out in the following sections.

43.1 Contracts without investment returns

These contracts are principally term life, critical illness and health insurance. Individual term life and critical illness products are generally long-term contracts while group term life and health insurance products are generally one year renewable. The principal insurance risks associated with these contracts are product design and pricing and mortality and morbidity.

43.1 Contracts without investment returns (continued)

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. 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. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

The underwriting process has established 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.

(b) Mortality and morbidity risk

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 and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence 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.

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

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

Amounts expressed in US $000

43.1 Contracts without investment returns (continued)

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.

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

2014 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	19,909	1,160	18,749
Jamaica	79,978	2,177	77,801
Trinidad & Tobago	24,805	794	24,011
Other Caribbean	26,737	1,431	25,306
USA	142	110	32
Total	151,571	5,672	145,899

(c) Sensitivity of incurred claims

The sensitivity of term life and critical illness claims is included in the related disclosure on other long-term contracts in note 43.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

	2014		2013	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	48,507	2,425	42,174	2,109
Claims payable	3,389	169	2,687	134
	51,896	2,594	44,861	2,243

43.2 Contracts with investment returns

Life and annuity insurance contracts with investment returns generally have durations of 5 or more years. The contract terms provide for the policyholder to pay either a single premium at contract inception, or periodic premiums over the duration of the contract. From the premium 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 in respect of product design and pricing, mortality and longevity, lapse, expense and investment.

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of a contract, the insurer considers the age of the policyholder and/or beneficiary, the expenses and taxes associated with the contract, the prospective investment returns to be credited to the contract, and the guaranteed values within the contract. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from future changes in the economic environment.

(b) Mortality and longevity risk

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

For contracts providing death benefits, higher mortality rates will result in an increase in death claims over time. For contracts providing the payout of annuities, improving mortality rates will lead to increased annuity benefits over time. Insurers annually review their mortality experience and compare it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Amounts expressed in US $000

43.2 Contracts with investment returns (continued)

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

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, 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 in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2014		2013	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	3,575,173	1,293,251	3,443,539	1,575,665
	Net	3,245,153	1,244,721	3,095,266	1,508,962
Jamaica	Gross	6,579,009	4,894,151	6,495,724	4,362,914
	Net	6,396,752	4,875,291	6,262,554	4,349,803
Trinidad & Tobago	Gross	3,040,062	1,775,661	2,778,294	1,640,918
	Net	2,458,724	1,660,732	2,206,915	1,519,513
Other Caribbean	Gross	7,248,379	2,382,119	7,146,664	2,532,093
	Net	6,025,887	2,100,054	5,833,715	1,872,424
USA	Gross	4,630,990	50,022	3,954,741	57,145
	Net	1,821,525	47,230	1,731,024	53,909
Total	Gross	25,073,613	10,395,204	23,818,962	10,168,735
	Net	19,948,041	9,928,028	19,129,474	9,304,611

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts which represents the present value of future annuity benefits provides a good measure of longevity risk exposure.

Total liability under annuity contracts		2014		2013	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	99,604	54,160	92,777	53,838
	Net	99,604	54,160	92,777	53,838
Jamaica	Gross	541	266,893	483	236,506
	Net	541	266,893	483	236,506
Trinidad & Tobago	Gross	112,401	-	97,115	-
	Net	112,401	-	97,115	-
Other Caribbean	Gross	19,998	69	19,090	66
	Net	19,998	69	19,090	66
USA	Gross	852,121	29,757	656,932	33,087
	Net	418,838	9,076	405,068	10,106
Total	Gross	1,084,665	350,879	866,397	323,497
	Net	651,382	330,198	614,533	300,516

43.2 Contracts with investment returns (continued)

(c) 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.

(d) Expense risk

The Group monitors policy acquisition and policy maintenance expenses. Expenses are managed through policy design, fees charged and expense control. However, there are a significant number of inforce contracts for which insurers have limited or no ability to re-price for increases in expenses caused by inflation or other factors. Therefore growth in maintenance expenses has to be funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. 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.

Insurers have limited 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 following table.

Type of insurance contract	Retention by insurers - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of $88
Health insurance contracts with groups	Retention per individual to a maximum of $88
Life insurance contracts with individuals	Retention per individual life to a maximum of $500
Life insurance contracts with groups	Retention per individual life to a maximum of $306

43.4 Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to a number of assumptions. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 13.3 (b) to (f)), and
- the margins for adverse deviations (note 13.3 (g)).

Amounts expressed in US $000

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

Under Canadian accepted actuarial standards, the AA is required to test the actuarial liability under economic scenarios. The scenarios developed and tested by insurers were as follows.

<table>
<tr><th>Sensitivity</th><th colspan="3">Scenario</th></tr>
<tr><th></th><th>Sagicor Life Inc segment</th><th>Sagicor Jamaica Segment</th><th>Sagicor USA segment</th></tr>
<tr><td>Worsening rate of lapse</td><td colspan="2">Lapse rates were either doubled or halved, and the more adverse result was selected.</td><td>Lapse rates were doubled.</td></tr>
<tr><td>High interest rate</td><td>Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.</td><td>Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.</td><td>A 1% increase was applied to the investment portfolio rate.</td></tr>
<tr><td>Low interest rate</td><td>Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.</td><td>Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.</td><td>A 1% decrease was applied to the investment portfolio rate.</td></tr>
<tr><td>Worsening mortality and morbidity</td><td colspan="2">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.</td><td>For life insurance products only, the base assumed rates were increased annually by 3% cumulatively over the next 5 years.</td></tr>
<tr><td>Higher expenses</td><td colspan="3">Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.</td></tr>
</table>

43.4 Sensitivity arising from the valuation of actuarial liabilities (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 segment		Sagicor Jamaica segment		Sagicor Life USA segment	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Base net actuarial liability	882,151	864,680	488,320	458,188	715,303	709,225
Scenario	**increase in liability**		**increase in liability**		**increase in liability**	
Worsening rate of lapse	120,151	108,682	41,484	42,921	27,804	24,967
High interest rate	(76,586)	(146,739)	(98,548)	(90,059)	(42,745)	(42,476)
Low interest rate	143,890	206,820	126,221	116,950	49,378	48,998
Worsening mortality / morbidity	33,049	35,006	26,624	25,871	15,295	15,276
Higher expenses	26,770	30,777	16,860	17,413	4,983	5,478

Amounts expressed in US $000

43.5 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 some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. 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 and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2014	2013
Pension and insurance fund assets	1,324,229	1,282,487
Mutual fund, unit trust and other investment fund assets	581,393	431,816
	1,905,622	1,714,303

Fee income under administration is discussed in Note 26.

45 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 $1,169,848 (2013 - $1,202,220) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

Amounts expressed in US $000

46 CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- 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.

46.1 Capital resources

The principal capital resources of the Group are as follows:

	2014	2013
Shareholders' equity	531,698	512,097
Non-controlling interest	241,480	218,751
Notes and loans payable	298,942	290,160
Total financial statement capital resources	1,072,120	1,021,008

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.

46.2 Capital adequacy

The capital adequacy of the principal operating subsidiaries is discussed in this section.

(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 Capital and Surplus 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. Jamaica and the USA have recognised capital adequacy standards.

The consolidated MCCSR for the Sagicor Group as of December 31 has been estimated as 273% (2013 – 259%). This is the principal standard of capital adequacy used to assess the overall strength of the Sagicor Group. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

Amounts expressed in US $000

46.2 Capital adequacy (continued)

(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2014 and 2013, this ratio was 182% and 180% respectively.

(ii) Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model were adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life Insurance Company looks to maintain at least 300% of the Company Action Level, and has maintained these ratios as of December 31, 2014 and 2013 respectively.

46.2 Capital adequacy (continued)

(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored monthly by 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, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

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 capital adequacy ratios. During 2014 and 2013, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2014	**2013**	**2014**	**2013**
Actual capital base to risk weighted assets	13%	15%	15%	17%
Required capital base to risk weighted assets	10%	10%	10%	10%

46.3 Financial covenants

(a) 7.5% senior notes due 2016 and 4.6% notes due 2015

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow the Company nor 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 and 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 and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate outstanding principal amount do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed). As of December 31, 2014 and 2013, the Group satisfied these requirements.

46.3 Financial covenants (continued)

(b) International Finance Corporation (IFC)

On March 31, 2011, the Company entered into subscription and policy agreements with IFC, regarding the latter's participation in the issue of new common and convertible redeemable preference shares. Pursuant to the aforementioned agreements, on July 18, 2011, 12,269,938 common shares and 78,339,530 convertible redeemable preference shares were issued to IFC. The financial covenants included in these agreements are summarised as follows.

(i) Put option

IFC has been granted the right to require the Company to purchase IFC's holding of convertible redeemable preference shares in the event that the Company is in breach of any of the policy reporting or IFC policy covenants. The Company may nominate a third party to purchase the shares. The purchase must take place within 10 and 60 days of the date of notice. If the Company either fails to purchase or does not arrange a third party purchase, IFC may sell the shares to a third party and the Company is required to pay a late payment charge of 6.5% per annum.

Amounts expressed in US $000

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 12, 26, 30, 31 and 44, there are no material related party transactions except as disclosed below.

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	2014	2013
Salaries, directors' fees and other short-term benefits	20,177	21,027
Equity-settled compensation benefits	2,324	3,346
Pension and other retirement benefits	1,672	2,479
	24,173	26,852

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	5,441	395	5,836
Advances	735	134	869
Repayments	(1,009)	(101)	(1,110)
Effects of exchange rate changes	-	(16)	(16)
Balance, end of year	5,167	412	5,579
Interest rates prevailing during the year	3.75% - 12.5%	7.5% - 48.0%	

48 EVENTS AFTER DECEMBER 31, 2014

On March 20, 2015, the Group entered into a Convertible Note arrangement with AmTrust Financial Services Inc. Under the terms of this arrangement, AmTrust Financial Services Inc agreed to accept all present and future obligations under the Deed of Undertaking, entered into on the sale of Sagicor Europe. The cost of this arrangement was $12.2 million, and will be expensed in 2015. At the end of the year, the balance due to AmTrust was $45.8 million and, together with the $12.2 million cost of this arrangement, will result in a total convertible note amount of $58 million. The note will bear interest at the rate of 5% per annum if AmTrust exercises its conversion option on, or prior to maturity. Otherwise, interest will be at the rate of 10% per annum retroactive to the date of the note purchase. The note will mature on May 31, 2016.

175 years of commitment

When we find something worth supporting, our support must be unwavering. We stand by each and every commitment that we make.

SHAREHOLDER INFORMATION

DIVIDENDS

An interim dividend of US 2 cents per common share, approved for the half-year ended June 30, 2014, was paid on November 15, 2014 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on October 22, 2014. A final common dividend of US 2 cents per common share, payable on May 15, 2015, was approved for the financial year ended December 31, 2014 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on April 15, 2015. The total dividend on common shares for the 2014 financial year amounted to US 4 cents per share.
An interim dividend of US 3.25 cents per convertible redeemable preference share was paid on November 15, 2014 to the holders of convertible redeemable preference shares, whose names were registered on the books of the Company at the close of business on October 22, 2014. A final dividend of US 3.25 cents per convertible redeemable preference share, payable on May 15, 2015, was approved for the financial year ended December 31, 2014 to the holders of convertible redeemable preference shares, whose names were registered on the books of the Company at the close of business on April 15, 2015. The total convertible redeemable preference dividend for the 2014 financial year amounted to US 6.50 cents per share.

SHARES

The following Shareholders own more than 5% and 3% respectively of the capital of the Company as at December 31, 2014:

	Common Shares		Convertible Redeemable Preference Shares	
	Number of Shares	Percentage	Number of Shares	Percentage
International Finance Corporation:	12,269,938	4.04	78,339,530	65.28
National Insurance Board, Barbados:	18,950,000	6.24	10,000,000	8.33
Republic Bank Limited – 1162:	N/A	N/A	4,000,000	3.33

The total number of issued shares as at December 31, 2014 and as at December 31, 2013 is set out below. No new shares were issued in 2014.

Common Shares		Convertible Redeemable Preference Shares	
As at 31-Dec-14	As at 31-Dec-13	As at 31-Dec-14	As at 31-Dec-13
303,917,020	303,917,020	120,000,000	120,000,000

LONG TERM INCENTIVE PLAN (LTI)

The Tables below show grants of restricted stock and stock options as at December 31, 2014 under the LTI for Executives.

Restricted Stock						
			As of December 31, 2014			Vested in 2014
Award Year	Value attributable to Stock Grant		Awards Made and in Effect	Vested	Not Vested	
2006 – 2008	US$	1.98, 2.01, 2.50	1,302,161	1,302,161	0	0
2009	US$	1.58, 2.50	1,031,429	1,031,429	0	0
2010	US$	1.6	744,162	744,162	0	0
2011	US$	1.48	600,129	600,129	0	65,440
2012	US$	1.53	1,409,816	640,574	769,242	160,968
2013	US$	1.15	2,070,618	780,301	1,290,317	270,880
2014	US$	1.075	2,634,725	374,931	2,259,794	374,931
			9,793,040	5,473,687	4,319,353	872,219
					Allocated for settlement of tax 2014	(289,010)
					Total converted to shares 2014	583,209

Stock Options							
Award Year	Exercise Price of Stock Option	As of December 31, 2014					Vested in 2014
		Awards Made and in Effect	Vested	Exercised	Not Exercised	Not Vested	
2006	US$ 1.98	577,121	577,121	120,443	456,678	0	0
2007	US$ 2.01	1,245,090	1,245,090	72,839	1,172,251	0	0
2008	US$ 2.5	875,859	875,859	0	875,859	0	0
2009	US$ 2.5	1,038,889	1,038,889	0	1,038,889	0	0
2010	US$ 1.6	1,535,342	1,535,342	0	1,535,342	0	433,585
2011	US$ 1.48	1,932,137	1,449,092	0	1,449,092	483,045	543,393
2012	US$ 1.53	1,203,995	601,991	0	601,991	602,004	330,149
2013	US$ 1.15	1,885,288	471,308	0	471,308	1,413,980	520,887
2014	US$ 1.075	2,916,007	0	0	0	2,916,007	0
		13,209,728	7,794,692	193,282	7,601,410	5,415,036	1,828,014

ANALYSIS OF COMMON SHAREHOLDING

Common Shareholders by Size of Holding

Number of Common Shareholders by Size of Holding as at December 31, 2014 (with 2013 Comparison)								
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2014	2013	2014	2013	2014	2013	2014	2013
1 - 1,000	6,335	6,348	17.49	17.37	3,823,240	3,840,582	1.26	1.26
1,001 - 2,500	15,009	15,132	41.44	41.40	24,897,535	25,107,553	8.19	8.26
2,501 - 5,000	7,003	7,103	19.34	19.44	24,306,373	24,665,252	8.00	8.12
5,001 - 10,000	4,031	4,071	11.13	11.14	28,825,664	29,070,097	9.48	9.57
10,001 - 25,000	2,920	2,958	8.06	8.09	42,058,378	42,605,565	13.84	14.02
25,001 - 100,000	663	687	1.83	1.88	31,454,944	32,948,906	10.35	10.84
100,001 - 1,000,000	230	225	0.64	0.62	67,944,123	66,180,202	22.36	21.78
1,000,001 & above	24	23	0.07	0.06	80,606,763	79,498,863	26.52	26.16
Total	36,215	36,547	100.00	100.00	303,917,020	303,917,020	100.00	100.00

Common Shareholders by Country of Residence

Number of Common Shareholders by Country of Residence and by Type as at December 31, 2014								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	104	0.29	639	1.76	15,079	41.64	15,822	43.69
Barbados	178	0.49	262	0.72	11,400	31.48	11,840	32.69
Eastern Caribbean	25	0.07	35	0.10	7,026	19.40	7,086	19.57
Other Caribbean	13	0.04	34	0.09	168	0.46	215	0.59
Other	20	0.06	5	0.01	1,227	3.39	1,252	3.46
Total	340	0.94	975	2.69	34,900	96.37	36,215	100.00

Common Shares held by Country of Residence

Number of Common Shares held by Country of Residence and by Type as at December 31, 2014								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	1,855,739	0.61	71,783,081	23.62	82,366,071	27.10	156,004,891	51.33
Barbados	8,449,064	2.78	37,487,173	12.33	54,987,283	18.09	100,923,520	33.21
Eastern Caribbean	67,178	0.02	1,377,215	0.45	19,869,541	6.54	21,313,934	7.01
Other Caribbean	1,349,998	0.44	3,646,368	1.20	1,321,353	0.43	6,317,719	2.08
Other	1,585,661	0.52	12,779,778	4.21	4,991,517	1.64	19,356,956	6.37
Total	13,307,640	4.38	127,073,615	41.81	163,535,765	53.81	303,917,020	100.00

ANALYSIS OF CONVERTIBLE REDEEMABLE PREFERENCE SHAREHOLDING

Preference Shareholders by Size of Holding

Number of Preference Shareholders by Size of Holding as at December 31, 2014 (with 2013 Comparison)								
Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares Held		Percentage of Shares Held	
	2014	2013	2014	2013	2014	2013	2014	2013
1 - 1,000	417	418	36.14	36.54	227,309	227,309	0.19	0.19
1,001 - 2,500	186	186	16.12	16.26	371,404	371,404	0.31	0.31
2,501 - 5,000	256	257	22.18	22.47	1,177,810	1,182,810	0.98	0.99
5,001 - 10,000	109	104	9.45	9.09	954,598	904,598	0.80	0.75
10,001 - 25,000	77	73	6.67	6.38	1,419,995	1,334,995	1.18	1.11
25,001 - 100,000	71	66	6.15	5.77	4,224,049	4,039,049	3.52	3.37
100,001 - 1,000,000	31	33	2.69	2.88	12,902,500	13,217,500	10.75	11.01
1,000,001 & above	7	7	0.61	0.61	98,722,335	98,722,335	82.27	82.27
Total	1,154	1,144	100.00	100.00	120,000,000	120,000,000	100.00	100.00

Preference Shareholders by Country of Residence

Number of Preference Shareholders by Country of Residence and by Type as at December 31, 2014								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
USA	0	0	1	0.09	1	0.09	2	0.17
Trinidad and Tobago	10	0.87	96	8.32	398	34.49	504	43.67
Barbados	39	3.38	43	3.73	564	48.87	646	55.98
Other	0	0	0	0	2	0.17	2	0.17
Total	49	4.25	140	12.13	965	83.45	1,154	100.00

Preference Shares held by Country of Residence

Number of Preference Shares held by Country of Residence and by Type as at December 31, 2014								
Country	Directors, Management, Staff, Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
USA	0	0	78,339,530	65.28	1,000	0.00	78,340,530	65.28
Trinidad and Tobago	250,000	0.21	15,154,507	12.63	4,368,204	3.64	19,772,711	16.48
Barbados	2,238,090	1.87	19,505,770	16.25	139,799	0.12	21,883,659	18.24
Other	0	0	0	0	3,100	0.00	3,100	0.00
Total	2,488,090	2.07	112,999,807	94.17	4,512,103	3.76	120,000,000	100.00

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Sagicor

Wise Financial Thinking for Life