Sagicor Capital Life Insurance Company Limited

Consolidated Financial Statements
December 31, 2013
(expressed in U.S. dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sagicor Capital Life Insurance Company Limited

We have audited the accompanying consolidated financial statements of **Sagicor Capital Life Insurance Company Limited and its subsidiaries** which comprise the consolidated balance sheet as of December 31, 2013 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Sagicor Capital Life Insurance Company Limited and its subsidiaries** as of December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados

April 30, 2014

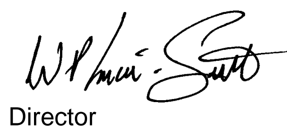
SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

As of December 31, 2013 **Amounts expressed in US $'000**

	Notes	2013	2012 Restated	2011 Restated
ASSETS				
Investment property	4	336	305	286
Property, plant and equipment	5	2,428	2,473	2,559
Intangible assets	6	-	332	665
Financial investments	7	205,664	206,065	208,072
Reinsurance assets	8	2,765	3,880	4,574
Income tax assets	9	228	186	246
Miscellaneous assets and receivables	10	6,692	6,995	5,754
Cash resources		42,856	31,950	11,240
Total assets		**260,969**	**252,186**	**233,396**
LIABILITIES				
Actuarial liabilities	11	79,932	96,279	90,563
Other insurance liabilities	12	9,473	9,058	10,146
Investment contract liabilities	13	6,963	7,750	6,968
Total policy liabilities		96,368	113,087	107,677
Deposit and security liabilities	14	-	2	1,117
Provisions	15	6,769	6,547	6,031
Income tax liabilities	16	1,396	1,514	1,863
Accounts payable and accrued liabilities	17	47,372	47,215	37,724
Total liabilities		151,905	168,365	154,412
EQUITY				
Share capital	18	3,800	3,951	3,703
Reserves	19	2,230	2,463	4,109
Retained earnings		103,034	77,407	71,172
Total shareholder's equity		109,064	83,821	78,984
Total equity and liabilities		**260,969**	**252,186**	**233,396**

These financial statements have been approved for issue by the Board of Directors on April 30, 2014.



Director

Director

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME

As of December 31, 2013 **Amounts expressed in US $'000**

	Notes	2013	2012 Restated
REVENUE			
Premium revenue	20	51,479	51,651
Reinsurance premium expense	20	(9,990)	(13,053)
Net premium revenue		41,489	38,598
Net investment income	21	9,100	12,845
Fees and other revenue	22	1,487	2,478
Total revenue		52,076	53,921
BENEFITS			
Policy benefits and change in actuarial liabilities	23	9,497	28,411
Policy benefits and change in actuarial liabilities reinsured	23	(2,625)	(1,169)
Net policy benefits and change in actuarial liabilities		6,872	27,242
Interest expense to external parties	24	613	715
Total benefits		7,485	27,957
EXPENSES			
Administrative expenses		11,417	11,738
Commissions and related compensation		5,179	5,725
Premium taxes		560	620
Depreciation and amortisation		457	468
Total expenses		17,613	18,551
INCOME FROM ORDINARY ACTIVITIES		26,978	7,413
Income taxes	28	(872)	(954)
NET INCOME FOR THE YEAR		**26,106**	**6,459**

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2013 **Amounts expressed in US $'000**

	Notes	2013	2012 Restated
NET INCOME FOR THE YEAR		**26,106**	**6,459**
OTHER COMPREHENSIVE INCOME	30		
Items net of tax that may be reclassified subsequently to income:			
Available for sale assets:			
Loss arising on revaluation		(70)	(3,559)
Losses transferred to income		53	1,987
Net change in actuarial liabilities		(204)	(78)
		(221)	(1,650)
Items net of tax that will not be reclassified subsequently to income:			
(Losses) / gains on revaluation owner occupied property		(12)	4
		(233)	(1,646)
Losses on defined benefit plans	27	(479)	(224)
Other comprehensive loss for the year		**(712)**	**(1,870)**
TOTAL COMPREHENSIVE INCOME		**25,394**	**4,589**
Total comprehensive income is attributable to:			
Common shareholders		**25,394**	**4,589**

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2013

Amounts expressed in US $'000

	Share capital	Reserves	Retained earnings	Total
	Note 18	**Note 19**	**Note 42**	**Note 42**
Year ended December 31, 2013				
Balance, beginning of year (as previously reported)	3,951	2,463	77,521	83,935
Prior year adjustment (note 42)	-	-	(114)	(114)
Balance, beginning of year, as restated	3,951	2,463	77,407	83,821
Total comprehensive income for the year	-	(233)	25,627	25,394
Contributed capital	(151)	-	-	(151)
	(151)	(233)	25,627	25,243
Balance, end of year	3,800	2,230	103,034	109,064

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2013 **Amounts expressed in US $'000**

	Share capital	Reserves	Retained earnings Restated	Total
	Note 18	Note 19	Note 42	Note 42
Year ended December 31, 2012				
Balance, beginning of year (as previously reported)	3,703	4,109	71,039	78,851
Prior year adjustment (note 42)	-	-	133	133
Balance, beginning of year, as restated	3,703	4,109	71,172	78,984
Total comprehensive income for the year	-	(1,646)	6,235	4,589
Contributed capital	248	-	-	248
	248	(1,646)	6,235	4,837
Balance, end of year, as restated	3,951	2,463	77,407	83,821

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2013 **Amounts expressed in US $'000**

	Notes	**2013**	**2012 Restated**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from ordinary activities		26,978	7,413
Adjustments for non-cash items, interest and dividends	31	(24,647)	(5,729)
Interest and dividends received		9,806	10,535
Interest paid		(613)	(715)
Income taxes paid		(1,032)	(1,243)
Changes in operating assets	31	(1,959)	(8,985)
Changes in operating liabilities	31	463	7,716
Net cash from operating activities		8,996	8,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment, net	31	(97)	(45)
Net cash used in investing activities		(97)	(45)
Effects of exchange rate changes		(141)	(284)
NET CHANGE IN CASH AND CASH EQUIVALENTS		8,758	8,663
Cash and cash equivalents, beginning of year		37,602	28,939
CASH AND CASH EQUIVALENTS, END OF YEAR	31	46,360	37,602

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

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December 31, 2013

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1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Capital Life Insurance Company Limited (the Company) is a wholly owned subsidiary of Sagicor Life Inc. Its ultimate parent is Sagicor Financial Corporation, a public company listed on the Barbados, Trinidad and Tobago, and London stock exchanges.

Details of incorporation, equity interest and principal activities of the Group and its subsidiaries are summarised below:

Companies	Principal Activities	Country of Incorporation	Effective Shareholder's Interest
Sagicor Capital Life Insurance Company Limited	Life and health insurance, annuities and pension administration services	Barbados [1]	100%
Capital Life Insurance Company Bahamas Limited	Life and health insurance	The Bahamas	100%
Sagicor Panamá, SA	Life and health insurance	Panamá	100%
Sagicor International Management Services, Inc.	Management and business development services	Florida, USA	100%
Sagicor Life Aruba NV	Life and health insurance, annuities and pension administration services	Aruba	100%

[1] The Company was originally incorporated in The Bahamas and was redomiciled to Barbados on December 30, 2011.

For ease of reference, when the term "insurer" is used in the following notes, it refers either to the Company and/or its subsidiaries which conduct insurance.

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The Group has adopted accounting policies for the computation of actuarial liabilities on life insurance and annuity contracts which comply with the Canadian accepted actuarial standards (recognising local conditions). 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.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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 Group'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. When necessary, comparative figures have been reclassified to conform to the current year presentation.

(a) Amendments to IFRS

Several new or amended standards are effective for the current financial year, and where required those standards have been applied in preparing these financial statements with restatement of comparative disclosures. These standards are as follows:

(i) IAS 19 - Employee Benefits (revised)

The key amendments to this standard affect defined benefit retirement plans and are summarised as follows:

- The 10% corridor method has been removed and all actuarial and experience gains and losses are required to be recognised in other comprehensive income.
- Expected returns on plan assets are no longer recognised in income. Instead, interest is recognised on the net defined benefit liability or asset, calculated using the discount rate used to measure the defined benefit obligation.
- Past service cost arising from plan amendments or curtailment are now recognised in income at the earlier of when the amendment occurs or when the related restructuring or termination cost are recognised. The option to amortise such cost over future years has been eliminated.

All items recorded in other comprehensive income are taken to retained earnings.

These represent changes from the former standard where actuarial gains and losses within the 10% corridor were deferred and all other recognised changes were recorded in income.

The revised standard has been adopted as a change in accounting policy and has been applied retrospectively with the restatement of the comparative 2012 amounts and of the cumulative impact at the beginning of 2012 - see note 42. The impact on the group's results has been a decrease in equity, an increase in the net employee benefit liability, a decrease in net income and a decrease in other comprehensive income for 2012.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Amendments to IFRS (continued)

(ii) IFRS 10 - Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities

These new standards partially or wholly replace IAS 27, IAS 28 and IAS 31 and:

- Refine the definition of control over entities and consequently define interests that require consolidation.
- Introduce new accounting requirements for joint arrangements.
- Require enhanced disclosures about both consolidated and unconsolidated entities so that users of financial statements may evaluate the basis of control, restrictions on assets and liabilities, risk exposures from involvements with unconsolidated entities and non-controlling interests' involvement in consolidated entities.

The Group has re-assessed its subsidiaries and jointly-owned holdings and has concluded that current accounting and presentation conforms with the revised standards.

(iii) IFRS 13 - Fair Value Measurement

The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements.

The standard applies to financial and non-financial assets and liabilities that are either measured at fair value or for which fair value is disclosed. The fair value hierarchy concept formerly defined in IFRS 7 has been transferred to and enhanced by this standard. The standard summarises the main valuation techniques which should be applied.

The Group has adopted this standard from the current year. These statements include new disclosures of the fair value hierarchy as applied to investment and owner-occupied property (note 34) and to financial instruments carried at amortised cost (note 35.5(a)). Disclosures of the fair value hierarchy as applied to financial instruments carried at fair value, continue from prior years in note 35.5(b).

This standard has had no significant impact on the Group's financial results.

2. ACCOUNTING POLICIES (continued)

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.

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 minority interest. Acquisition-related costs are expensed as incurred.

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

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

Minority 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 minority 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 minority interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of minority interests, other IFRS may override the fair value option.

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

(b) Sale of subsidiaries

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

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(c) Joint Ventures

Investments in 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 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 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.

(d) 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.

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 or a branch of a subsidiary.

The consolidated financial statements are presented in thousands of United States dollars, 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.

2. ACCOUNTING POLICIES (continued)

(b) Reporting units (continued)

Currencies which are pegged to the United States and by extension to the Bahamas dollar are converted to dollars at the pegged rates. Currencies which float are converted to the Bahamas dollar by reference to the average of buying and selling rates quoted by the respective central banks.

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

	December 2013 closing rate	2013 average rate	December 2012 closing rate	2012 average rate
Barbados dollar	2.00	2.00	2.00	2.00
Belize dollar	2.00	2.00	2.00	2.00
Eastern Caribbean dollar	2.70	2.70	2.70	2.70
Netherlands Antillean guilder	1.80	1.80	1.80	1.80
United States dollar	1.00	1.00	1.00	1.00

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.

2.3 Foreign currency translation (continued)

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, 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 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. ACCOUNTING POLICIES (continued)

2.4 Investment property

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

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. 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 2.5.

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied.

Rental income is recognised on an accrual basis.

2. ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

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

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent 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 disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

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	50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years

Lands are not depreciated.

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.

2.6 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 is tested annually for impairment and 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.

2. ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

(a) Goodwill continued

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

(b) Other intangible assets

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

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

On acquisition the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment. 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
Technology based	Software	2-10 years

2.7 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(a) Classification (continued)

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

- 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 and comprise investment portfolios backing deposit administration 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.

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

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

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

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

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.

(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 cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(d) Impaired financial assets (continued)

The recoverable amount for an available for sale security is its fair value.

For an available for sale equity security, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

2.8 Policy contracts

(a) Classification

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.8 Policy contracts (continued)

(a) Classification (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.

(b) Recognition and measurement

Policy contracts issued by the Group are summarised below.

(i) Health insurance contracts

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

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

Claims are recorded on settlement. Reserves are recorded as described in note 2.9.

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

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

(ii) 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.

2. ACCOUNTING POLICIES (continued)

2.8 Policy contracts (continued)

(c) Recognition and measurement (continued)

(ii) Long-term traditional insurance contracts (continued)

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

Policy benefits are recognised on 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 2.9.

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 recognised on the same basis as earned premiums.

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

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

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

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

Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity of the contract or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.9.

2. ACCOUNTING POLICIES (continued)

2.8 Policy contracts (continued)

(b) Recognition and measurement (continued)

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

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

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

(iv) 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.

(v) Reinsurance contracts held

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.8 Policy contracts (continued)

(b) Recognition and measurement (continued)

(vi) Deposit administration and other investment contracts

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

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

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;

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

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense.

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

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

(c) Embedded derivatives

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

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.10.

(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. ACCOUNTING POLICIES (continued)

2.9 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 (recognizing local conditions). 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.

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. ACCOUNTING POLICIES (continued)

2.10 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 2.8 (b) (vi) and in the following paragraphs.

(a) Deposit liabilities

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

(b) 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.

(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, loan obligations are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

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

2.11 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.

2.12 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.

2.13 Presentation of current and non-current assets and liabilities

In note 35.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 4 to 7, 8 to 10, 12, 15, 18, 27 and 29 are non-current unless otherwise stated in those notes.

2.14 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.

2.15 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.

2.16 Employee benefits

(a) Pension benefits

The Group's 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, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to the other comprehensive income and retained earnings or minority 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) 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 Company 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.

(c) Equity compensation benefits

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

(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.

2. ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(c) Equity compensation benefits (continued)

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

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are expensed in the income statement during the vesting period, with a corresponding increase in the share based payment reserve or in minority interest.

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

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

The grant by the Ultimate Parent 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 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.

(iv) Presentation of equity compensation awards

Equity compensation awards are expensed by the Group. Since there is no requirement for the Group to reimburse its ultimate parent for the awards, they are treated as a contribution of capital to the Group.

(d) 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.

2.17 Taxes

(a) Premium taxes

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

	Life insurance and non-registered annuities	Health insurance
Bahamas	3%	3%
Belize	2.5%	2.5%
Dutch	Nil	Nil

(b) Income taxes

The Group is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2013 are as follows:

	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Bahamas	Nil	Nil	Nil
Barbados	5% of gross investment income	Nil	25% of net income
Belize	1.75% of gross premiums	1.75% of gross premiums	1.75% of gross premiums
Dutch Caribbean	28% - 34.5% of 10% of premiums	28% - 34.5% of 20% of premiums	28% - 34.5% of 20% of premiums

(i) Current income taxes

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

(ii) Deferred income taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

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

Deferred tax, related to fair value re-measurement of available for sale investments 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. ACCOUNTING POLICIES (continued)

2.18 Share Capital

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

2.19 Dividend distributions

Dividend distributions on the Company's common shares are recorded in the period during which the dividend payable has been declared by the directors and is recorded as an appropriation of retained earnings.

2.20 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.

2.21 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.

2. ACCOUNTING POLICIES (continued)

2.22 Future accounting developments and reporting changes

Certain new standards and amendments have been issued which were not effective at the date of the 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 7 – Financial Instruments: Disclosures IAS 32 - Financial Instruments Presentation (January 1, 2014)	Offsetting Financial Assets and Financial Liabilities These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements.
IFRS 9 – Financial Instruments (January 1, 2018)	Classification and measurement of financial instruments IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The determination is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 has amended the treatment, applicable to financial liabilities designated at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship. Amendments have been made to hedge accounting with the most significant improvements applying to the hedging of non-financial risk. New requirements for the impairment of financial assets are to be finalised. In addition, limited for amendments to the classification and measurement requirements are to incorporated.

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 before taxes of these business units and the expected returns to providers of capital to the business units and/or to the Group as a whole.

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

(b) Other intangible assets

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.4 Valuation of actuarial liabilities

(a) Canadian Actuarial Standards (recognizing local conditions)

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

The 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. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate.

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 11.3. 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.

4. INVESTMENT PROPERTY

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

	2013	2012
Balance, beginning of year	305	286
Change in fair values	31	19
Balance, end of year	336	305

5. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2013			
	Owner-occupied land & buildings	Office furnishing, equipment & vehicles	Operating lease vehicles & equipment	Total
Net book value, beginning of year	2,251	203	19	2,473
Additions at cost	-	97	-	97
Disposals	-	(6)	-	(6)
Depreciation in fair value	(12)	-	-	(12)
Depreciation charge	(37)	(82)	(5)	(124)
Net book value, end of year	2,202	212	14	2,428
Represented by:				
Cost or valuation	2,249	1,335	36	3,620
Accumulated depreciation	(47)	(1,123)	(22)	(1,192)
	2,202	212	14	2,428

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Year Ended December 31, 2012			
	Owner-occupied land & buildings	**Office furnishings equipment & vehicles**	**Operating lease vehicles & equipment**	**Total**
Net book value, beginning of year	2,283	253	23	2,559
Additions at cost	-	42	3	45
Appreciation in fair values	4	-	-	4
Depreciation charge	(37)	(91)	(7)	(135)
Net book value, end of year	2,251	203	19	2,473
Represented by:				
Cost or valuation	2,292	1,991	53	4,336
Accumulated depreciation	(41)	(1,788)	(34)	(1,863)
	2,251	203	19	2,473

Owner-occupied property comprises land and buildings and includes $582 (2012 - $604) which represents the Group's proportionate interest in joint operations set out below.

Description of property	**Percentage owned by the Group**
Belize:	
Belize Insurance Centre, North Front Street, Belize City	50%

Balances in respect of the above are as follows:

	2013	**2012**
Cash, miscellaneous assets and receivables	22	22
Other funding instruments, accounts payable and accrued liabilities	(8)	(8)
Revenue	46	46
Expenses	(22)	(26)

6. INTANGIBLE ASSETS

(a) Analysis and changes for the year

	Year ended December 31, 2013		
	Customer & broker relation-ships	Software	Total
Net book value, beginning of year	1	331	332
Amortisation and other charges	(1)	(331)	(332)
Net book value, end of year	-	-	-
Represented by:			
Cost	32	1,330	1,362
Accumulated charges and amortisation	(32)	(1,330)	(1,362)
	-	-	-

	Year ended December 31, 2012		
	Customer & broker relation-ships	Software	Total
Net book value, beginning of year	1	664	665
Amortisation and other charges	-	(333)	(333)
Net book value, end of year	1	331	332
Represented by:			
Cost	32	1,330	1,362
Accumulated charges and amortisation	(31)	(999)	(1,030)
	1	331	332

7. FINANCIAL INVESTMENTS

7.1 Analysis of financial investments

	December 31, 2013		December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Available for sale securities:				
Debt securities	18,015	18,015	19,509	19,509
Equity securities	2,367	2,367	1,933	1,933
	20,382	20,382	21,442	21,442
Loans and receivables:				
Debt securities	65,803	77,225	69,377	76,852
Mortgage loans	18,746	18,681	20,108	20,116
Policy loans	10,182	10,182	10,097	10,097
Finance loan	5,635	5,635	3,375	3,375
Deposits	84,916	84,916	81,666	81,666
	185,282	196,639	184,623	192,106
Total financial investments	205,664	217,021	206,065	213,548

	2013	2012
Debt securities comprise:		
Government and government-guaranteed debt securities	74,253	78,231
Corporate debt securities	9,565	10,655
	83,818	88,886

7. FINANCIAL INVESTMENTS (continued)

7.2 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, and which were held to back long-term insurance liabilities.These reclassified assets were sold during the year.

The following disclosures are in respect of these reclassified assets.

	December 31, 2013		December 31, 2012	
	Carrying value	Fair Value	Carrying value	Fair value
Government debt securities maturing after September 2018	-	-	869	869

Cumulative net fair value loss	2013	2012
Cumulative net fair value loss, beginning of year	(737)	(824)
Net fair value gainfor the year	-	16
Disposals	82	71
Cumulative net fair value loss, end of year	(655)	(737)

8. REINSURANCE ASSETS

	2013	2012
Reinsurers' share of:		
Actuarial liabilities (note 11.1)	923	1,011
Other items	1,842	2,869
	2,765	3,880

9. INCOME TAX ASSETS

	2013	2012
Deferred income tax assets (note 29)	-	-
Income and withholding taxes recoverable	228	186
	228	186

10. MISCELLANEOUS ASSETS AND RECEIVABLES

	2013	2012
Premiums receivable	2,435	2,820
Other accounts receivable	1,038	1,134
Related party balances	3,219	3,041
	6,692	6,995

11. ACTUARIAL LIABILITIES

11.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2013	2012	2013	2012
Contracts issued to individuals:				
Life insurance - participating policies	7,304	7,901	46	-
Life insurance and annuity - non-participating policies	57,501	73,946	-	63
Health insurance	253	257	13	(1)
Unit linked funds	6,977	6,944	-	-
Reinsurance contracts held	3,057	2,192	-	-
	75,092	91,240	59	62
Contracts issued to groups:				
Life insurance	3,506	3,529	841	865
Annuities	66	64	-	-
Health insurance	1,268	1,446	23	84
	4,840	5,039	864	949
Total actuarial liabilities	79,932	96,279	923	1,011

The following notes are in respect of the above:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include nil (2012 - $127) in assumed reinsurance.

11. ACTUARIAL LIABILITIES (continued)

11.2 Movement in actuarial liabilities

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

	Gross amount		Reinsurers' share	
	2013	**2012**	**2013**	**2012**
Balance, beginning of year	96,279	90,563	1,011	1,513
Change in actuarial liabilities recorded in income (note 23)	(16,186)	5,504	(88)	(502)
Change in actuarial liabilities recorded in other comprehensive income (note 30)	204	78	-	-
Effect of exchange rates	(365)	134	-	-
Balance, end of year	79,932	96,279	923	1,011

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

	Gross amount		Reinsurers' share	
	2013	**2012**	**2013**	**2012**
Normal changes in actuarial liabilities arising from increments and decrements of inforce policies and from the issuance of new policies	7,715	4,671	(47)	(502)
Effect of changes in actuarial assumptions for mortality, morbidity, lapse, investment yields, asset default and operating expenses and taxes	(24,362)	555	(41)	-
Other changes:				
Other	665	356	-	-
	(15,982)	5,582	(88)	(502)

11.3 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.

11. ACTUARIAL LIABILITIES (continued)

11.3 Assumptions – life insurance and annuity contracts

(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 was 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

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

Lapse studies are updated annually, to determine the most recent experience of persistency. Appropriate rates of termination by policy duration were determined and applied in the actuarial valuations.

(d) Assumptions for investment yields

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

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

	2013	2012
Ultimate rate of return:		
Bahamas	5.25%	5.50%
Belize	5.25%	5.50%
Dutch Caribbean	5.25%	5.25%
Other Caribbean	6.00%	5.50%

(e) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs 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 28.2). For income taxes levied on net income, actuarial liabilities are adjusted for policy related recognised deferred tax assets and liabilities.

11. ACTUARIAL LIABILITIES (continued)

11.3 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 the following provisions for adverse deviations being included in the actuarial liabilities:

	2013	2012
Provisions for adverse deviations:		
Mortality and morbidity	7,131	7,349
Lapse	7,159	6,304
Investment yields and asset default	2,879	5,640
Operating expenses and taxes	1,109	2,250
	18,278	21,543

11.4 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.

12. OTHER INSURANCE LIABILITIES

12.1 Analysis of other insurance liabilities

	2013	2012
Dividends on deposit and other policy balances	2,788	3,048
Policy benefits payable	6,526	5,839
Provision for unearned premiums	159	171
	9,473	9,058

12. OTHER INSURANCE LIABILITIES (continued)

12.2 Policy benefits payable

(a) Analysis of policy benefits payable

	Gross liability		Reinsurers' share	
	2013	**2012**	**2013**	**2012**
Life insurance and annuity benefits	6,312	5,749	1,349	1,169
Health claims	214	90	493	1,700
	6,526	5,839	1,842	2,869

(b) Movement in policy benefits payable

	Gross amount		Reinsurers' share	
	2013	**2012**	**2013**	**2012**
Balance, beginning of year	5,839	6,645	2,869	3,061
Policy benefits incurred	23,281	21,381	2,712	1,671
Policy benefits paid	(22,594)	(22,187)	(3,739)	(1,863)
Balance, end of year	6,526	5,839	1,842	2,869

(c) Movement in provision for unearned premiums

	Gross amount	
	2013	**2012**
Balance, beginning of year	171	188
Premiums written	643	603
Premiums revenue	(655)	(620)
Balance, end of year	159	171

13. INVESTMENT CONTRACT LIABILITIES

	December 31, 2013		December 31, 2012	
	Carrying value	**Fair value**	**Carrying Value**	**Fair Value**
Deposit administration liabilities	6,963	6,963	7,750	7,750

14. DEPOSIT AND SECURITY LIABILITIES

	December 31, 2013		December 31, 2012	
	Carrying value	Fair Value	Carrying value	Fair Value
Liabilities stated at amortised cost:				
Bank overdrafts	-	-	2	2

15. PROVISIONS

	2013	2012
Net defined benefit liabilities (note 27)	6,606	6,455
Other provisions	163	92
	6,769	6,547

16. INCOME TAX LIABILITIES

	2013	2012
Income taxes payable	1,396	1,514

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Amounts due to reinsurers	2,763	4.656
Amounts due to policyholders	1,972	2,069
Other accounts payable and accrued liabilities	3,248	3,385
Balances with parent company	37,373	36,081
Balances with related companies	2,016	1,024
	47,372	47,215

18. SHARE CAPITAL

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

	2013		2012	
	Number of shares '000	$000	Number of shares '000	$000
Issued and fully paid common shares of no par value:				
Balance, beginning of year	3,484	3,484	3,484	3,484
Balance, end of year	3,484	3,484	3,484	3,484
Capital contributions:				
Balance, beginning of year	-	467	-	219
Contributed by Parent Company re ESOP and LTI	-	(151)	-	248
Balance, end of year	-	316	-	467
Total share capital	3,484	3,800	3,484	3,951

19. RESERVES

	Year ended December 31, 2013				
	Fair value reserves				
	Available for sale assets	Owner occupied property	Actuarial Liabilities	Statutory reserves	Total
Balance, beginning of year	1,476	657	(78)	408	2,463
Total comprehensive income for the year	(17)	(12)	(204)	-	(233)
Balance, end of year	1,459	645	(282)	408	2,230

19. RESERVES (continued)

	Year ended December 31, 2012				
	Fair value reserves				
	Available for sale assets	Owner occupied property	Actuarial Liabilities	Statutory reserves	Total
Balance, beginning of year	3,048	653	-	408	4,109
Total comprehensive income for the year	(1,572)	4	(78)	-	(1,646)
Balance, end of year	1,476	657	(78)	408	2,463

20. PREMIUM REVENUE

	Gross revenue		Reinsurance expense	
	2013	2012	2013	2012
Life insurance	33,935	37,442	9,467	12,455
Annuities	6,155	3,470	-	-
Health insurance	11,389	10,739	523	598
	51,479	51,651	9,990	13,053

Gross revenue includes nil (2012 - nil) in reinsurance assumed.

21. NET INVESTMENT INCOME

	2013	2012
Investment income:		
Interest income	10,288	10,620
Dividend income	46	63
Rental income from investment property	25	22
Net investment gains	90	2,342
	10,449	13,047
Investment expenses:		
Allowances for impairment losses	1,166	43
Other direct investment expenses	183	159
	1,349	202
Net investment income	9,100	12,845

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

(a) Interest income

	2013	2012
Debt securities	5,760	5,865
Mortgage loans	1,307	1,780
Policy loans	619	651
Finance loans	291	228
Deposits	1,428	1,677
Other balances	883	419
	10,288	10,620

Included in interest income is an amount of $883 (2012 - $419) related to interest on intercompany balances with the Company's ultimate parent, Sagicor Financial Corporation.

21. NET INVESTMENT INCOME (continued)

(b) Net investment gains

	2013	2012
Debt securities	(1)	2,285
Equity securities	59	36
Investment property	31	19
Other financial investments	1	2
	90	2,342

22. FEES AND OTHER REVENUE

	2013	2012
Fee income – assets under administration	13	13
Commission income on insurance and reinsurance contracts	1,307	1,714
Other fees and commission income	509	709
Foreign exchange losses	173	(6)
Other operating and miscellaneous income	(515)	48
	1,487	2,478

23. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross amount		Reinsurers' share	
	2013	2012	2013	2012
Policy benefits:				
Life insurance benefits	12,984	11,620	2,302	1,066
Annuity benefits	4,365	3,761	-	-
Health insurance claims	8,334	7,526	411	605
Total policy benefits	25,683	22,907	2,713	1,671
Change in actuarial liabilities recorded in income (note 11.2)	(16,186)	5,504	(88)	(502)
Total policy benefits and change in actuarial liabilities	9,497	28,411	2,625	1,169

Gross policy benefits include nil (2012 - $67) arising from reinsurance assumed.

24. INTEREST EXPENSE

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

	2013	2012
Investment contracts	613	715

25. EMPLOYEE COSTS

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

	2013	2012
Administrative staff salaries, directors' fees and other short-term benefits	890	1,222
Employer contributions to social security schemes	(57)	261
Expense arising from equity-settled share plans (Note 26)	218	94
Costs – defined retirement benefits (Note 27)	330	474
	1,381	2,051

26. EMPLOYEE SHARE BASED COMPENSATION

26.1 The Ultimate Parent Company

Effective December 31, 2005, the Ultimate Parent 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 Sagicor Group. A total of 26,555,274 common shares of the Ultimate Parent Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

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

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option is granted. From 2009, options are granted at the fair market price of the Company shares prevailing one year before the option is granted. 25% of the options each vest on the first, second, third and fourth anniversaries of the grant date. Options are exercisable up to 10 years from the grant date

26. EMPLOYEE SHARE BASED COMPENSATION

26.1 The Ultimate Parent Company

(c) ESOP

During each of the years 2006 to 2013, 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.

27. EMPLOYEE RETIREMENT BENEFITS

Certain Group Companies have contributory defined benefit pension schemes in place for eligible administrative staff.

(a) Amounts recognised in the balance sheet

	2013	2012 restated
Fair value of retirement plan assets	(5,993)	(4,750)
Present value of funded pension obligations	6,312	4,868
	319	118
Present value of unfunded pension obligations	6,287	6,337
Amounts recognised in the balance sheet	6,606	6,455
Represented by:		
Amounts held on deposit administrative contracts	6,606	6,093
Other recognized liabilities	-	362
	6,606	6,455

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.

27. EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Movements in balances

	2013		
	Retirement obligations	**Retirement plan assets**	**Total**
Net liability / (asset), beginning of year	13,793	(7,338)	6,455
Current service cost	155	-	155
Interest expense / (income)	497	(322)	175
Net expense recognised in income (note25)	652	(322)	330
Losses from changes in assumptions	374	-	374
Losses from changes in experience	89	-	89
Return on plan assets excluding interest income	-	16	16
Net losses recognised in other comprehensive income	463	16	479
Contributions made by the Group	184	(184)	-
Contributions made by employees and retirees	128	(128)	-
Benefits paid	(2,298)	1,970	(328)
Other items	(364)	(34)	(330)
Other movements	(2,350)	1,692	(658)
Net liability / (asset), end of year	12,558	(5,952)	6,606

27. EMPLOYEE RETIREMENT BENEFITS (continued)

(a) Movements in balances (continued)

	2012 restated		
	Retirement obligations	Retirement plan assets	Total
Net liability / (asset), beginning of year	12,579	(6,617)	5,962
Current service cost	180	-	180
Interest expense / (income)	617	(323)	294
Net expense recognised in income	797	(323)	474
Losses from changes in assumptions	155	-	155
Losses from changes in experience	(16)	-	(16)
Return on plan assets excluding interest income	-	85	85
Net losses recognised in other comprehensive income	139	85	224
Contributions made by the Group	187	(417)	(230)
Contributions made by employees and retirees	258	(129)	129
Benefits paid	(167)	91	(76)
Other items	-	(28)	(28)
Other movements	278	(483)	(205)
Net liability / (asset), end of year	13,793	(7,338)	6,455

27. EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2013	2012
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund	(2,469)	(2,565)
Sagicor Bonds Fund	(3,524)	(3,660)
	(5,993)	(6,225)
Other assets	-	1,475
Total plan assets	(5,993)	(4,750)

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

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2013 were as follows:

Pension plans	Dutch Caribbean	Belize	Aruba
Discount rate - local currency benefits	2.75%	7.00%	5.50%
Expected return on plan assets	2.75%	7.00%	5.50%
Future salary increases	1.25%	3.75%	3.25%
Future pension increases	0.25%	1.75%	1.25%
Future increases in National Insurance Scheme Ceilings	0%	0%	0%
Mortality table	UP94 with projection scale AA	UP94 with projection scale AA	UP94 with projection scale AA
Termination of active members	Nil	NIL	Nil
Early retirement	Nil	Nil	Nil

27. EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions

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

	Total	Dutch Caribbean	Other
Base pension obligation	6,312	4,542	1,770
Change in absolute assumption	**Increase / (decrease) in pension obligations**		
Decrease discount rate by 1.0%	740	563	177
Increase discount rate by 1.0%	(577)	(435)	(142)
Decrease salary growth rate by 0.5%	(83)	(67)	(16)
Increase salary growth rate by 0.5%	90	73	17
Increase average life expectancy by 1 year	10	7	3

(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, total Group contributions to pension plans are estimated at $ 167.

28. INCOME TAXES

28.1 Income tax expense

	2013	2012
Current tax	872	920
Deferred tax	-	34
	872	954

28. INCOME TAXES (continued)

28.2 Derivation of income tax expense

Income tax arises from Investment income of $ 5,446 (2012 – 8,419).

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

	2013	2012
Income subject to tax	5,446	8,419
Tax calculated at the applicable rates on income subject to tax	275	391
Other current tax adjustments	(24)	(251)
Adjustments for current tax of prior periods	(172)	(287)
Movement in unrecognised deferred tax asset	22	71
Tax calculated on the premium method	600	820
Other taxes	171	210
	872	954

29. DEFERRED INCOME TAXES

	2013	2012
Analysis of deferred income tax assets:		
Unused tax losses	-	-
Total (note 9)	-	-
Deferred income tax balances include the following:		
Assets to be settled after one year	-	-

The deferred tax asset not recognised for 2013 is $ 103 (2012 - $ 86).

30. OTHER COMPREHENSIVE INCOME

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

	Other comprehensive income		
2013	**Before tax**	**Tax**	**After tax**
Fair value reserves – owner occupied property:			
Unrealised gains arising on revaluation	(12)	-	(12)
Losses on defined benefit plans	(479)	-	(479)
	(491)	-	(491)
Fair value reserves – available for sale assets:			
Unrealised gains arising on revaluation	(70)	-	(70)
Losses transferred to income on disposal or impairment	53	-	53
	(17)	-	(17)
Fair value reserves – actuarial liabilities:			
Changes in actuarial liabilities arising from fair value movements in available for sale assets:	(204)	-	(204)
	(204)	-	(204)
Other comprehensive income for the year	(712)	-	(712)
Other comprehensive income allocated to:			
Equity reserves	(233)		
Retained earnings	(479)		
	(712)		

30. OTHER COMPREHENSIVE INCOME (continued)

	Other comprehensive income		
2012	**Before tax**	**Tax**	**After tax**
Fair value reserves – owner occupied property:			
Unrealised gains arising on revaluation	4	-	4
Losses on defined benefit plans	(224)	-	(224)
	(220)	-	(220)
Fair value reserves – available for sale assets:			
Unrealised gains arising on revaluation	(3,559)	-	(3,559)
Losses transferred to income on disposal or impairment	1,987	-	1,987
	(1,572)	-	(1,572)
Fair value reserves – actuarial liabilities:			
Changes in actuarial liabilities arising from fair value movements in available for sale assets:	(78)	-	(78)
	(78)	-	(78)
Other comprehensive income for the year	(1,870)	-	(1,870)
Other comprehensive income allocated to:			
Equity reserves	(1,646)		
Retained earnings	(224)		
	(1,870)		

31. CASH FLOWS

31.1 Operating activities

	2013	2012
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(10,334)	(10,683)
Net investment gain	(90)	(2,342)
Net change in actuarial liabilities	(16,098)	6,006
Interest expense and finance costs	613	715
Depreciation and amortisation	456	468
Other items	806	107
	(24,647)	(5,729)

	2013	2012
Changes in operating assets:		
Debt securities	2,477	8,209
Equity securities	(87)	127
Mortgage loans	1,086	900
Policy loans	(98)	(157)
Finance loans and finance leases	(2,216)	(91)
Deposits	(5,430)	(18,908)
Amount receivable from Sagicor Group companies	729	501
Other assets and receivables	1,580	435
	(1,959)	(8,985)

The gross changes in debt securities and equity securities are as follows:

	Debt securities		Equity securities	
	2013	2012	2013	2012
Disbursements	(23,548)	(8,290)	(373)	(385)
Disposal proceeds	26,025	16,499	286	512
	2,477	8,209	(87)	127

31. CASH FLOWS, (continued)

31.1 Operating activities, (continued)

	2013	2012
Changes in operating liabilities:		
Insurance liabilities	438	(1,072)
Investment contract liabilities	(786)	782
Amounts payable to Sagicor Group companies	(1,728)	1,861
Other liabilities and payables	2,539	6,145
	463	7,716

31.2 Investing activities

	2013	2012
Property, plant and equipment:		
Purchases	(97)	(45)

31.3 Cash and cash equivalents

	2013	2012
Cash resources	42,856	31,950
Call deposits and other liquid balances with maturities of three months or less from acquisition date	3,504	5,654
Bank overdrafts	-	(2)
	46,360	37,602

32. COMMITMENTS

In the normal course of business, the Group enters into commitments at balance sheet date for which no provision has been made in these financial statements. Non-cancellable commitments for loan disbursements, operating lease and rental payments are disclosed in note 35.2(a).

33. CONTINGENT LIABILITIES

(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.

33. CONTINGENT LIABILITIES (continued)

(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.

34. 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.

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	-	-	336	336
Owner-occupied land and buildings	-	-	2,202	2,202
	-	-	2,538	2,538

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 land and buildings	Total
Balance, beginning of year	305	2,251	2,556
Additions			
Fair value changes recorded in net investment income	31	-	31
Fair value changes recorded in other comprehensive income	-	(12)	(12)
Depreciation charge	-	(37)	(37)
Balance, end of year	336	2,202	2,538

35. 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, exposes it to various insurance and financial risks.Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 36 and 37.

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.

35.1 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.

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

35. FINANCIAL RISK (continued)

35.1 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 36.3).

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.

	2013		2012	
	$000	%	$000	%
Investment portfolios	211,590	82.8	202,502	81.9
Lending portfolios	34,563	13.5	33,580	13.6
Reinsurance assets	2,765	1.1	3,880	1.7
Other financial assets	6,692	2.6	6,995	2.8
Total financial statements exposures	255,610	100.0	246,957	100.0
Loan commitments	-	-	-	-
Total off financial statements exposures	-	-	-	-
Total	255,610	100.0	246,957	100.0

35. FINANCIAL RISK (continued)

35.1 Credit risk (continued)

(a) Investment portfolios

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

Investment portfolios					
Risk Rating	Classification	2013 Exposure		2012 Exposure	
		$000	%	$000	%
1	Minimal risk	78,325	37	79,887	39
2	Low risk	55,954	27	80,655	40
3	Moderate risk	57,691	27	26,140	13
4	Acceptable risk	2,036	1	3,916	2
5	Average risk	10,584	5	1,261	1
6	Higher risk	5,481	3	10,376	5
7	Special mention	23	-	23	-
8	Substandard	984	-	191	-
9	Doubtful	-	-	-	-
TOTAL RATED EXPOSURES		211,078	100	202,449	100
UN-RATED EXPOSURES		512	-	53	-
TOTAL		211,590	100	202,502	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.

35. FINANCIAL RISK (continued)

35.1 Credit risk (continued)

(b) Lending portfolios

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

Lending portfolios					
Risk Rating	Classification	2013 Exposure		2012 Exposure	
		$000	%	$000	%
1	Minimal risk	10,182	30	10,097	30
2	Low risk	2,070	6	5,507	16
3	Moderate risk	11,203	32	9,707	29
4	Acceptable risk	6,409	18	799	2
5	Average risk	2,090	6	3,109	9
6	Higher risk	856	2	1,389	4
7	Special mention	424	1	527	2
8	Substandard	934	3	1,860	6
9	Doubtful	-	-	151	-
10	Loss	217	1	218	1
TOTAL RATED EXPOSURES		34,385	99	33,364	99
UN-RATED EXPOSURES		178	1	216	1
TOTAL		34,563	100	33,580	100

35. FINANCIAL RISK (continued)

35.1 Credit risk (continued)

The Group's exposures to significant individual counterparty credit risks are set out below.

	Sagicor Risk Rating	2013	2012
Investment portfolio:			
Government of Jamaica debt securities denominated in United States dollars (long-term issue credit rating B by Standard & Poor)	5	-	1,102
Government of Aruba debt securities denominated in AFL (unrated)	3	27,171	24,559
FirstCaribbean Int'l Bank (long-term issue credit rating A- by Standard & Poor)	2	22,274	25,206
The Bank of Nova Scotia (long-term issue credit rating AA- by Standard & Poor)	1	33,457	36,257
The Royal Bank of Canada & subsidiaries (credit rating AA- by Standard & Poor)	1	8,076	4,199
Reinsurance assets:			
Swiss Re	2	-	694
Munich Re	2	-	276

[2] The reinsurance asset arises from reinsurance assumed on a block of life insurance policies.

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans and finance loans. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 90% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

35. FINANCIAL RISK (continued)

35.1 Credit risk (continued)

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Group is most exposed to the risk of past due assets with respect to its financial investments namely, its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 180 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

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

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

2013	Debt securities	Mortgage loans	Finance loans
Neither past due nor impaired	83,081	8,878	5,608
With amounts past due up to 3 months	-	6,319	-
With amounts past due up to 12 months	-	1,493	-
With amounts past due up to 5 years	-	300	-
With amounts past due over 5 years	-	120	-
Total	-	8,232	-
Impaired assets	737	1,636	27
Total carrying value	83,818	18,746	5,635

35. FINANCIAL RISK (continued)

35.1 Credit risk (continued)

2012	Debt securities	Mortgage loans	Finance loans
Neither past due nor impaired	88,707	9,315	3,346
With amounts past due up to 3 months	6	5,066	-
With amounts past due up to 12 months	-	2,358	-
With amounts past due up to 5 years	-	1,839	-
With amounts past due over 5 years	-	79	-
Total	6	9,342	-
Impaired assets	173	1,451	29
Total carrying value	88,886	20,108	3,375

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

	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
2013				
Debt securities	1,934	1,197	737	1,612
Mortgage loans	2,306	670	1,636	2,817
Finance loans	149	122	27	-
Total	4,389	1,989	2,400	-
2012				
Debt securities	207	34	173	-
Mortgage loans	2,164	713	1,451	1,778
Finance loans	151	122	29	-
Total	2,522	869	1,653	-

Interest of $31(2012 - $8) has been accrued on impaired financial investments.

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

35. FINANCIAL RISK (continued)

35.1 Credit risk (continued)

(b) Repossessed assets

The Group may foreclose on overdue mortgage loans and finance loans and finance leases by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Group will seek to dispose of by sale.

(c) Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted.

35.2 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 10% of their total assets in investment property.

(a) Financial liabilities and commitments

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

35. FINANCIAL RISK (continued)

35.2 Liquidity risk (continued)

As of December 31, 2013	Contractual cash flows			Total
	Within 1 year	1 to 5 years	After 5 years	
Financial liabilities:				
Investment contract liabilities	6,963	-	-	6,963
Bank overdrafts	-	-	-	-
Accounts payable and accrued liabilities	7,983	-	-	7,983
Balances with related companies	39,389	-	-	39,389
Total financial liabilities	54,335	-	-	54,335
Off balance sheet commitments:				
Loan commitments	-	-	-	-
Total off balance sheet commitments	-	-	-	-
Total	54,335	-	-	54,335

As of December 31, 2012	Contractual cash flows			Total
	Within 1 year	1 to 5 years	After 5 years	
Financial liabilities:				
Investment contract liabilities	7,750	-	-	7,750
Bank overdrafts	2	-	-	2
Accounts payable and accrued liabilities	10,110	-	-	10,110
Balances with related companies	37,105	-	-	37,105
Total financial liabilities	54,967	-	-	54,967
Off balance sheet commitments:				
Loan commitments	-	-	-	-
Total off balance sheet commitments	-	-	-	-
Total	54,967	-	-	54,967

35. FINANCIAL RISK (continued)

35.2 Liquidity risk (continued)

(b) Insurance liabilities

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

2013	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Actuarial liabilities	6,196	8,779	64,957	79,932
Other insurance liabilities [1]	6,871	495	1,948	9,314
Total	13,067	9,274	66,905	89,246

[1]Consists of monetary items

2012	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Actuarial liabilities	6,896	7,323	82,060	96,279
Other insurance liabilities [1]	6,419	372	2,096	8,887
Total	13,315	7,695	84,156	105,166

[1] Consists of monetary items

35. FINANCIAL RISK (continued)

35.2 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.

As of December 31, 2013	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	12,590	39,635	31,593	83,818
Mortgage loans	3,683	1,633	13,430	18,746
Policy loans	275	106	9,801	10,182
Finance loans	-	-	5,635	5,635
Deposits	73,187	11,368	361	84,916
Reinsurance assets: share of actuarial liabilities	877	46	-	923
Reinsurance assets: other	1,842	-	-	1,842
Premiums receivable	2,435	-	-	2,435
Other accounts receivable	1,038	-	-	1,038
Related party balances	3,219	-	-	3,219
Cash resources	42,856	-	-	42,856
Total	142,002	52,788	60,820	255,610

35. FINANCIAL RISK (continued)

35.2 Liquidity risk (continued)

(c) Financial and insurance assets (continued)

As of December 31, 2012	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	9,511	37,974	41,401	88,886
Mortgage loans	3,240	1,593	15,275	20,108
Policy loans	264	144	9,689	10,097
Finance loans	-	-	3,375	3,375
Deposits	81,478	-	188	81,666
Reinsurance assets: share of actuarial liabilities	1,011	-	-	1,011
Reinsurance assets: other	2,869	-	-	2,869
Premiums receivable	2,820	-	-	2,820
Other accounts receivable	1,134	-	-	1,134
Related party balances	3,041	-	-	3,041
Cash resources	31,950	-	-	31,950
Total	137,318	39,711	69,928	246,957

35.3 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.

35. FINANCIAL RISK (continued)

35.3 Interest rate risk (continued)

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

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

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

The tables following summarise the exposures to interest rates on the Group's insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 36). 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.

	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
As of December 31, 2013:					
Other insurance liabilities [1]	6,663	495	1,948	208	9,314
Investment contract liabilities	6,963	-	-	-	6,963
Bank overdrafts	-	-	-	-	-
Accounts payable and accruals	233	-	-	7,750	7,983
Balances due to related parties	-	-	-	2,016	2,016
Total	13,859	495	1,948	9,974	26,276
As of December 31, 2012:					
Other insurance liabilities [1]	6,419	372	2,096	-	8,887
Investment contract liabilities	7,750	-	-	-	7,750
Bank overdrafts	2	-	-	-	2
Accounts payable and accruals	-	-	-	10,110	10,110
Balances due to related parties	-	-	-	37,105	37,105
Total	14,171	372	2,096	47,215	63,854

[1] Consists of monetary items

35. FINANCIAL RISK (continued)

35.3 Interest rate risk (continued)

The tables following summarise the exposures to interest rate and reinvestment risks of the Group's insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
As of December 31, 2013					
Debt securities	12,851	38,925	30,547	1,495	83,818
Equity securities	-	-	-	2,367	2,367
Mortgage loans	18,412	-	-	334	18,746
Policy loans	261	101	9,441	379	10,182
Finance loans	-	-	5,583	52	5,635
Deposits	72,705	11,344	361	506	84,916
Reinsurance assets (2)	1,842	-	-	-	1,842
Premiums receivable	2,435	-	-	-	2,435
Other accounts receivable	930	-	-	108	1,038
Related party balances	-	-	-	3,219	3,219
Cash resources	502	-	-	42,354	42,856
Total	112,305	50,370	45,932	48,447	257,054
As of December 31, 2012					
Debt securities	11,105	37,112	39,015	1,654	88,886
Equity securities	-	-	-	1,933	1,933
Mortgage loans	3,185	1,530	14,676	717	20,108
Policy loans	251	137	9,340	369	10,097
Finance loans	-	-	3,367	8	3,375
Deposits	80,942	-	188	536	81,666
Reinsurance assets (2)	-	-	-	2,869	2,869
Premiums receivable	137	-	-	2,683	2,820
Other accounts receivable	1,134	-	-	-	1,134
Related party balances	-	-	-	3,041	3,041
Cash resources	946	-	-	31,004	31,950
Total	97,700	38,779	66,586	44,814	247,879

[2)] Excluding share of actuarial liabilities

35. FINANCIAL RISK (continued)

35.3 Interest rate risk (continued)

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

	2013	2012
Financial assets:		
Debt securities	7%	7%
Mortgage loans	7%	9%
Policy loans	6%	7%
Finance loans and finance leases	7%	7%
Deposits	2%	2%
Financial liabilities		
Investment contract liabilities	9%	6%

(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 37.

35.4 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.

35. FINANCIAL RISK (continued)

35.4 Foreign exchange risk (continued)

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency.

Exceptions are made to invest limited proportions in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

As of 31-Dec-13	Bahamas $	Belize $	Dutch Caribbean $	US $	Other currencies $	Total Current Year
ASSETS						
Financial investments[1]	11,493	31,249	127,864	26,852	5,839	203,297
Reinsurance assets	188	1,244	471	823	39	2,765
Receivables [1]	381	281	1,027	1,557	228	3,473
Cash resources	1,024	16,294	1,674	22,514	1,351	42,856
Other assets[2]	-	1,014	1,949	4,617	997	8,579
Total assets	13,086	50,082	132,985	56,363	8,454	260,969
LIABILITIES						
Actuarial liabilities	810	3,735	53,703	14,250	7,434	79,932
Other insurance liabilities[1]	607	1,524	4,725	1,493	966	9,315
Investment contracts	3	3,530	3,364	2	65	6,963
Provisions	(7)	1,536	4,244	966	30	6,769
Accounts payable and accruals	496	(2,717)	10,848	85,755	(7,623)	47,372
	1,909	7,609	76,884	63,076	872	15,031
Other liabilities[2]	-	239	1,258	(17)	75	1,555
Total liabilities	1,909	7,848	78,142	63,059	947	151,905
Net position	11,174	42,234	54,844	(6,696)	7,506	109,063

[1] Consists of monetary items.

[2] Consists of non-monetary, income tax and retirement balance.

35. FINANCIAL RISK (continued)

35.4 Foreign exchange risk (continued)

As of 31-Dec-12	Bahamas $	Belize $	Dutch Caribbean $	US $	Other currencies $	Total Current Year
ASSETS						
Financial investments[1]	10,499	32,832	125,207	28,077	7,517	204,132
Reinsurance assets	1,226	1,384	363	845	62	3,880
Receivables [1]	1,715	589	987	2,298	1,406	6,995
Cash resources	63	12,261	2,652	15,304	1,670	31,950
Other assets[2]	(2)	1,055	2,051	1,140	985	5,229
Total assets	13,501	48,121	131,260	47,664	11,640	252,186
LIABILITIES						
Actuarial liabilities	1,113	5,401	65,624	15,667	8,474	96,279
Other insurance liabilities[1]	576	968	4,664	1,427	1,252	8,887
Deposit and security liabilities	-	1	-	-	1	2
Investment contracts	41	4,383	3,259	3	64	7,750
Provisions	(8)	1,725	4,107	695	28	6,547
Accounts payable and accruals	4,703	1,430	2,515	6,726	31,841	47,215
	6,425	14,391	80,169	24,518	41,660	166,680
Other liabilities[2]	(1)	484	1,144	(16)	73	1,685
Total liabilities	6,424	14,392	81,313	24,502	41,733	168,365
Net position	7,076	33,729	49,947	23,162	(30,093)	83,821

[1] Consists of monetary items.
[2] Consists of non-monetary, income tax and retirement plan balance.

35. FINANCIAL RISK (continued)

35.5 Fair value of financial instruments

(a) Financial instruments carried at fair value

Financial instruments carried at fair value in the financial statements are 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.

The techniques and methods described in 35.5 (a) for non traded financial assets and liabilities may also be used in determining the fair value of Level 2 instruments.

(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. 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 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 35.5 (a) for non traded financial assets and liabilities may also used in determining the fair value of Level 3 instruments.

35. FINANCIAL RISK (continued)

35.5 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

Financial Assets:	Level 1	Level 2	Level 3	Total
Available for sale securities:				
2013				
Debt securities	15,454	2,561	-	18,015
Equity securities	2,209	-	158	2,367
Total	17,663	2,561	158	20,382
Total assets by percentage	86%	13%	1%	100%
2012				
Debt securities	16,060	3,449	-	19,509
Equity securities	1,745	-	188	1,933
Available for sale securities:	17,805	3,449	188	21,442
Total assets by percentage	83%	16%	1%	100%

There has been no material transfer between Level 1, Level 2 and Level 3 instruments during 2013 and 2012

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale instruments would affect other comprehensive income. Level 3 available for sale securities comprise primarily of corporate and government agency debt instruments issued in the Caribbean. 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 for the instrument.

The following table presents the movement in Level 3 instruments for the year, excluding those assets and liabilities representing funds for which the full income and capital returns accrue directly to policy contract-holders.

Level 3 - Assets	2013		2012
	Available for sale securities	Total	Total
Balance, beginning of year	188	188	192
Fair value changes recorded in other comprehensive income	2	2	(4)
Disposals and divestitures	(32)	(32)	-
Balance, end of year	158	158	188

35. FINANCIAL RISK (continued)

35.5 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, except as disclosed in notes 7, 13, and 14.

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.

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.

The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2013 is set out in the following tables:

2013	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Debt securities	-	-	77,225	77,225
Mortgage loans	178	-	18,503	18,681
Policy loans	-	-	10,182	10,182
Finance loans and finance leases	-	-	5,635	5,635
Total	178	-	111,545	111,723
Total assets by percentage	-	-	100%	100%

2013	Level 1	Level 2	Level 3	Total
Policy liabilities:				
Deposit administration liabilities	-	-	6,963	6,963
Other investment contracts	-	-	-	-
Total	-	-	6,963	6,963
Total assets by percentage	-	-	100%	100%

35. FINANCIAL RISK (continued)

35.5 Fair value of financial instruments (continued)

(c) Equity price risk

The Group is exposed to other price risk arising from changes in equity prices. The group mitigates this risk by holding a diversified portfolio and by minimising the use of equity securities to back its insurance and financial liabilities.

(d) Sensitivity of equity securities

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for 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, 2013 on total comprehensive income before tax (TCIBT) are as follows.

	Available for sale equities	
	Carrying value	**Effect of a 20% change on TCIBT**
Listed on Caribbean stock exchanges and markets	883	177
Listed on US stock exchanges and markets	1,326	265
Listed on other exchanges and markets	158	32
	2,367	474

36. INSURANCE RISK

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.

The effects of reinsurance ceded are disclosed in notes 11, 12, 20 and 23. Information on reinsurance balances are disclosed in notes 8, 17 and 35.

36.1 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.

(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 36.2(b).

36. INSURANCE RISK (continued)

36.1 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.

2013 Premium revenue by location of insured	Gross	Ceded	Net
Bahamas	27	-	27
Belize	6,148	293	5,855
Dutch Caribbean	1,995	226	1,769
Other Caribbean	33	4	29
Total	8,203	523	7,680

(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 36.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

	2013		2012	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	1,521	76	1,703	85
Claims payable	214	11	90	5
	1,735	87	1,793	90

36.2 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.

36. INSURANCE RISK (continued)

36.2 Contracts with investment returns (continued)

(a) Product design and pricing risk (continued)

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.

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 at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2013		2012	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Bahamas	Gross	12,333	267,677	13,950	396,054
	Net	10,054	119,037	11,586	219,861
Belize	Gross	218,804	294,228	207,292	538,358
	Net	187,250	291,435	179,940	304,979
Dutch Caribbean	Gross	1,873,314	169,211	1,859,348	155,285
	Net	1,383,741	138,751	1,357,000	125.548
Other Caribbean	Gross	143,099	108,049	308,342	330,605
	Net	39,605	86,986	139,330	163,939
Total	Gross	2,247,550	839,067	2,388,932	1,420,303
	Net	1,620,650	636,123	1,687,856	814,326

36. INSURANCE RISK (continued)

36.2 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 35 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.

36.3 Reinsurance risk (life, annuity and health insurance)

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and 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.

36. INSURANCE RISK (continued)

36.3 Reinsurance risk (life, annuity and health insurance) (continued)

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 $75
Health insurance contracts with groups	Retention per individual to a maximum of $75
Life insurance contracts with individuals	Retention per individual life to a maximum of $500
Life insurance contracts with groups	Retention per individual life to a maximum of $250

The effects of reinsurance ceded are disclosed in the notes 11, 12, 20 and 23. Information on reinsurance balances are disclosed in notes 8,17 and 35.

37. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed below.

37.1 Sensitivity arising from the valuation of life insurance and annuity contracts

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

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 11.3 (b) to (f)), and
- the margins for adverse deviations (note 11.3 (g)).

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.

37. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

Limited sensitivity tests have been conducted by insurers. The scenarios developed and tested by insurers were as follows.

Sensitivity	
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.
High interest rate.	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.
Low interest rate.	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.

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.

	2013	2012
Base net actuarial liability - $'000	72,032	88,325
Scenario	**%change in liability**	
Worsening rate of lapse	23.3%	8.1%
High interest rate	-20.8%	-26.6%
Low interest rate	29.9%	22.7%
Worsening mortality / morbidity	8.3%	6.4%
Higher expenses	3.5%	6.3%

38. 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 $29,584 (2012–$24,488) 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.

39. CAPITAL MANAGEMENT

The Group manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and the shareholder;
- To provide adequate returns to the shareholder;
- To maintain a strong capital base to support the future development of Group operations.

39.1 Capital resources

The principal capital resources of the Group are as follows:

	2013	2012 Restated
Shareholders' equity	109,064	83,821

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

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

39.2 Capital adequacy

(a) Life insurers

Capital adequacy is managed at the operating company level. It is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Surplus and Capital Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard.

The consolidated MCCSR for the Sagicor Capital Group as of December 31is set out below.

	2013	2012
Sagicor Capital Group	528%	445%

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.

40. RELATED PARTY TRANSACTIONS

Certain related party transactions and balances are included in notes 10, 17 and 21 of the financial statements. Key management related party transactions and balances are summarised below.

Key management

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

Compensation

	2013	2012
Pension and other retirement benefits	330	474

Mortgage loans

	2013	2012
Balance, beginning of year	157	140
(Net repayments) / Advances net of repayments	(80)	17
Balance, end of year	77	157

Interest rate on existing mortgage loans is 5.0%.

41. EXPENSES BY NATURE

	2013	2012
Parent company overheads	5,019	5,696
Salaries & Benefits	1,692	1,915
Other	1,882	1,833
Professional fees	1,083	1,018
Claims processing & medical fees	330	328
Accommodation	533	367
Advertising	256	193
Telecommunications	250	177
Travel – Local & Overseas	159	99
Sales convention & incentives	128	18
Postage	85	94
	11,417	11,738

42. PRIOR YEAR ADJUSTMENT

The amended version of IAS 19 Employee Benefits standard has been adopted with effect from this financial year beginning January 1, 2013. As a consequence any unrecognized actuarial gains and losses is taken to retained earnings, instead of being allowed to be deferred. Likewise service costs and net interest on the net defined benefit balance are included in income in the year incurred, while changes arising upon the revaluation of the net defined benefit balance are included in other comprehensive income. See note 27.

The restatements of the prior period financial statements arising from the change in accounting policy summarised in note 2.1 (a) are set out in the following tables.

Statement of financial position	As previously stated	Effect of restatements	As restated
December 31, 2012			
Net defined benefit liabilities (note 15)	6,433	114	6,547
Impact to total liabilities	168,251	114	168,365
Impact to total equity	83,935	(114)	83,821
January 1, 2012			
Net defined benefit liabilities	6,164	133	6,031
Impact to total liabilities	156,545	133	156,412
Impact to total equity	78,851	(133)	78,984
Year ended December 31, 2012			
Statement of income			
Defined benefit expense (note 27)	275	199	474
Administrative expenses	11,715	23	11,738
Impact to income from ordinary activities	7,436	(23)	7,413
Impact to net income for the year	6,482	(23)	6,459
Statement comprehensive income			
Losses on defined benefit plans (note 27)	-	(224)	(224)
Other comprehensive loss for the year	(1,646)	(224)	(1,870)
Total comprehensive income attributable to common shareholders	4,836	(247)	4,589

42. PRIOR YEAR ADJUSTMENT (continued)

Statement of changes in equity	**Retained Earnings**	**Total Equity**
Year ended December 31, 2012		
Balance, beginning of year as previously reported	71,039	78,851
Effect of change in accounting policy	133	133
Balance, beginning of year as restated	71,172	78,984
Total comprehensive income for the year, as previously reported	6,482	4,836
Effect of change in accounting policy	(247)	(247)
Total comprehensive income for the year, as restated	6,235	4,589
Balance, end of year, as previously reported	77,521	83,935
Effect of change in accounting policy	(114)	(114)
Balance, end of year, as restated	77,407	83,821

As there has been no change in share capital and reserves, these items have been excluded from the foregoing tables.