Sagicor GENERAL

SAGICOR GENERAL INSURANCE INC.
ANNUAL REPORT 2011

Sagicor

GENERAL

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Sagicor General is here:

“To be the insurer of choice, leading through innovation, excellence in customer service and financial strength, while meeting our stakeholders’ expectations and uplifting the communities in which we operate.”

FORESIGHT

OPPORTUNITY

COMMUNITY

DIVERSITY

COMMITMENT

STRENGTH

KNOWLEDGE

TEAMWORK

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FORESIGHT

The ultimate vision is not to tell the future, but to create it.

OVERVIEW

We have been in existence for more than 130 years offering a comprehensive range of general insurance solutions to individuals and companies. In July 2003, a Special Resolution was passed by the shareholders authorizing an amendment to the Articles of Incorporation to change the name of the company from Barbados Fire and Commercial Insurance Company Limited to Sagicor General Insurance Inc.

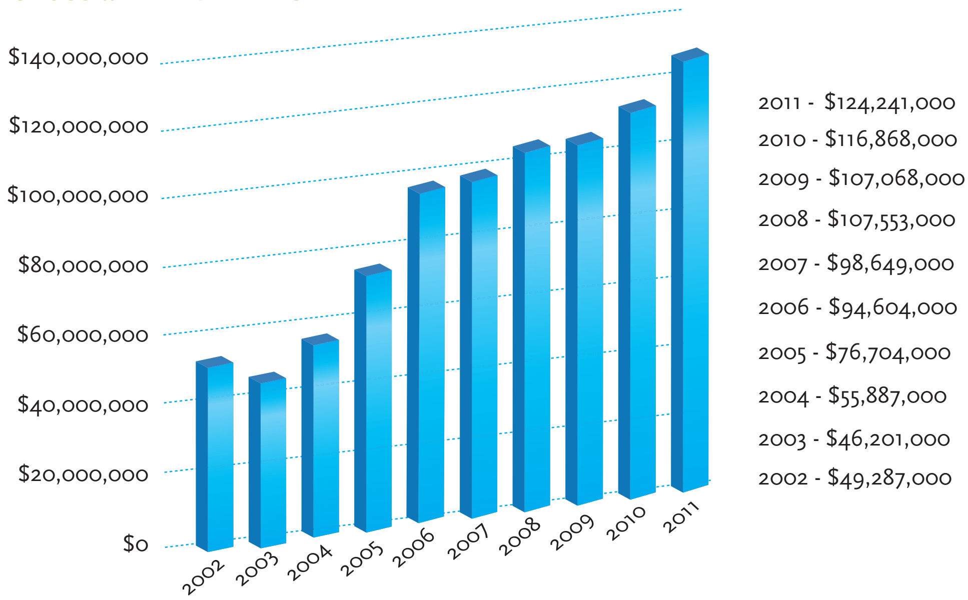
We write all classes of non-life insurance products with the Property portfolio accounting for 50% of our book of business, Motor premium revenue represents 36% and Accident & Marine business account for 14% of our total portfolio.

Our newly crafted Strategic Plan has established targets and objectives which all staff have embraced. The attainment of these objectives will place Sagicor General firmly among the leaders in Property & Casualty insurance business in the region.

We will continue to underwrite prudently, analyze and quantify our risks carefully, while controlling our risk exposures in such a manner as to ensure that our clients are always fully protected.

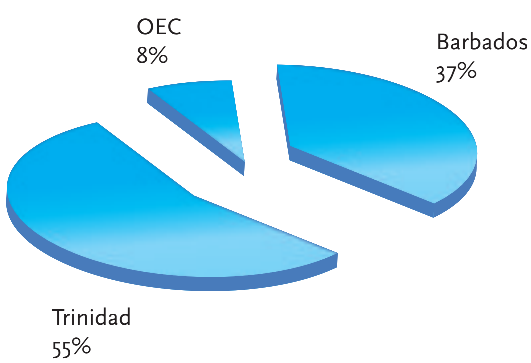
FINANCIAL HIGHLIGHTS

GROSS WRITTEN PREMIUM



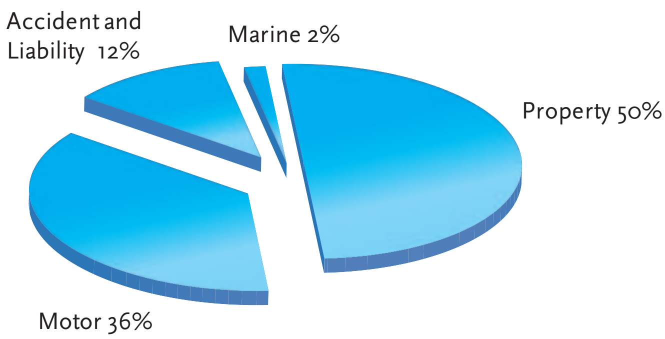
TOTAL EQUITY

PREMIUM REVENUE BY TERRITORY

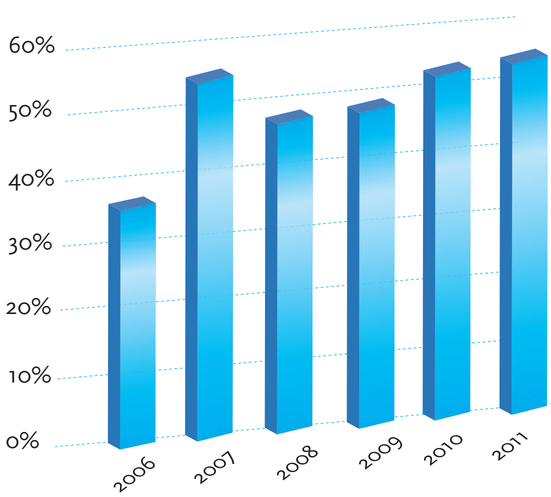


FINANCIAL HIGHLIGHTS

PREMIUM REVENUE BY BUSINESS CLASS

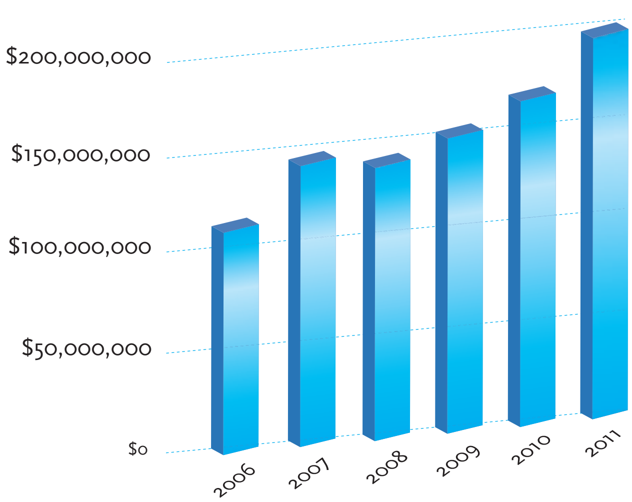


LOSS RATIO



2011	53.2%
2010	52.4%
2009	40.8%
2008	36.9%
2007	55.9%
2006	48.5%

TOTAL ASSETS



2011	$198,475,000
2010	$179,765,000
2009	$161,248,000
2008	$150,859,000
2007	$153,817,000
2006	$121,827,000


OPPORTUNITY

Be brave enough to live creatively.

M. PATRICIA DOWNES – GRANT
Chairman

DIRECTORS' REPORT

On behalf of the Directors of Sagicor General Insurance Inc. it gives us great pleasure to present to our Shareholders the Annual Report and Accounts for the year ended December 31, 2011. We are delighted to inform you that your company has recorded one of its best ever performances and has achieved a return on capital of approximately 21%. This is indeed a very satisfying outcome given the economic circumstances in which the company operated during the year.

The Central Bank of Barbados confirmed that the Barbados economy remained stable in 2011 in a climate of undiminished international uncertainty. There was however a little growth estimated at 0.5%. The major foreign exchange earner Tourism showed increased numbers but length of stay and average spending fell, leading to an increase in tourism output that was marginal at 0.3%. Apart from tourism, the growth sectors were construction (4.4%) and transport and communications (0.6%).

The economies of Trinidad & Tobago, Antigua & Barbuda and Dominica all contracted during 2011 and this would, to some extent, have affected the ability of existing policyholders and potential clients in the purchase of additional insurance products.

In addition to the above factors, 2011 has been confirmed as a record-breaking year for catastrophic economic losses that have ranged between US$350BN and US$380BN. Insured losses from catastrophes were estimated at US$105BN to US$108BN. This state of affairs in the international arena made the purchase of reinsurance very difficult and costly during the year. In addition clients were requesting lower premiums as well as more favourable and longer payment terms and conditions. It is against this very difficult background that shareholders should view Sagicor General's performance and results.

RESULTS FROM INSURANCE OPERATIONS

We are very pleased to state that our Gross Written Premiums increased from $116.9M to $124.2M in 2011 with increases being recorded in all the territories. Trinidad's premium base grew by 7.2% while Barbados and the Eastern Caribbean territories recorded growth of 6.1% and 0.8% respectively. Net Earned Premiums increased from $29.4M to $34.4M an increase of approximately 17% and total Underwriting Income rose to $47.4M an increase of approximately 24% over 2010 whose income was $38.3M. The Property Class accounts for 50% of our Gross Written Premium, Motor represents 36.6% and Accident and Marine classes account for 11.8% and 1.6% respectively.

We indicated in 2010 that our Loss Ratio which stood then at 52.4% was significantly higher than the 40.8% recorded in 2009. Unfortunately due to a continued increase in the frequency, severity and cost of reported claims we have been unable to realize a reduction in our loss ratio which stood at 53.2% at year-end 2011. Our net claims incurred were higher than the previous year by nearly 19% due to an overall deterioration of our Motor insurance book of business. Overall we recorded 5,994 claims in 2011 compared with 5,534 in 2010, an increase of 8.3% year-on-year.

Management continues to review its Motor and Liability portfolios in a concerted attempt to improve the company's loss ratios. Risk management techniques are being employed at the underwriting level and every effort is being made to settle long outstanding personal injury claims as quickly and as cost effectively as possible.

Sagicor General's Investment Income increased significantly during the year under review as a result of the gains recorded from the sale of a number of shares early in the year. It is not anticipated that this type of gain will be repeated in 2012, so the company will be looking to an enhanced performance from its underwriting activities for the achievement of its financial targets.

BALANCE SHEET

Sagicor General's Balance Sheet continues to be strong with Shareholders' Equity increasing from $59.3M in 2010 to $66.2M at December 2011. Total Assets reached $198.5M up from approximately $180M in 2010 while Total Liabilities increased from $120.6M to $132.2M of which $108.8M represented policyholders' liabilities, an increase of approximately $11.5M.
Shareholders will recognize that we did not achieve our target of $127.6M in Gross Written Premium in 2011 but we continued to receive wonderful support from our various representatives in the distribution channel. Our Financial Advisors, Brokers, Agents and Staff members have all worked extremely hard to ensure the success of the company in 2011. These efforts continue to be recognized by the world renowned insurance rating agency A. M. Best which once again reaffirmed our A-Excellent rating with a stable outlook during the year under review.

HUMAN RESOURCES

Sagicor General places major emphasis on the desire to maintain a highly efficient cadre of persons on staff who are trained in the various disciplines required by a general insurance company. Several staff members therefore continued their education and training in insurance and related disciplines under the auspices of the local institutes in the territories in which we do business as well as at the University of the West Indies.

We are pleased to announce that Krystle De Silva attained her B.A. Degree in Language, Literature and Education from the University of the West Indies with Upper Second Class Honours. Krystle plans to further her education by embarking upon a Masters Degree in Communication. Terry De Coteau attained a Business Management Diploma from the Association of Business Executives, completing courses such as Economic Principles and their Application to Business, Financial Accounting, Organizational Behavior and Quantitative Methods for Business and Management. Deborah L. Romeo – FCCA, CA – Trinidad's AVP Finance became a Fellow of the Association of Chartered Certified Accountants. Deborah is a member of the Institute of Chartered Accountants of T&T, an active ambassador for ACCA Caribbean and the Trinidad and Tobago's media spokesperson on accounting matters. She brings to Sagicor General a wealth of knowledge and experience, having specialized in the field of insurance accounting over the past 15 years.

In Barbados Shirrell Shepherd completed the Barbados Diploma in Insurance (BDI) with the Insurance Institute of Barbados while the Certificate of Proficiency (COP) was successfully completed by Lisa Payne, Tina Bartlett, Katrina Harris, Natasha Gamble, Kim Beckles and Cheryne Corbin. Lisa Payne received the Eddie Gamlen Award for her outstanding performance in the COP.

COMMUNITY INVOLVEMENT

Sagicor Financial Corporation, our parent company, has committed itself to being a great company, determined to improve the lives of people in the communities in which it operates. Our company's raison d'être includes among other things the "uplifting of the communities in which we operate". We continue therefore to provide sponsorship, financial and other support to many organizations and groups to assist them in their efforts to promote wholesome activities for the members of their communities.

In keeping with this vision of improving the lives of the people in the communities in which we operate, Sagicor General Insurance Inc. has been a proud sponsor of the National Amateur Athletic Association of Trinidad & Tobago's Open Championships for 8 years. This track and field event showcases the talent of the athletes of Trinidad and Tobago as well as competitors from the Caribbean region and worldwide. We have now significantly increased our donation toward the Sagicor General NAAA Open Championships as part of our commitment to increasing our support for initiatives in the areas of education, health, sports and youth development.

The contribution made by Sagicor General Insurance Inc. to this annual athletic meet now extends to the inclusion of staff members and volunteers in varying capacities during the two days of competition. The NAAA has subsequently appointed Mrs. Michelle Serville, Assistant Manager, Marketing and Business Development to their committee as an official NAAA committee member.

During the year 2011 Sagicor General continued its commitment to the sponsorship of the 3 major limited-overs competitions in Barbados, the Sagicor General Super Cup, Sagicor General Shield and Twenty/20 competitions held under the auspices of the Barbados Cricket Association. We extend sincere congratulations to the BNB St. Catherine Cricket Club, winners of the Cup, Seven Seas Police Cricket Club on winning the Shield and CGI Sandy Crest Maple on capturing the Twenty/20 title. Sagicor General also sponsored the Somerset Cricket Team in Dominica.

MARKETING INITIATIVES

The company embarked on a number of Marketing initiatives during the year. Some of the major ventures undertaken included the April 12th, 2011 launch of the Kitchen Makeover in Barbados. This gives one of our policyholders the chance to win a new kitchen designed and installed by Williams Trading Inc. In the Eastern Caribbean territories a Bathroom Makeover was also launched during the year in review. A policyholder in each of the OECS territories in which we do business will win a new bathroom. Sagicor General's official facebook page was another new feature which saw the company reaching a large number of persons via the swiftly growing social networks. The Call Centre was also established to provide a more intimate and responsive method of communication with our policyholders and potential new clients.

INFORMATION TECHNOLOGY

During the year, Management signed an agreement with a Canadian software company to provide a new Property and Casualty software system. It is expected that the new system will allow for enhanced efficiency with the introduction of:

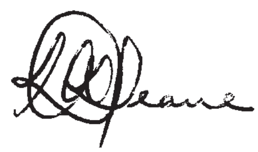
- automated system generated documentation
- on-line access via web portals for agents, brokers and clients
- enhanced reporting through a data warehouse tool

CONCLUSION

We have enjoyed a very successful year in spite of some trying and difficult circumstances. Our sincere thanks are expressed to all those who supported us so magnificently during the year. Management is working extremely hard to maintain the level of returns which have been set by the Board of Directors.

We thank all Policyholders, Shareholders, Financial Advisors, Clients, Management and Staff, Brokers, Agents, Reinsurers, Attorneys and all others who may have contributed to our success in 2011 and we look forward to continued excellent results in 2012.

M. Patricia Downes-Grant
CHAIRMAN



David A. Deane
PRESIDENT & CEO

COMMUNITY

We are in a community each time we find a place where we belong.

Corporate & Social Responsibility

Super Cup – BNB St. Catherine

An ecstatic BNB St. Catherine's team celebrates after winning the Sagicor General Cup and a cheque for $15,000. The team had moments earlier defeated ESA Field Pickwick in the final. Sagicor General's AVP Marketing Roger Spencer joins in the celebration.

Sagicor Twenty/20 – CGI Sandy Crest Maple

The Victorious CGI Sandy Crest Maple in jubilant mood after receiving the cheque and trophy for having won the 2011 Sagicor General 20/20 Competition.

Sagicor Shield – Seven Seas Police

The 2011 Sagicor General Shield Final winners Seven Seas Police pose with the Sagicor General Shield proudly held aloft by Commissioner of Police Darwin Dottin after defeating BRC BCL in the final at the Desmond Haynes Oval.

Corporate & Social Responsibility

'Chef Mac Fingall' is flanked by representatives of Sagicor General Insurance and Williams Trading Inc in model kitchen displayed at the launch of the SGI Kitchen makeover promotion. L-R Mr. Mario Williams - President & CEO, Williams Trading Inc., Mr. Roger Spencer - Assistant Vice President - Marketing, Sagicor General, 'Chef Mac Fingall' Mr. Mark Blakeley - Vice President Marketing & Business Development, Sagicor General and Mrs. Nicolette Campbell - Office Manager, Williams Trading Inc.

Trinidad and Tobago's Richard Thompson setting a new T&T national record of 9.85 seconds in the 100M at the 2011 National Amateur Athletic Association (NAAA) Championships.

Outstanding Performance

Surfside Corporate Fitness Challenge

What a sight to behold!! The Surfside Wellness team which participated in Corporate Fitness Challenge posing for the camera after finishing second in the competition. From L-R Shirrell Shepherd, Evadney Morris, Cheryl St. Hill, Charmaine Walters, Shelly-Ann Smith, Tina Bartlett, Tracey Brathwaite, Shellyann McCarthy and Andrea Skeete.

Sagicor General staff members and other outstanding Sagicor Life Financial Advisors celebrate leading performances. L-R:
Mr. Gay Griffith, Mrs. Cheryl St. Hill, A.V.P - Underwriting, Mr. Charlie Packer,
Ms. Roslyn Hintzen, Senior Client Service Underwriting Representative,
Mr. Richard Bynoe, Mr. Simon Marshall and Mr. Mark Blakeley, V.P Marketing and Business Development.

Sagicor General Insurance Inc., is a subsidiary of Sagicor Financial Corporation. Goddard Enterprises Limited is our other major shareholder. We are one of the largest property and casualty Insurers in Barbados with a presence that extends into Antigua, Dominica, St. Lucia, and Trinidad & Tobago.

At present we have approximately 49,000 policies across all the territories. We write business directly but a large percentage also comes to us through brokers, agents and sales representatives.

Sagicor General's vision is "To be the insurer of choice, leading through innovation, excellence in customer service and financial strength, while meeting our stakeholders' expectations and uplifting the communities in which we operate." We are determined to play our role in strengthening communities through sponsorships, and will continue to assist in the overall development of the youth through our involvement in various sporting and cultural activities.

DIVERSITY

Our diversity will most certainly shape our character.

BOARD OF DIRECTORS

1 RAVI RAMBARRAN

2 ASHWELL THOMAS

3 DAVID A. DEANE
President and Chief Executive Officer

4 M. PATRICIA DOWNES-GRANT
Chairman

5 MARTIN J.K. PRITCHARD
Deputy Chairman

6 C. NATASHA SMALL

7 J. EDWARD CLARKE

BOARD OF DIRECTORS

M. PATRICIA DOWNES-GRANT, BA, MA, MBA, DBA

President and Chief Executive Officer - Sagicor Life Inc.

Dr Patricia Downes-Grant was appointed President and Chief Executive Officer of Sagicor Life Inc on January 1, 2006, having served as Group Chief Operating Officer, since July 1, 2002. She joined Sagicor in 1991 and held several senior positions, including those of Vice President, (Investments), and Treasurer and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer.

She holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr Patricia Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers SRL). Dr Downes-Grant has also had significant work experience in development banking. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository and a Director of several companies within the Sagicor Group and within the private sector of Barbados.

MARTIN J.K. PRITCHARD, BA(Econ), F.C.C.A., F.C.M.A

Managing Director of Goddard Enterprises Limited

Martin John Kent Pritchard is the Managing Director of Goddard Enterprises Limited. He was born in the UK, received his early education at Harrison College Barbados and graduated from Leeds University in England with a BA(Hons) in Economics. He is a fellow member of the Association of Chartered Certified Accountants (F.C.C.A) and the Chartered Institute of Management Accountants (F.C.M.A). On graduating he first worked with Touche Ross & Co. in London as an audit trainee and then joined Pricewaterhouse (now PricewaterhouseCoopers SRL) in Barbados.

He served as Financial Controller at C.F. Harrisons from 1984-1985 and in 1985 joined the Parent Company, Goddard Enterprises Limited as Group Financial Controller. He was promoted to Finance Director in 1989 and has spent the last thirty years working with the Goddard Group. This progression has provided him with an accumulation of knowledge both financial and operational, of all the Group's varied businesses. In 2006, he became Managing Director on the retirement of Mr. Joseph Goddard. Mr. Pritchard serves as Director on many boards including Jonas Browne & Hubbard (Grenada) Ltd, Scotia Insurance (Barbados) Limited and Bridgetown Cruise Terminals Inc. He is also Chairman of Globe Finance Inc. and Deputy Chairman of Sagicor General Insurance Inc. He was born in 1953.

BOARD OF DIRECTORS

DAVID A. DEANE FCII, SCM

President and Chief Executive Officer - Sagicor General Insurance Inc.

David Deane is the President and CEO of Sagicor General Insurance Inc. He has been involved in the general insurance business for more than 40 years, having commenced his insurance career in 1967 at The Barbados Fire Insurance Company, the predecessor company to Sagicor General Insurance Inc.

In 1977 Mr. Deane was appointed a member of the Task Force which established the Insurance Corporation of Barbados, a state-owned insurance company and was named as its first CEO.

Mr. Deane is a Fellow of The Chartered Insurance Institute of London (F.C.I.I.), and is a Past President of the Insurance Association of the Caribbean.

The Silver Crown of Merit (S.C.M.) was awarded to Mr. Deane by the Government of Barbados, for his outstanding contribution to the insurance industry.

J. EDWARD CLARKE FCCA, CIA

Chief Operating Officer - Sagicor Life Inc

Edward Clarke was appointed to the position of Chief Operating Officer for Sagicor Life Inc in September, 2010. Prior to this, he held the position of Group Internal Auditor. Mr. Clarke is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 25 years' experience in the field of auditing and finance. Mr. Clarke began his accounting career at Pannell Fitzpatrick & Company Chartered Accountants (now Ernst & Young). He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Prior to joining Sagicor, Mr. Clarke was the Chief Finance Officer of Goddard Enterprises Limited.

BOARD OF DIRECTORS

ASHWELL THOMAS BA, MSc, Ph.D

Divisional Manager, Human Resources - Goddard Enterprises Limited

Dr. Thomas joined Goddard Enterprises Limited in June 1996 as Divisional Manager Human Resources, where he restructured the Group's human resources functions to improve operational efficiency while adding value to the Group generally. He developed programmes to assist operating managers align human resources strategies, processes and practices with their business needs. He is also responsible for forging effective relationships between the company and the various communities.

He served on the GEL Board from 1998 - 2011. Dr. Thomas is the author of three books – "Planning for Tomorrow" (1998), "Industrial Relations Process and Practices – A Caribbean Perspective" (2009) and "Secrets to HRM Professional Effectiveness" (2011). He is a past President of the Barbados Employers Confederation and currently serves on a number of boards, including TMR Sales & Service Limited, Cave Hill School of Business, Barbados Museum and Profiles Caribbean Inc. He is a graduate of the University of the West Indies (Mona) and Kensington University (USA).

RAVI RAMBARRAN, BSc, MSc, FIA

President and Chief Executive Officer - Sagicor International

Ravi Rambarran is President and Chief Executive Officer of Sagicor International. His work experience includes Pensions Actuary of Life of Jamaica (LOJ), Appointed Actuary of Global Life Bahamas and Global Life Cayman, Chief Financial Investment Officer of LOJ, Managing Director of NCB Capital Markets and West Indian Trust Company, part-time Lecturer in Actuarial Science at the University of the West Indies and running his own actuarial practice. Prior to joining LOJ, Mr. Rambarran was a Consulting Actuary with Aon Group and the HSBC Group in the United Kingdom. Mr. Rambarran has a BSc(Hons) in Actuarial Science from City University, London, and an MS.c in Finance from the University of London. Mr. Rambarran was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, and is also a Fellow of the Institute of Actuaries.

BOARD OF DIRECTORS

C. NATASHA SMALL BSc (Hons), FCCA
Chief Financial Officer - Goddard Enterprises Limited

Mrs. Small was appointed to the position of Chief Financial Officer of Goddard Enterprises Limited effective January 1, 2008 after having acted in the post from April 1st, 2007. Previously she served as Group Financial Officer from April 1, 2006. Mrs. Small joined the Group on September 4, 2000 as Financial Controller of Hipac Limited. She held this position for five and a half years before being promoted to Head Office. Her activities involve planning and coordinating the Group' financial and investment activities as well as developing and coordinating the financial strategy of the Group; ensuring that adequate financial resources are available to accomplish the Group's business objectives; managing the corporate finance and accounting functions, managing cash flow investments and credit lines to maximise the productivity of the Group's financial resources. Mrs. Small was educated at Queens College and the Barbados Community College. She attended the University of the West Indies, Cave Hill Campus where she obtained a Bachelor of Science degree with First Class Honours in Accounting. She is a fellow of the Association of Chartered Certified Accountants (FCCA), having qualified in September 2000. Prior to joining Goddard Enterprises Limited Group, Mrs. Small worked with Ernst & Young. She is currently a part-time lecturer at the University of the West Indies Cave Hill Campus. She was born in 1977.

COMMITMENT

The achievement of your goal is assured the moment you commit yourself to it.

EXECUTIVE MANAGEMENT

DAVID A. DEANE FCII, SCM
President and Chief Executve Officer

No. of years at Sagicor General: 18

David Deane is the President and CEO of Sagicor General Insurance Inc. He has been involved in the general insurance business for more than 41 years, having commenced his insurance career in 1967 at The Barbados Fire Insurance Company, the predecessor company to Sagicor General Insurance Inc.

In 1977 Mr. Deane was appointed a member of the Task Force which established the Insurance Corporation of Barbados, a state-owned insurance company and was named as its' first CEO.

Mr. Deane is a Fellow of The Chartered Insurance Institute of London (F.C.I.I.), and is a Past President of the Insurance Association of the Caribbean.

The Silver Crown of Merit (S.C.M.) was awarded to Mr. Deane by the Government of Barbados, for his outstanding contribution to the insurance industry.

CHRISTOPHER MAPP BSc, FCCA,
Chief Financial Officer

No. of years at Sagicor General: 5

Chris joined Sagicor General Insurance Inc. in November 2006 with 11 years of experience in financial management which he gained in the Assurance and Business Advisory Services at PricewaterhouseCoopers.

He is currently the Chief Financial Officer and has in a very short time, made a significant contribution to the company's success. Chris is responsible for managing the accounting, finance and investment functions and is therefore responsible for ensuring that all of the financial resources needed by the company to achieve its strategic goals and objectives are available.

Mr. Mapp is a fellow of the Chartered Association of Certified Accountants.

EXECUTIVE MANAGEMENT

CHERYL JORDAN, AIIC
Vice President – Reinsurance

No. of years at Sagicor General: 30

Cheryl Jordan joined the company in 1981 and has accumulated a wealth of knowledge which has allowed her to significantly contribute to the deliberations of the Sagicor General's executive team. She has untiringly served 31 years in the insurance industry in Barbados.

Her responsibilities include planning, coordination and general management of all activities within the Reinsurance Department to ensure that the company's exposures are adequately protected through reinsurance.

Cheryl is a Chartered Insurance Professional (CIP) having successfully completed her examinations in her field of endeavour.

CLAUDETTE ARTHUR, BSc, FCGA
Vice President – Finance

No. of years at Sagicor General: 24

For the last 21 years Claudette Arthur has worked in Accounting starting as the Financial Controller at Barbados Commercial Insurance and is presently VP Finance Sagicor General Inc. Her qualifications include the BSc. Accounts and CGA.

Ms. Arthur holds responsibility for the preparation of the Financial Statements of the organization as well as the Supervision of the Accounting function.

EXECUTIVE MANAGEMENT

DIANE EDWARDS, BA, MSc
Vice President – Human Resources

No. of years at Sagicor General: 8

Diane has been involved in the discipline of Human Resources for the past 19 years. Her experience spans the retail and off-shore sectors as well as the financial sector with special emphasis on the general insurance area.

Her duties include the planning and administering of policies relating to all aspects of the company's human resources activities. Diane is responsible for the recruitment and selection process, advising management of employee relations issues, coordinating training programmes and administering the compensation and benefits programmes.

Diane has a Masters in Human Resource Management from the University of Surrey, England.

DYAN LOUTAN-ALI MBA, ACII
Vice President – Trinidad & Tobago

No. of years at Sagicor General: 3

Dyan Loutan-Ali joined the Insurance industry in 1988 when she joined NEM (West Indies) Limited. She later joined GTM Insurance Company Limited in 2000. She was subsequently promoted to the post of General Manager responsible for the day-to-day operations of the organization, a position which she held until she joined Sagicor General in October 2009. Mrs. Loutan-Ali qualified with a Masters in Business Administration from Heriot Watt University in 2006 and she is also an Associate of the Chartered Insurance Institute of London UK (ACII).
Mrs. Loutan-Ali has attended several professional courses in Trinidad & Tobago and the United States.

EXECUTIVE MANAGEMENT

MARK BLAKELEY, BSc, MBA
Vice President Marketing and Business Development.

No. of years at Sagicor General: 2

Mark holds an MBA in Marketing from the University of Tampa, Florida as well as a BSc majoring in Finance with minors in Economics and Fine Arts from the same university. He has worked in the insurance industry in Jamaica for over 12 years with responsibility for areas such as Operations, IT & Marketing in 2 of the major general insurance companies in that island. Mark has also served on the Integrated Virtual Insurance System (IVIS) sub-committee for the Jamaica Association of General Insurance Companies (JAGIC).

JEANE FORDE, AIIC
Assistant Vice President – Claims

No. of years at Sagicor General: 26

Jeane Forde is an Associate of the Insurance Institute of Canada (AIIC) since October 1991. He joined Barbados Fire as an Underwriter and was further promoted to the roles of Underwriting Supervisor, Branch Manager, Branch/Agency Manager, Claims Manager and is currently the Assistant Vice President Claims.

Mr. Forde performs the role of effectively managing the operation of the company's claims department while developing and executing the company's policies to provide the best possible claims service.

EXECUTIVE MANAGEMENT

CHERYL ST. HILL

Assistant Vice President – Underwriting

No. of years at Sagicor General: 31

In 1980 Mrs. St. Hill joined the Underwriting department of Barbados Fire & General now Sagicor General. She pursued her studies at the Insurance Institute of Barbados for Certification Courses in various classes of business, at BIMAP for Supervisory Management as well as the Chartered Insurance Institute of London for a specialised training Certificate in International Insurance and Reinsurance Management Skills.

Her duties encompass the overall direct responsibility for the Underwriting Department which comprises of twenty-seven (27) employees.

CARLYN CRICHLOW, BSc, CPI

Assistant Vice President – Research & Development

No. of years at Sagicor General: 11

Carlyn Crichlow holds an MSc in Mathematics & Economics and has completed the CPI programme.
Mrs. Crichlow started working in the insurance industry in the year 2000 as a Statistical Analyst and presently holds the post of AVP Research & Development. Her job functions are to prepare company statistics, provide insurance market, economic and other relevant information through careful research and analysis of data. Her role allows the company to maintain efficient and effective policies and procedures based on relevant market research.

EXECUTIVE MANAGEMENT

MICHAEL HOLDER

Assistant Vice President - Branch and Overseas Operations

No. of years at Sagicor General: 17

Michael Holder joined the team at Barbados Fire & General now Sagicor General in 1994 filling the role of Underwriting Supervisor. In 1998 he was appointed Branch Supervisor for the new Haggatt Hall Branch following which in 2004 he was promoted to Branch Manager. Mr. Holder now functions as Sagicor General's A.V.P. Branch & Overseas Operations with duties such as; managing staff (Branch & Overseas), monitoring and reporting on the performance of the Branch and EC territories, ensuring that the aims and objectives of the Branch and Overseas are realized. Mr. Holder is currently completing the Associate programme of The Chartered Insurance Institute.

Other programmes completed include; Supervisory Management at BIMAP, Change Management Certificate conducted by Swiss Insurance Training Centre (SITC), Effective Leadership – G.E.L. in collaboration with Cave Hill School of Continuing Studies.

DEBORAH ROMEO, FCCA, CA

Assistant Vice President – Finance – Trinidad & Tobago

No. of years at Sagicor General: 5

SGI Trinidad's AVP Finance - Deborah L. Romeo started her career as most young finance professionals do, in the audit and small business accounting arenas, at renowned Ernst and Young.

A Fellow of the Association of Chartered Certified Accountants, as well as a member of the Institute of Chartered Accountants of T&T, Deborah has recently been selected to be an ambassador for ACCA Caribbean - specifically Trinidad and Tobago's Media Spokesperson.

She brings to Sagicor a wealth of knowledge and experience, having specialized in the field of Insurance Accounting while employed with a few of the country's leading insurers, over the past 15 years.

EXECUTIVE MANAGEMENT

DEXTER MCKNIGHT ACII

Assistant Vice President – Underwriting - Trinidad & Tobago.

No. of years at Sagicor General: 8

Dexter McKnight joined the insurance industry in 1984 (via a scholarship) and became a qualified Associate of the Chartered Insurance Institute of London in 1989.

Over the years he has held several positions within the industry and is presently the Assistant Vice President – Underwriting of Sagicor General Insurance Inc., Trinidad Branch. He is responsible for underwriting a high quality of renewal and new business for the Branch.

Dexter has been a part time lecturer for many years in all aspects of General Insurance. He has conducted several in-house programmes as well as assisted the Academy of Insurance by lecturing in various programs.

ELIZABETH STOUTE-BRATHWAITE, FCCA

Assistant Vice President – Finance

No. of years at Sagicor General: 5

Mrs. Elizabeth Stoute-Brathwaite joined the Sagicor General Insurance Company in 2006 as Accountant and was promoted to the position of Assistant Vice President of Finance in 2008.

Mrs. Stoute-Brathwaite is a Fellow of the Chartered Association of Certified Accountants and is well known for her meticulous approach to Finance matters.

Her role includes the day to day supervision of all accounting duties of Sagicor General's Accounts department as well as the preparation of monthly financials.

EXECUTIVE MANAGEMENT

ROGER SPENCER, BSc, MSc, MCIM

Assistant Vice President – Marketing

No. of years at Sagicor General: 11

Roger Spencer has 13 years experience in the Insurance industry. Eleven of these years were with Sagicor General. Mr. Spencer holds a Bachelor's Degree in Economics and Management (Upper Second Class Honours) from The University of the West Indies, the Certificate of Proficiency in Insurance at the Insurance Institute of Barbados as well as MSc Tourism Marketing from The University of Surrey (England).
His duties include Strategic Planning and Market Analysis to ensure that the Sagicor General brand is enhanced. Mr. Spencer is responsible for all Advertising, Public Relations, and Marketing of the company.

FELIX GOMEZ ACII, FLMI, ACS, ARA, DIPMIA

Chartered Insurer

Assistant Vice President - Claims

No. of years at Sagicor General: 2

Felix Gomez experience in the insurance industry spans over thirty (30) years and has had extensive training both locally and overseas in all areas of general insurance. He has held various management positions in underwriting, marketing and claims at major insurance companies and brokerage houses. Prior to joining Sagicor he was Assistant Vice President – Property and Casualty at British American Insurance Company and headed its general and health insurance division. In 1984 Felix became one of the first nationals to receive the Diploma in Motor Insurance Claims Adjusting and Investigation from the Trinidad and Tobago Insurance Institute. He is senior member of the Chartered Insurance Institute of England having attained the Associateship (ACII) designation in 1990 and was conferred the descriptive title of Chartered Insurer in 1996. He also holds Fellow Life Management Institute (FLMI), Associate in Customer Service (ACS) and Associate in Reinsurance (ARA) designations from the Life Offices Management Association (LOMA). Felix presently sits on TTII Counsel of Trustees having previously held the position of 1st Vice President before retiring by rotation in 2000. He also serves on several ATTIC sub committees.

STRENGTH

Good actions give strength to ourselves and inspire good actions in others.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sagicor General Insurance Inc.

We have audited the accompanying financial statements of **Sagicor General Insurance Inc.** which comprise the statement of financial position as of December 31, 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

pwc

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Sagicor General Insurance Inc.** as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
May 22, 2012

Amounts expressed in Barbados $ 000

	Notes	2011	2010
ASSETS			
Property, plant and equipment	5	9,015	7,816
Investment in associated company	6	3,694	3,694
Financial investments	7	59,684	55,672
Reinsurance assets	8	62,925	57,108
Income tax assets	9	87	968
Premiums receivable and deferred acquisition costs	10	29,848	27,015
Miscellaneous assets and receivables	11	1,481	1,845
Deposits with Sagicor Group companies	29	140	8,064
Amounts receivable from Sagicor Group companies	29	82	540
Cash and cash equivalents		31,519	17,243
Total assets		**198,475**	**179,965**
LIABILITIES			
Policyholders' liabilities	12	108,780	97,276
Provisions	13	237	262
Income tax liabilities	14	189	200
Due to reinsurers, deferrals and premium tax payable	15	20,384	21,128
Amounts payable to Sagicor Group companies	29	27	-
Accounts payable and accrued liabilities		2,623	1,778
Total liabilities		**132,240**	**120,644**
EQUITY			
Share capital	16	3,000	3,000
Reserves	17	25,898	28,590
Retained earnings		37,337	27,731
Total equity		**66,235**	**59,321**
Total equity and liabilities		**198,475**	**179,965**

These financial statements have been approved for issue by the Board of Directors on April 17, 2012.

______________________ Director   ______________________ Director

Amounts expressed in Barbados $ 000

	Notes	2011	2010
REVENUE			
Premium revenue	18	122,066	109,931
Reinsurance expense	18	(87,665)	(80,515)
Net premium revenue		34,401	29,416
Investment income	19	7,515	5,571
Share of operating income of associated company	6	-	120
Fees and other revenue	20	28,613	22,536
Total revenue		**70,529**	**57,643**
CLAIMS INCURRED			
Claims incurred	21	41,222	35,929
Claims reinsured	21	(22,924)	(20,524)
Net claims incurred		**18,298**	**15,405**
EXPENSES			
Administrative expenses		20,030	17,662
Commissions and related compensation	10	15,255	13,344
Premium taxes		834	804
Finance costs		-	7
Depreciation		973	1,232
Total expenses		**37,092**	**33,049**
INCOME BEFORE TAXES		15,139	9,189
Income taxes	24	(2,655)	(1,432)
NET INCOME FOR THE YEAR		**12,484**	**7,757**

Amounts expressed in Barbados $ 000

	Notes	2011	2010
NET INCOME FOR THE YEAR		12,484	7,757
OTHER COMPREHENSIVE INCOME	26		
Changes in fair value reserves:			
Available for sale financial assets		(4,070)	(1,827)
Other comprehensive income for the year		(4,070)	(1,827)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,414**	**5,930**

The accompanying notes form an integral part of these financial statements.

Amounts expressed in Barbados $ 000

	Year ended December 31, 2011			
	Share capital Note 16	**Reserves Note 17**	**Retained earnings**	**Total**
Balance, beginning of year	3,000	28,590	27,731	59,321
Total comprehensive income	-	(4,070)	12,484	8,414
Other movements	-	1,378	(1,378)	-
Dividends paid (Note 25)	-	-	(1,500)	(1,500)
Balance, end of year	**3,000**	**25,898**	**37,337**	**66,235**

	Year ended December 31, 2010			
	Share capital Note 16	**Reserves Note 17**	**Retained earnings**	**Total**
Balance, beginning of year	3,000	29,651	21,940	54,591
Total comprehensive income	-	(1,827)	7,757	5,930
Other movements	-	766	(766)	-
Dividends paid (Note 25)	-	-	(1,200)	(1,200)
Balance, end of year	**3,000**	**28,590**	**27,731**	**59,321**

The accompanying notes form an integral part of these financial statements.

Amounts expressed in Barbados $ 000

	Notes	2011	2010
Cash flows from operating activities			
Income before taxes		15,139	9,189
Adjustments for non-cash items, interest and dividends	27	(4,015)	(1,655)
Interest and dividends received		2,311	3,128
Interest received from Sagicor Group companies		968	182
Interest paid to Sagicor Group companies		-	(7)
Income taxes paid		(1,785)	(2,807)
Changes in operating assets	27	1,923	(15,134)
Changes in operating liabilities	27	3,400	1,386
Net cash from/ (used in) operating activities		**17,941**	**(5,718)**
Cash flows from investing activities			
Property, plant and equipment	27	(2,165)	(630)
Net cash used in investing activities		**(2,165)**	**(630)**
Cash flows from financing activities			
Dividends paid to shareholders		(1,500)	(1,200)
Net cash used in financing activities		**(1,500)**	**(1,200)**
Net increase/ (decrease) in cash and cash equivalents		**14,276**	**(7,548)**
Cash and cash equivalents, beginning of year		17,243	24,791
Cash and cash equivalents, end of year	27	**31,519**	**17,243**

The accompanying notes form an integral part of these financial statements.

Amounts expressed in Barbados $ 000

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The company is incorporated in Barbados and carries on general insurance business in Barbados and certain other Caribbean Islands. The company's parent company is Sagicor Life Inc. which is incorporated in Barbados. It's ultimate parent company is Sagicor Financial Corporation which is incorporated in Barbados as a public limited liability holding company.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except as modified by the revaluation of land and buildings, available for sale investments, actuarial liabilities and associated reinsurance assets.

All amounts in these financial statements are shown in thousands of Barbados dollars, unless otherwise stated.

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

(a) Amendments to IFRS

There are no new standards and amended standards which are effective for the 2011 financial year which have a significant impact on the presentation, measurement or disclosure in the company's financial statements.

Amended standards which are effective for the 2011 financial year that have no significant impact on the company's financial statements are listed in the following table.

IFRS	**Subject of amendment**
IFRS 1 – First time Adoption of IFRS	Accounting policy changes in year of adoption
	Revaluation basis as deemed cost
IFRS 7 – Financial Instruments: Disclosures	Clarification of disclosures
IAS 1 – Presentation of Financial Statements	Clarification of statement of changes in equity

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS	Subject of amendment
IAS 24 – Related Party Disclosures	Simplifying the definition of related parties
	Partial exemption for government-related entities

The company has voluntarily adopted the following amendments ahead of the required dates for adoption.

IFRS	Subject of amendment	Adopted from
IAS 1 – Presentation of Financial Statements	Presentation of Items of Other Comprehensive Income	2011
IAS 12 – Income Taxes	Deferred Tax: Recovery of Underlying Assets	2010

(b) Amendments to International Financial Reporting Interpretations

The International Financial Reporting Interpretations Committee (IFRIC) has issued new or revised interpretations which are effective from 2011. These interpretations, which do not impact significantly the presentation, measurement or disclosure in these financial statements, are as follows:

IFRIC	New IFRIC / Subject of amendment
IFRIC 14 – IAS 19 The Limit of a Defined Benefit Asset	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

(c) Future accounting developments

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The company has not adopted these. The changes which may have a significant effect on future presentation, measurement or disclosure of the company's financial statements are summarised in the following tables.

IFRS (Effective date)	Subject/ Comments
IFRS 7 – Financial Instruments: Disclosures (July 1, 2011)	Disclosures - Transfers of Financial Assets The amendments will assist users of financial statements to evaluate the risk exposures relating to transfers of assets and the effect of those risks on an entity's financial position. Disclosure requirements are set out respectively for transferred assets that are not de-recognised entirely or that are de-recognised entirely.

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IFRS (Effective date)	Subject/ Comments
IFRS 9 – Financial Instruments (January 1, 2015)	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 held 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. This standard does not address changes contemplated by the International Accounting Standards Board with respect to the following related items: • impairment methodology for financial assets • hedge accounting
IFRS 13 - Fair Value Measurement (January 1, 2013)	Fair Value 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 measured at fair value. The fair value hierarchy concept defined in IFRS 7 has been transferred to and enhanced by this standard. The standard summarises the main valuation techniques which should be applied. Additional disclosures are required to support the Levels 1 to 3 classifications. Disclosures are also categorised according to assets/ liabilities which are recurring and which are non-recurring.
IAS 19 – Employee Benefits (January 1, 2013)	Measurement The option which allows the deferral of actuarial gains and losses within the 10% corridor is withdrawn. Accordingly, changes are reported as they occur. Service cost and finance cost are to be included in income, while re-measurements are included in other comprehensive income.
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.

Amounts expressed in Barbados $ 000

2.2 Investment in associated company

The investment in associated company, which is not majority-owned or controlled, is included in these financial statements under the equity method of accounting. The investment was initially recorded at cost and includes intangible assets identified on acquisition.

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

The company recognises in income its share of the associated company's 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 company and its associate are eliminated to the extent of the company's interest in the associate. The company recognises in other comprehensive income its share of the associated company's post acquisition other comprehensive income.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each branch of the company are measured using the currency of the primary economic environment in which the branch operates (the functional currency). These financial statements are presented in thousands of Barbados dollars, which is the company's presentational currency.

The results and financial position of all branches that have a functional currency other than the presentational currency are translated into the presentational currency 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.

(b) Transactions and balances

Transactions arising during the year involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities and non-monetary assets carried at fair value expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Translation differences arising from fluctuations in exchange rates related to these items are included in the Statement of Income, with the exception of equities classified as 'available for sale' which are reported as part of the fair value gain or loss in other comprehensive income.

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Property, plant and equipment are recorded initially at cost.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are reported in other comprehensive income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. 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 assets to their residual values over their estimated useful lives. The rates used are as follows:

Asset	Rates
Freehold land	Nil %
Buildings	2 %
Office furnishings	10 %
Equipment	20 %
Motor vehicles	20 %

Land is not depreciated.

The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

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

2.5 Financial investments

The company classifies its financial investments into two categories:
- available for sale securities;
- loans and receivables.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost less provision for impairment.

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.5 Financial investments (continued)

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

Purchases and sales of financial investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method.

Interest income includes coupons earned on fixed income investment securities, loans and deposits and accrued discount and premium on discounted instruments. Dividends are recorded in revenue when due.

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. In estimating the fair value of non-traded financial assets, the company 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.

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.

The recoverable amount for an available for sale equity 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.

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.5 Financial investments (continued)

For an available for sale security other than an equity security, if the company 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.

2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances, call deposits and other liquid balances with original maturities of three months or less from the acquisition date. Cash and cash equivalents do not include balances principally of an investment nature or funds held to meet statutory requirements. Cash equivalents are subject to an insignificant risk of change in value.

2.7 Insurance contracts

(a) Classification
The company issues contracts that transfer insurance risk. Insurance contracts transfer insurance risk and may also transfer financial risk. The company defines insurance risk as an insured event which could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

(b) Recognition and measurement
The insurance contracts issued by the company are summarised below.

(i) Property and casualty insurance contracts

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

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

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

Premium revenue is recognised as earned on a pro-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.

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts

Claims and loss adjustment expenses are recorded as incurred. Claim reserves represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the balance sheet date.

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

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

The company obtains reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage. Reinsurance claim recoveries are established at the time of recording of the claim liability. Profit sharing commission due to the company is recognised only when there is reasonable certainty of collectibility, at which time it is recorded as commission income.

Commission income and expense are recognised on the same basis as earned premiums ceded to reinsurers and earned premiums respectively. Deferred commission income includes commission on the unexpired portion of reinsurance ceded and deferred acquisition costs include commission on the unexpired portion of premiums written.

Premium tax and premium tax recovered are recognised as premiums are earned and reinsurance premiums are expensed respectively. Premium tax is deferred on the unexpired portion of reinsurance ceded and the unexpired portion of premiums written.

(ii) Reinsurance contracts held

As noted in section (i) above, the company may obtain reinsurance coverage for insurance risks underwritten. The company 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 company of its liability.

The benefits to which the company 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, it is recorded in the statement of income. The obligations of the company under reinsurance contracts held are recognised as reinsurance liabilities or payables.

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts (continued)

Reinsurance balances are measured consistently with the insurance liabilities to which they relate. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

2.8 Financial liabilities

During the ordinary course of business, the company assumes financial liabilities that expose it to financial risk. The recognition and measurement of the company's financial liabilities are disclosed in the following paragraphs.

(a) Loans Payable

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

(b) Fair Value

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

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

2.9 Provisions

Provisions are recognised when the company 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.

2.10 Fees and other revenue

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

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.11 Employee pension benefits

The company maintains a defined benefit plan for its employees, the assets of which are held in a fund administered by the parent company, Sagicor Life Inc.

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

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

2.12 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:

Barbados	4% - 4.75%
Eastern Caribbean	3% - 5%

(b) Income taxes

The company 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 2011 are as follows:

Barbados	25% of net income
Trinidad and Tobago	25% of net income
Eastern Caribbean	30% - 40% of net income

(i) Current income taxes

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

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.12 Taxes (continued)

(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.

2.13 Dividend distributions

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

2.14 Statutory reserves

Statutory reserves consist of the surplus account and the catastrophe reserve fund.

In accordance with Section 152 of the Insurance Act 1996-32, the company is required to appropriate towards surplus at least 25% of net income until such time as the surplus of the company equals or exceeds the liability in respect of unearned premiums.

In accordance with Section 155(1)(b) of the Insurance Act 1996-32, the company established a catastrophe reserve fund for the purpose of settling claims in the event of a catastrophe. The company may transfer 25% of the net written premiums from the company's property insurance business annually which is accounted for as an appropriation of retained earnings. The appropriation made in respect of the current year is $1,378 (2010 - $766).

2.15 Presentation of current and non-current assets and liabilities

In note 30.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 13 and 15 are non-current unless otherwise stated in those notes.

Amounts expressed in Barbados $ 000

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

3.1 Claims in the course of settlement

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

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

Management engages independent actuaries either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims may be mitigated by recovery arising from reinsurance contracts held.

3.2 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.

4. STATUTORY RESTRICTIONS ON ASSETS

The company is 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.

To satisfy the above requirements, invested assets totalling $33,115 (2010 - $32,318) have been deposited with or are held in trust to the order of the insurance regulators.

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

Amounts expressed in Barbados $ 000

5. PROPERTY, PLANT AND EQUIPMENT

	2011				
	Freehold land and building	**Office furnishings**	**Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	4,871	1,511	499	935	7,816
Additions at cost	16	20	2,140	257	2,433
Disposals	(5)	-	(315)	(232)	(552)
Depreciation charge	(71)	(244)	(339)	(319)	(973)
Depreciation on disposals	-	-	70	221	291
Net book value, end of year	**4,811**	**1,287**	**2,055**	**862**	**9,015**
Represented by:					
Cost or valuation	5,023	4,248	8,196	1,788	19,255
Accumulated depreciation	(212)	(2,961)	(6,141)	(926)	(10,240)
	4,811	**1,287**	**2,055**	**862**	**9,015**

	2010				
	Freehold land and building	**Office furnishings**	**Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	4,930	1,839	632	1,034	8,435
Additions at cost	12	32	376	240	660
Disposals	-	(23)	(23)	(95)	(141)
Depreciation charge	(71)	(337)	(509)	(315)	(1,232)
Depreciation on disposals	-	-	23	71	94
Net book value, end of year	**4,871**	**1,511**	**499**	**935**	**7,816**
Represented by:					
Cost or valuation	5,012	4,228	6,371	1,763	17,374
Accumulated depreciation	(141)	(2,717)	(5,872)	(828)	(9,558)
	4,871	**1,511**	**499**	**935**	**7,816**

The land and building of the company situated at Beckwith Place, Bridgetown, were independently valued at December 31, 2011 at $5,000 by professional real estate valuers. The excess of $129 was deemed immaterial and was not transferred to other comprehensive income.

Amounts expressed in Barbados $ 000

6. INVESTMENT IN ASSOCIATED COMPANY

The company holds 1,000,000 (2010 - 1,000,000) Class A common shares in Globe Finance Inc., a company incorporated in Barbados, which represents a 20% ownership interest and 25% voting interest. The company's share of the equity of that company comprises:

	2011	2010
Investment, beginning of year	3,694	3,574
Income before taxes	-	120
Investment, end of year	3,694	3,694

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

	2011	2010
Total assets	140,767	128,857
Total liabilities	122,346	111,252
Total revenue	16,154	15,649
Net income for the year	2,522	2,549

7. FINANCIAL INVESTMENTS

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Available for sale securities:				
Debt securities	1,506	1,506	1,497	1,497
Equity securities	5,515	5,515	10,520	10,520
	7,021	7,021	12,017	12,017
Loans and receivables:				
Debt securities	49,539	50,732	33,074	35,067
Mortgage loans	2,436	2,406	2,349	2,236
Deposits	688	688	8,232	8,232
	52,663	53,826	43,655	45,535
Total financial investments	59,684	60,847	55,672	57,552

Debt securities comprise:	2011	2010
Government and government-guaranteed debt securities	42,460	29,274
Other securities	8,585	5,297
	51,045	34,571

Debt securities include $2,500 that contain options to convert to common shares of the issuer.

Amounts expressed in Barbados $ 000

8. REINSURANCE ASSETS

	2011	2010
Claim recoveries from reinsurers (note 12)	23,756	17,703
Unearned premiums ceded to reinsurers (note 12)	39,169	39,405
	62,925	57,108

9. INCOME TAX ASSETS

	2011	2010
Deferred income tax assets	-	392
Income and withholding taxes recoverable	87	576
	87	968
Analysis of deferred income tax assets:		
Unused tax losses	-	337
Pensions and other retirement benefits	-	55
	-	392
Deferred income tax assets to be recovered within one year	-	337
Deferred tax assets not recognised consist of:		
Tax losses	1,280	1,580
Potential deferred income tax assets	365	456

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

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS

	2011	2010
Premiums in the course of collection	20,661	18,314
Deferred commission expense	8,007	7,566
Deferred premium tax	1,180	1,135
	29,848	27,015

Amounts expressed in Barbados $ 000

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS (continued)

The movement in deferred asset balances for the year is as follows:

	2011	2010
Deferred commission expense		
Balance, beginning of year	7,566	6,562
Commission paid	15,696	14,348
Commission expense	(15,255)	(13,344)
Balance, end of year	8,007	7,566
Deferred premium tax		
Balance, beginning of year	1,135	1,165
Premium tax paid	2,399	2,287
Premium taxes expense	(2,354)	(2,317)
Balance, end of year	1,180	1,135

11. MISCELLANEOUS ASSETS AND RECEIVABLES

	2011	2010
Pension plan assets (note 23)	56	92
Other accounts receivable	1,425	1,753
	1,481	1,845

12. POLICYHOLDERS' LIABILITIES

	2011	2010
Claims in the course of settlement	45,823	36,495
Provision for unearned premiums	62,957	60,781
	108,780	97,276

Amounts expressed in Barbados $ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement

(a) Analysis of claims in the course of settlement

	2011	2010
Property business	5,030	6,882
Motor business	29,303	19,381
Accident and liability business	11,325	10,086
Marine business	165	146
	45,823	36,495

Claims in the course of settlement include $15,505 (2010 - $12,786) in provisions for claims incurred but not yet reported.

The associated reinsurance recoveries from claims in the course of settlement are in respect of:

	2011	2010
Property business	3,405	5,096
Motor business	14,318	7,705
Accident and liability business	6,047	4,924
Marine business	(14)	(22)
	23,756	17,703

(b) Movement in claims in the course of settlement

The movement in claims in the course of settlement for the year is as follows:

	2011	2010
Balance, beginning of year	36,495	28,282
Claims incurred	41,222	35,929
Claims paid	(31,894)	(27,716)
Balance, end of year	45,823	36,495

The movement in claims in the course of settlement includes the following amounts which are recoverable from reinsurers:

	2011	2010
Balance, beginning of year	17,703	10,547
Ceded in year	22,924	20,524
Claim recoveries	(16,871)	(13,368)
Balance, end of year (note 8)	23,756	17,703

Amounts expressed in Barbados $ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

The valuation of claims liabilities is sensitive to the underlying assumption used which is based on historical development patterns for incurred and paid to date claims. A 10% increase in development would result in an increase in gross reserves and reinsurance recoveries of $1,025 and $459 (2010 - $1,087 and $471) respectively and a $566 (2010 - $616) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of $1,046 and $467 (2010 - $1,112 and $484) respectively and a $579 (2010 - $628) increase in income from ordinary activities.

The development of claims in the course of settlement provides a measure of the company's ability to estimate the ultimate value of claims incurred. The top half of the tables below illustrate how the estimate of total claims incurred for each year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims incurred to the liability included in the current balance sheet. The disclosures are by accident year which is the financial period in which the claim is incurred.

	2007	2008	2009	2010	2011	Total
Gross						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	42,611	33,904	30,676	36,579	35,912	179,682
One year later	32,455	32,478	30,060	35,624	-	-
Two years later	30,502	32,173	30,347	-	-	-
Three years later	30,366	32,271	-	-	-	-
Four years later	30,293	-	-	-	-	-
Current estimate of ultimate claims incurred	30,293	32,271	30,347	35,624	35,912	164,447
Cumulative payments to date	(28,769)	(28,826)	(24,214)	(26,822)	(18,328)	(126,959)
Liability recognised in the balance sheet	1,524	3,445	6,133	8,802	17,584	37,488
Liability in respect of prior years						7,145
Liability for unallocated loss adjustment expenses						1,190
Total liability included in the balance sheet						45,823
Net favourable/ (unfavourable) development	12,318	1,633	329	955	-	15,235

	2007	2008	2009	2010	2011	Total
Reinsurance						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	19,806	18,820	16,418	21,334	19,157	95,535
One year later	13,347	19,045	16,044	20,732	-	-
Two years later	12,545	18,755	15,994	-	-	-
Three years later	12,477	18,783	-	-	-	-
Four years later	12,410	-	-	-	-	-
Current estimate of ultimate claims incurred	12,410	18,783	15,994	20,732	19,157	87,076
Cumulative payments to date	(12,360)	(16,835)	(12,923)	(15,458)	(9,694)	(67,270)
Asset recognised in the balance sheet	50	1,948	3,071	5,274	9,463	19,806
Liability in respect of prior years						3,950
Total asset included in the balance sheet						23,756
Net favourable/ (unfavourable) development	7,396	37	424	602	-	8,459

Amounts expressed in Barbados $ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.2 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	2011	**2010**
Property business	31,268	30,047
Motor business	23,194	21,273
Accident and liability business	7,514	8,440
Marine business	981	1,021
	62,957	60,781

The associated unearned premiums ceded to reinsurers:

Property business	23,758	24,140
Motor business	11,672	10,717
Accident and liability business	3,710	4,536
Marine business	29	12
	39,169	39,405

(b) Movement in provision for unearned premiums

The movement in the provision for unearned premium for the year is as follows:

	2011	**2010**
Balance, beginning of year	60,781	53,844
Premiums written	124,242	116,868
Premium revenue (note 18)	(122,066)	(109,931)
Balance, end of year	62,957	60,781

The movement in unearned premiums ceded to reinsurers is as follows:

	2011	**2010**
Balance, beginning of year	39,405	35,080
Reinsurance on premiums written	87,429	84,840
Reinsurance expense (note 18)	(87,665)	(80,515)
Balance, end of year (note 8)	39,169	39,405

13. PROVISIONS

	2011	**2010**
Pensions plan (note 23)	237	262

Amounts expressed in Barbados $ 000

14. INCOME TAX LIABILITIES

	2011	2010
Deferred income tax liabilities	146	200
Income taxes payable	43	-
	189	200
Analysis of deferred income tax liabilities:		
Accelerated tax depreciation	143	129
Pensions and other retirement benefits	(45)	23
Other items	48	48
Deferred income tax liabilities to be settled after one year	146	200

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

15. DUE TO REINSURERS, DEFERRALS AND PREMIUM TAX PAYABLE

	2011	2010
Amounts due to reinsurers	4,831	7,279
Deferred commission income	11,044	9,607
Premium tax payable	3,764	3,496
Deferred premium tax	745	746
	20,384	21,128

The movement in deferred liability balances for the year is as follows:

	2011	2010
Deferred commission income		
Balance, beginning of year	9,607	8,338
Commission received	20,391	18,405
Commission earned (note 20)	(18,954)	(17,136)
Balance, end of year	11,044	9,607
Deferred premium tax		
Balance, beginning of year	746	756
Premium tax recoveries	1,519	1,503
Premium taxes earned	(1,520)	(1,513)
Balance, end of year	745	746

Amounts expressed in Barbados $ 000

16. SHARE CAPITAL

The company is authorised to issue an unlimited number of common shares with no par value

	2011	2010
Issued 2,000,000 shares, with no par value	3,000	3,000

17. RESERVES

	2011	2010
Fair value reserve - available for sale investment securities:		
Balance, beginning of year	5,812	7,639
Total comprehensive income (note 26)	(4,070)	(1,827)
Balance, end of year	1,742	5,812
Fair value reserve - owner occupied property:		
Balance, beginning and end of year	3,577	3,577
Statutory reserves:		
Balance, beginning of year	19,201	18,435
Other movements	1,378	766
Balance, end of year	20,579	19,201
Reserves, end of year	25,898	28,590

18. PREMIUM REVENUE

	Premium revenue		Reinsurance expense	
	2011	2010	2011	2010
Property business	60,937	55,560	56,671	52,767
Motor business	43,469	37,031	22,373	19,158
Accident and liability business	15,647	15,289	8,352	8,284
Marine business	2,013	2,051	269	306
	122,066	109,931	87,665	80,515

Amounts expressed in Barbados $ 000

19. INVESTMENT INCOME

	2011	2010
Interest income:		
Debt securities	2,160	1,900
Mortgage loans	109	116
Deposits	960	666
Dividend income	697	751
Net gains on financial investments	3,483	1,973
Other investment income	106	165
	7,515	5,571

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

20. FEES AND OTHER REVENUE

	2011	2010
Commission income on insurance ceded to reinsurers (note 15)	18,954	17,136
Fees, other revenue and profit commission	9,282	5,072
Miscellaneous income	377	328
	28,613	22,536

21. CLAIMS INCURRED

	Claims incurred		Claims reinsured	
	2011	2010	2011	2010
Property business	6,856	10,047	4,870	7,595
Motor business	30,115	22,914	15,809	11,124
Accident and liability business	4,066	2,571	2,234	1,957
Marine business	185	397	11	(152)
	41,222	35,929	22,924	20,524

Amounts expressed in Barbados $ 000

22. EMPLOYEE COSTS

Included in administrative expenses are the following:

	2011	2010
Administrative staff salaries, directors' fees and other short-term benefits	10,064	8,157
Employer's contributions to social security schemes	574	542
Employer's contribution to group health and life	348	360
Costs - defined benefit pension scheme (note 23)	681	568
	11,667	9,627

23. EMPLOYEE RETIREMENT BENEFITS

The company has a contributory defined benefit pension scheme in place for eligible administrative staff. The plan, which is managed by Sagicor Life Inc., was valued on December 31, 2011.

The amounts recognised in the financial statements are as follows:

	2011	2010
Fair value of pension plan assets	8,521	7,205
Present value of pension obligations	(9,293)	(8,391)
	(772)	(1,186)
Unrecognised actuarial losses	591	1,016
Amounts recognised in the financial statements	(181)	(170)
Represented by:		
Asset balances (note 11)	56	92
Liability balances (note 13)	(237)	(262)
	(181)	(170)

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

	2011	2010	2009	2008	2007
Present value of retirement obligations	(9,293)	(8,391)	(7,947)	(7,565)	(6,684)
Fair value of plan assets	8,521	7,205	6,455	5,569	5,095
Net obligation	(772)	(1,186)	(1,492)	(1,996)	(1,589)
Experience adjustments on:					
Plan liabilities	418	599	754	(42)	(191)
Plan assets	(18)	(390)	(148)	(178)	(67)

Amounts expressed in Barbados $ 000

23. EMPLOYEE RETIREMENT BENEFITS (continued)

The amounts recognised in the income statement are as follows:

	2011	2010
Current service cost	443	393
Interest cost	687	594
Net actuarial losses recognised during the year	24	59
Past service cost	36	-
Curtailment loss	69	-
Expected return on pension plan assets	(578)	(478)
Pension cost	681	568

The actual return on retirement plan assets was $559 (2010 – $88).

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

	2011	2010
Plan assets, beginning of year	7,205	6,455
Expected return on plan assets	578	478
Actuarial gains and losses	(18)	(390)
Contributions made by the company	672	575
Contributions made by plan participants	154	137
Benefits paid	(70)	(48)
Other	-	(2)
Plan assets, end of year	8,521	7,205

For the next financial year, the total contributions to be made by the company are estimated at $690 (2010 - $591). Plan assets are equity and debt linked pension funds under administration.

The movement in the retirement obligations is as follows:

	2011	2010
Retirement obligations, beginning of year	8,391	7,947
Current service cost	443	393
Contributions paid by employees	155	137
Interest cost	687	594
Actuarial gains and losses	(418)	(629)
Benefits paid	(70)	(48)
Past service cost	36	-
Curtailments	69	-
Other	-	(3)
Retirement obligations, end of year	9,293	8,391

Amounts expressed in Barbados $ 000

23. EMPLOYEE RETIREMENT BENEFITS (continued)

The principal actuarial assumptions used were as follows:

	Barbados	Trinidad
Discount rate	7.8%	7.0%
Expected return on plan assets	7.8%	6.0%
Future salary increases	6.5%	2.5%
Future pension increases	2.5%	1.0%
Portion of employees opting for early retirement	0.0%	0.0%
Future changes in National Insurance Scheme Ceilings	3.5%	2.0%

24. INCOME TAXES

The income tax expense is comprised of:

	2011	2010
Current tax	2,317	612
Deferred tax	338	820
	2,655	1,432

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:

	2011	2010
Income subject to tax	15,139	9,189
Tax calculated at a tax rate of 25 %	3,785	2,297
Different tax rates in other countries	25	(57)
Income taxed at different rates	(34)	(30)
Under/ (Over) provision of current tax	133	(573)
Under provision of deferred tax	-	(50)
Movement in deferred tax asset not recognised	(91)	(3,354)
Transfer to catastrophe reserve deductible for tax	(271)	(150)
Tax allowances	(11)	(11)
Tax losses expiring unutilised	-	4,047
Expenses not deductible for tax	332	108
Income not subject to tax	(1,296)	(871)
Other taxes	83	76
	2,655	1,432

Amounts expressed in Barbados $ 000

25. DIVIDENDS PER COMMON SHARE

A dividend of 75 cents per share and amounting to $1,500 in respect of 2010 was paid during the year. An interim dividend in respect of 2010 of 60 cents per share and amounting to $1,200 was paid in 2010.

26. OTHER COMPREHENSIVE INCOME

	Other comprehensive income		
2011	**Before tax**	**Tax**	**After tax**
Fair value reserves – available for sale assets:			
Losses arising on revaluation	(587)	-	(587)
Gains transferred to income on disposal or impairment	(3,483)	-	(3,483)
Other comprehensive income for the year	(4,070)	-	(4,070)

	Other comprehensive income		
2010	**Before tax**	**Tax**	**After tax**
Fair value reserves – available for sale assets:			
Gains arising on revaluation	146	-	146
Gains transferred to income on disposal or impairment	(1,973)	-	(1,973)
Other comprehensive income for the year	(1,827)	-	(1,827)

27. CASH FLOWS

27.1 Operating activities

	2011	2010
Adjustments for non-cash items, interest and dividends		
Increase in provision for unearned premiums, net of reinsurance	2,412	2,612
Interest income	(3,228)	(2,682)
Dividend income	(697)	(751)
Net gains on financial investments and investment property	(3,483)	(1,973)
Finance costs	-	7
Increase in provision for impairment	(117)	-
Share of operating income of associated companies	-	(120)
Movement in recognised employee retirement benefits	11	(8)
Depreciation	973	1,232
Loss/ (gain) on disposal of property, plant and equipment	7	(5)
Amortisation of discount on bonds	(3)	(52)
Exchange loss	110	85
	(4,015)	(1,655)

Amounts expressed in Barbados $ 000

27. CASH FLOWS (continued)

27.1 Operating activities (continued)

	2011	2010
Changes in operating assets		
Debt securities	(15,743)	(6,883)
Equity securities	4,409	3,363
Mortgage loans	(87)	121
Deposits	7,467	(1,606)
Receivables and other assets	5,877	(10,129)
	1,923	(15,134)
Debt securities		
Purchases	(24,427)	(20,250)
Proceeds on maturities and disposals	8,684	13,367
	(15,743)	(6,883)
Equity securities		
Disposal proceeds	4,409	3,363

	2011	2010
Changes in operating liabilities		
Claims in the course of settlement, net of reinsurance	3,274	1,057
Other liabilities and payables	126	329
	3,400	1,386

27.2 Investing activities

	2011	2010
Property, plant and equipment		
Purchases	(2,201)	(659)
Disposal proceeds	36	29
	(2,165)	(630)

Amounts expressed in Barbados $ 000

27. CASH FLOWS (continued)

27.3 Cash and cash equivalents

	2011	2010
Cash resources	18,482	7,124
Term deposits and T Bills with original maturities of less than 90 days	13,037	10,119
	31,519	17,243

28. COMMITMENTS

In the normal course of business, the company enters into commitments at the date of the financial statements for which no provision has been made in these financial statements. Non-cancellable commitments for disbursements relating to the purchase of a new insurance software package are disclosed in note 30.2(a).

29. RELATED PARTY TRANSACTIONS

29.1 Key management

Key management comprises directors and senior management of the company. 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:

	2011	2010
Compensation		
Salaries, directors' fees and other short-term benefits	1,603	1,675
Pension and other retirement benefits	116	83
	1,719	1,758

	Mortgage and staff loans
Balance, beginning of year	707
Advances	71
Repayments	(46)
Balance, end of year	732

Mortgage loans bear interest at the rate of 5.5%. Other staff loans bear interest at 7.5%.

Amounts expressed in Barbados $ 000

29. RELATED PARTY TRANSACTIONS (continued)

29.2 Other related party transactions

Balances at year end and transactions for the year with related parties are as follows:

	2011	2010
Premium income	6,863	6,387
Management fees	(844)	(692)
Investment income	426	93
Dividend income	340	182
Interest expense	-	(7)
Rental expense	(856)	(846)

Deposits with related parties amounted to $140 (2010 - $8,064) and bear interest at 4.0% (2010 - 6.25%). Amounts receivable from related parties amounted to $82 (2010 - $540) and are unsecured and payable on demand. Amounts payable to related parties amounted to $27 and are interest free with no stated terms of repayment. Premiums receivable amounted to $754 (2010 – $1,645).

30. FINANCIAL RISK

The company's activities of issuing insurance contracts, investing insurance premium in a variety of financial and other assets and dealing in securities exposes the company to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in note 31.

The overriding objective of the company'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 company accepts certain levels of risk in order to generate returns and 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.

30.1 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 company. Credit risk is primarily associated with financial investments, premiums in the course of collection, reinsurance contracts held and cash and cash equivalents.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing staff loans only after careful assessment of the borrower 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. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

The company 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>

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

- Investment portfolios, comprising debt securities, deposits and cash balances;
- Lending portfolios comprising mortgages; and
- Reinsurance exposures comprising realistic disaster scenarios (see note 31.2).

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

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

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

	2011		2010	
	$	%	$	%
Debt securities	51,045	38.7	34,571	31.8
Mortgage loans	2,436	1.8	2,349	2.2
Deposits	688	0.5	8,232	7.6
Reinsurance assets	23,756	18.0	17,703	16.3
Premiums in the course of collection	20,661	15.7	18,314	16.8
Deposits with Sagicor Group companies	140	0.2	8,064	7.4
Amounts receivable from Sagicor Group companies	82	0.1	540	0.5
Other accounts receivable	1,425	1.1	1,753	1.6
Cash resources	31,519	23.9	17,243	15.8
Total balance sheet exposures	131,752	100.0	108,769	100.0

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

	Sagicor Risk Rating	2011	Sagicor Risk Rating	2010
Debt securities:				
Government of Trinidad and Tobago	2	29,696	2	13,858
Government of Barbados	3	9,718	3	8,264
Sagicor Financial Corporation	3	6,189	3	2,818
Deposits & cash				
RBTT Bank Limited	2	12,549	2	7,619
CIBC FirstCaribbean	2	6,985	2	4,646
The Bank of Nova Scotia	2	3,707	2	766
First Citizens Bank	-	-	3	7,700
Claim recoveries				
Aon Re Canada Inc.	2	22,942	2	16,507

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

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

Category		Sagicor Risk Rating	Classification	2011 Exposure $	2011 Exposure %	2010 Exposure $	2010 Exposure %
Non-default	Investment grade	1	Minimal risk	1,526	1.8	1,513	2.1
		2	Low risk	49,649	57.9	27,658	37.9
		3	Moderate risk	20,221	23.6	35,633	48.9
	Non-investment grade	4	Acceptable risk	1,763	2.1	2,673	3.7
		5	Average risk	12,529	14.6	4,748	6.5
	Watch	6	Higher risk	-	-	100	0.1
		7	Special mention	-	-	590	0.8
Default		8	Substandard	-	-	-	-
		9	Doubtful	-	-	-	-
		10	Loss	-	-	-	-
			TOTALS	85,688	100.0	72,915	100.0

Exposure to credit risk is also managed in part by obtaining collateral for mortgage loans. The collateral is real estate property, and the approved loan limit is 95% of collateral value. The collateral for vehicle loans to staff is the vehicle and the approved loan limit is 95% to 100% of the collateral value. Unsecured staff loans are only granted when the initial amount does not exceed three times the monthly salary of the employee.

All mortgage loans relate to properties in Barbados.

For insurance premiums receivable, the company frequently provides settlement terms to customers and intermediaries which extend up to 11 months.

(a) Past due and impaired financial assets

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

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

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the company's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of financial assets analysed by past due or impairment status.

2011	**Debt securities**	**Mortgage loans**	**Premiums in the course of collection**
Neither past due nor impaired	51,045	2,172	-
Past due up to 12 months, but not impaired	-	-	20,305
Past due up to 5 years, but not impaired	-	264	-
Total past due but not impaired	-	264	20,305
Impaired assets	-	-	356
Total carrying value	51,045	2,436	20,661
Accumulated allowances on impaired assets	-	-	356
2010			
Neither past due nor impaired	34,571	2,169	-
Past due up to 12 months, but not impaired	-	-	17,841
Past due up to 5 years, but not impaired	-	180	-
Total past due but not impaired	-	180	17,841
Impaired assets	-	-	473
Total carrying value	34,571	2,349	18,314
Accumulated allowances on impaired assets	-	-	473

Premiums in the course of collection are considered to be impaired if the balance has been outstanding for more than 365 days. 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.

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk

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

The company is exposed to daily calls on its available cash resources to pay claims, and for operating expenses and taxes. The company does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

(a) Financial liabilities and commitments

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

2011	**On demand or within 1 year**	**1 to 5 years**	**Total**
Financial liabilities:			
Due to re-insurers and premium tax	8,595	-	8,595
Amounts payable to Sagicor Group companies	27	-	27
Accounts payable and accrued liabilities	2,623	-	2,623
Total financial liabilities	11,245	-	11,245
Off financial statement commitments:			
New insurance software package	1,534	-	1,534

2010	**On demand or within 1 year**	**1 to 5 years**	**Total**
Financial liabilities:			
Due to re-insurers and premium tax	10,775	-	10,775
Accounts payable and accrued liabilities	1,778	-	1,778
Total financial liabilities	12,553	-	12,553

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk (continued)

(b) Insurance liabilities

The maturity profiles of the company's monetary policyholders' liabilities are summarised in the following tables. 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.

	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2011				
Policyholders' liabilities	27,857	17,966	-	45,823
2010				
Policyholders' liabilities	22,360	14,135	-	36,495

(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.

2011	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	11,324	17,722	21,999	51,045
Mortgage loans	206	707	1,523	2,436
Deposits	688	-	-	688
Reinsurance assets	14,695	9,061	-	23,756
Premiums in the course of collection	20,661	-	-	20,661
Deposits with Sagicor Group companies	140	-	-	140
Amounts receivable from Sagicor Group companies	82	-	-	82
Other accounts receivable	968	457	-	1,425
Cash resources	31,519	-	-	31,519
Total	80,283	27,947	23,522	131,752

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk (continued)

2010	**Maturing within 1 year**	**Maturing 1 to 5 years**	**Maturing after 5 years**	**Total**
Debt securities	6,811	11,111	16,649	34,571
Mortgage loans	189	601	1,559	2,349
Deposits	8,232	-	-	8,232
Reinsurance assets	10,655	7,048	-	17,703
Premiums in the course of collection	18,314	-	-	18,314
Deposits with Sagicor Group companies	8,064	-	-	8,064
Amounts receivable from Sagicor Group companies	540	-	-	540
Other accounts receivable	1,220	533	-	1,753
Cash resources	17,243	-	-	17,243
Total	71,268	19,293	18,208	108,769

30.3 Interest rate risk

The company 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 company 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.

For financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

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

The company manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities.

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the company's monetary insurance and financial liabilities. 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.

2011	**Exposure within 1 year**	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Policyholders' liabilities	-	-	-	45,823	45,823
Due to re-insurer and premium tax	-	-	-	8,595	8,595
Accounts payable and accrued liabilities	-	-	-	2,623	2,623
Total	-	-	-	57,041	57,041
2010					
Policyholders' liabilities	-	-	-	36,495	36,495
Due to re-insurer and premium tax	-	-	-	10,775	10,775
Accounts payable and accrued liabilities	-	-	-	1,778	1,778
Total	-	-	-	49,048	49,048

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

2011	**Exposure within 1 year**	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Debt securities	9,802	17,722	21,999	1,522	51,045
Mortgage loans	206	707	1,523	-	2,436
Deposits	650	-	-	38	688
Reinsurance assets	-	-	-	23,756	23,756
Premiums in the course of collection	-	-	-	20,661	20,661
Deposits with Sagicor Group companies	140	-	-	-	140
Amounts receivable from Sagicor Group companies	-	-	-	82	82
Other accounts receivable	250	457	-	718	1,425
Cash resources	17,030	-	-	14,489	31,519
Total	28,078	18,886	23,522	61,266	131,752

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.3 Interest rate risk (continued)

2010	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	6,044	11,111	16,649	767	34,571
Mortgage loans	189	601	1,559	-	2,349
Deposits	8,038	-	-	194	8,232
Reinsurance assets	-	-	-	17,703	17,703
Premiums in the course of collection	-	-	-	18,314	18,314
Deposits with Sagicor Group companies	8,064	-	-	-	8,064
Amounts receivable from Sagicor Group companies	-	-	-	540	540
Other accounts receivable	141	533	-	1,079	1,753
Cash resources	2,793	-	-	14,450	17,243
Total	25,269	12,245	18,208	53,047	108,769

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

	2011	2010
Debt securities	5.2%	6.3%
Mortgage loans	5.5%	5.5%
Deposits	4.2%	4.3%

Sensitivity

Sensitivity to interest rate risk is considered by the company. The company's operations are not exposed to a significant degree of interest rate risk.

30.4 Foreign exchange risk

The company is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. A limited proportion is invested in United States dollar assets which management considers diversifies the range of investments available, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.4 Foreign exchange risk (continued)

Monetary assets and liabilities by currency are summarised in the following tables.

2011	**Barbados $**	**Trinidad $**	**Other currencies**	**Total**
ASSETS				
Financial investments	15,959	17,505	20,705	54,169
Reinsurance assets	6,450	15,935	1,371	23,756
Receivables	7,950	12,010	2,126	22,086
Deposits with Sagicor Group companies	140	-	-	140
Amounts receivable from Sagicor Group companies	-	82	-	82
Cash resources	5,365	15,740	10,414	31,519
Total financial and insurance assets	35,864	61,272	34,616	131,752
LIABILITIES				
Policyholders' liabilities	13,965	29,926	1,932	45,823
Payables	2,941	7,177	1,100	11,218
Total financial and insurance liabilities	16,906	37,103	3,032	57,041
Net position	18,958	24,169	31,584	74,711

2010				
ASSETS				
Financial investments	11,131	21,557	12,464	45,152
Reinsurance assets	3,847	10,826	3,030	17,703
Receivables	6,848	10,934	2,285	20,067
Deposits with Sagicor Group companies	-	-	8,064	8,064
Amounts receivable from Sagicor Group companies	-	540	-	540
Cash resources	3,864	9,245	4,134	17,243
Total financial and insurance assets	25,690	53,102	29,977	108,769
LIABILITIES				
Policyholders' liabilities	11,236	20,875	4,384	36,495
Payables	1,210	9,706	1,637	12,553
Total financial and insurance liabilities	12,446	30,581	6,021	49,048
Net position	13,244	22,521	23,956	59,721

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.4 Foreign exchange risk (continued)

Sensitivity

The exposure to currency risk results primarily from currency risk relating to the future cash flows of monetary financial instruments. This occurs when a financial instrument is denominated in a currency other than the functional currency of the unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at balance sheet date and the exchange gain or loss is taken to income.

Financial instruments held by branches are predominantly denominated in the branches' functional currency and as such branches are not exposed to significant exposure from fluctuations in exchange rates.

30.5 Fair value of financial instruments

(a) Financial instruments carried at amortised cost

The carrying values of the company's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value, except as disclosed in note 7.

In estimating the fair value of non-traded financial assets, the company 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 company 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.

(b) 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.

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.5 Fair value of financial instruments (continued)

(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 company 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 30.5 (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 of corporate equity instruments issued in Barbados. The fair values of these instruments have been derived using the techniques and methods described in 30.5 (a) for non traded financial assets and liabilities.

The following table presents the financial assets carried at fair value by level of the fair value hierarchy.

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2011				
Debt securities	1,506	-	-	1,506
Equity securities	5,403	-	112	5,515
	6,909	-	112	7,021

Amounts expressed in Barbados $ 000

30. FINANCIAL RISK (continued)

30.5 Fair value of financial instruments (continued)

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2010				
Debt securities	1,497	-	-	1,497
Equity securities	10,408	-	112	10,520
	11,905	-	112	12,017

There were no transfers occurring in 2011 or 2010 between levels 1, 2 and 3.

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

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments classified as available for sale.

The effect of an across the board 20% change in equity prices of the company's available for sale equity securities as of the balance sheet date on total comprehensive income before tax is as follows:

	Carrying value	**Effect of a 20% change**
Available for sale equity securities:		
Listed on Caribbean stock exchanges and markets	5,515	1,103

The effect of the fluctuation on available for sale debt securities would not be material to these financial statements.

31. INSURANCE RISK

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the company. In establishing the amount of premium, the company principally assesses the estimated benefits which may be payable under the contract. In determining the premium payable under the contract, the company considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles to limit amounts of potential losses incurred.

Amounts expressed in Barbados $ 000

31. INSURANCE RISK (continued)

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

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim. Settlement of these benefits is expected generally within six months. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are underwriting, claims, availability of reinsurance and claims liability estimation and credit risk in respect of reinsurance counterparties.

31.1 Underwriting risk

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

Pricing techniques are subject to constant review from independent pricing audits, claims patterns, underwriters' input, market developments and actuarial best practice. There are minimum pricing margins for each class of business.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the company is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

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

Amounts expressed in Barbados $ 000

31. INSURANCE RISK (continued)

31.2 Claims risk

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

- Attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- Large losses, such as major fires and accidents, which are expected to be relatively infrequent, are greater than established threshold amounts;
- Catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause such as hurricanes or earthquakes, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The company records claims based on submissions made by claimants. In certain instances additional information is obtained from loss adjustors, medical reports and other specialist sources. However, the possibility exists that claim submissions are either fraudulent or are not covered under the terms of the policy. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular date, there are claims incurred but not reported (IBNR).

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

- Invalid claim submissions;
- The frequency of incurred claims;
- The severity of incurred claims;
- The development of incurred claims.

The company carries significant insurance risks concentrated in certain countries within the Caribbean. In these countries, the company carries a notable proportion of the insured assets or casualty risk (property and casualty) of the country as a whole. Significant concentration of insurance risk therefore occurs in these countries, namely Barbados, Trinidad and Tobago and St. Lucia.

Total insurance coverage on insurance polices quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided.

The total sums insured before and after reinsurance on property and casualty risks are summarised below.

	Gross	Net
2011		
Property business	11,570,777	2,626,799
Motor business	683,016	341,508
Accident business	4,223,573	1,983,777
Marine business	20,378	20,378
Sums insured	**16,497,744**	**4,972,462**

Amounts expressed in Barbados $ 000

31. INSURANCE RISK (continued)

31.2 Claims risk

	Gross	Net
2010		
Property business	11,642,197	1,987,028
Motor business	570,282	285,141
Accident business	4,206,891	1,981,267
Marine business	25,536	25,536
Sums insured	**16,444,906**	**4,278,972**

The net amounts disclosed are inclusive of the reinsurance applicable on proportional treaties. The retentions on the excess of loss treaties have not been included.

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and excess of loss reinsurance. Levels of reinsurance cover are summarised in note 31.3.

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

Realistic disaster scenarios modelled for 2011 resulted in estimated gross and net losses as follows:

Scenario:	**Gross loss**	**Net loss**
Hurricane affecting Barbados and St. Lucia. Used assumption of this event having a 250 year return period.	477,434	10,000
Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad. Used assumption of this event having a 250 year return period.	1,067,223	5,000

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

Amounts expressed in Barbados $ 000

31. INSURANCE RISK (continued)

31.3 Reinsurance risk

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

- The credit risk of holding a recovery from a reinsurer;
- The failure of a reinsurance layer upon the occurrence of a catastrophic event.

The company selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. The company also places reinsurance coverage with various reinsurers to limit its exposure to any one reinsurer. The credit ratings of reinsurers are monitored frequently.

For its property risks, the company uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the company to further claim exposure. Under some treaties, when treaty limits are reached, the company may be required to pay an additional premium to reinstate the reinsurance coverage. For other insurance risks, the company limits its exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the company. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer.

Principal features of retention programs used are summarised in the tables below.

Type of risk	**Retention by company**
Property risks	• maximum retention of $9,000 for a single event; • maximum retention of $10,000 for a catastrophic event; • quota share retention to maximum of 30% (2010 – 25%) in respect of the treaty limits; • quota share retention is further reduced to a maximum of $1,000 per event
Motor and liability risks	• maximum retention of $1,000 for a single event; • quota share retention to maximum of 50% (2010 – 50%) in respect of the treaty limits; • treaty limits apply
Miscellaneous accident risks	• maximum retention of $150 for a single event; • treaty limits apply
Engineering business risks	• maximum retention of $500 for a single risk; • treaty limits apply for material damage and for liability claims

Amounts expressed in Barbados $ 000

31. INSURANCE RISK (continued)

31.3 Reinsurance risk (continued)

Type of risk	Retention by company
Marine risks	• maximum retention of $150 for a single event; • treaty limits apply
Bond risks	• maximum retention of $600 for a single event; • quota share retention to maximum of 15% (2010 – 15%) in respect of the treaty limits; • treaty limits apply
Property, motor, marine, and engineering risk	• catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits for property, motor, marine and engineering risks; • treaty limits apply to catastrophic excess of loss coverage

Reinsurance balances and the effects of reinsurance ceded on income are disclosed at notes 8, 12.1, 12.2, 15, 18, 21 and 30.1.

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

- Hurricane with a 250 year return period affecting Barbados and St. Lucia; and
- Earthquake with a 250 year return period affecting Trinidad all within a 24 hour period.

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

<table>
<tr><th colspan="2">Category</th><th>Sagicor Risk Rating</th><th>Classification</th><th>Exposure $</th><th>Exposure %</th></tr>
<tr><td rowspan="7">Non-default</td><td rowspan="3">Investment grade</td><td>1</td><td>Minimal risk</td><td>489,752</td><td>32.0</td></tr>
<tr><td>2</td><td>Low risk</td><td>1,039,905</td><td>68.0</td></tr>
<tr><td>3</td><td>Moderate risk</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Non-investment grade</td><td>4</td><td>Acceptable risk</td><td>-</td><td>-</td></tr>
<tr><td>5</td><td>Average risk</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Watch</td><td>6</td><td>Higher risk</td><td>-</td><td>-</td></tr>
<tr><td>7</td><td>Special mention</td><td>-</td><td>-</td></tr>
<tr><td colspan="2" rowspan="3">Default</td><td>8</td><td>Substandard</td><td>-</td><td>-</td></tr>
<tr><td>9</td><td>Doubtful</td><td>-</td><td>-</td></tr>
<tr><td>10</td><td>Loss</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"></td><td>TOTALS</td><td>1,529,657</td><td>100.0</td></tr>
</table>

Amounts expressed in Barbados $ 000

31. INSURANCE RISK (continued)

31.4 Estimation of claim liabilities

Due to the inherent uncertainties in estimating claim liabilities described above and in note 3.1, the development of the company's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. The tables in note 12.1 outline the estimates of total ultimate claims incurred and recoverable from reinsurers for each year at successive year ends.

31.5 Sensitivity of incurred claims

The impact on gross claims of a 10% increase and decrease in development is outlined in note 12.1.

32. CAPITAL MANAGEMENT

32.1 Capital resources

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

- To comply with capital requirements established by insurance regulatory authorities;
- To safeguard its ability as a going concern and to provide adequate returns to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of company operations.

The principal capital resource of the company at balance sheet date is as follows:

	2011	2010
Equity	66,235	59,321
Total capital resources	66,235	59,321

The company deploys its capital resources through its operating activities. These operating activities are carried out by branches which are insurance operations. The capital is deployed in such a manner as to ensure that branches have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

32.2 Capital adequacy

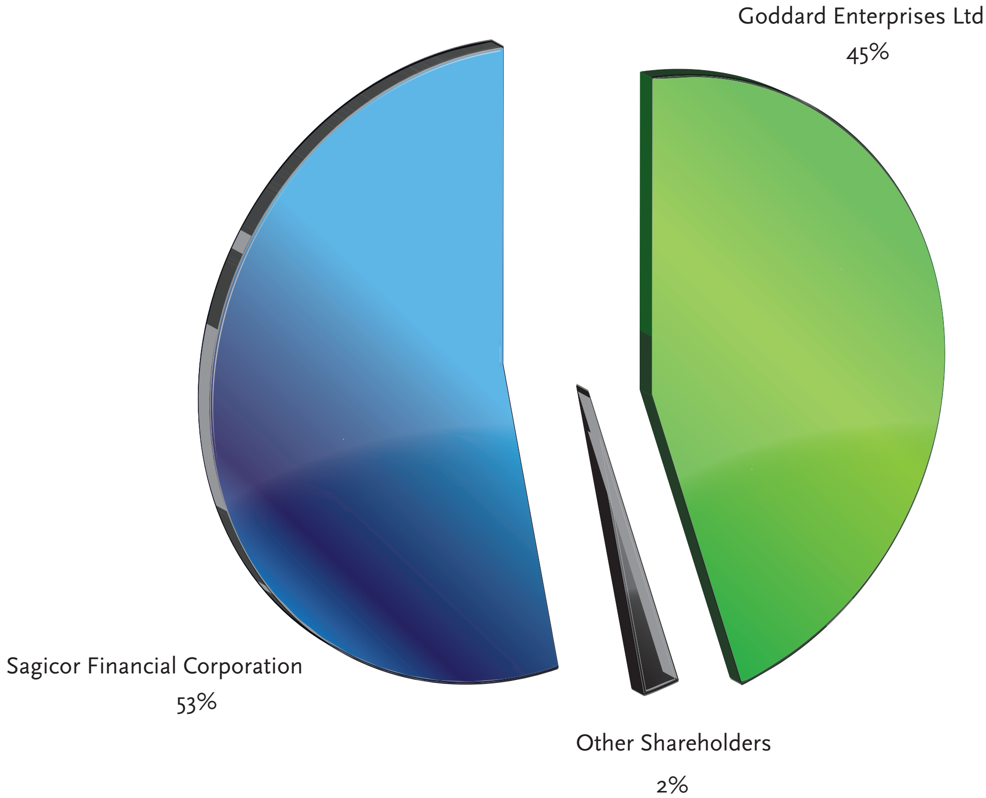
Management monitors the adequacy of the company's capital to ensure compliance with the solvency requirements of the territories in which it operates and to safeguard its ability as a going concern to continue to provide benefits and returns to shareholders. At year-end actuaries independently assess the adequacy of the company's insurance reserves.

KNOWLEDGE

The essence of knowledge is having it and applying.

Shareholder Information

SHAREHOLDERS



TEAMWORK

A successful team beats with one heart.

Advisors and Bankers

APPOINTED ACTUARY

Eckler Ltd.

AUDITORS

PricewaterhouseCoopers SRL, Chartered Accountants

SENIOR COUNSEL

Sir Richard Cheltenham,QC, Ph.D

BANKERS

FirstCaribbean International Bank Limited

Butterfield Bank (Barbados) Limited

The Bank of Nova Scotia

Agencies, Branches and Offices

AGENCIES:

ANTIGUA:
Sagicor Life Inc.
Sagicor Financial Centre
9 Factory Road
P.O. Box 666
St. Johns

BARBADOS:
Sagicor Life Inc.
Sagicor Corporate Centre
Wildey
St. Michael

P & S Insurance Services Limited
15 Pleasant View
Cave Hill
St. Michael

DOMINICA
H.H.V. Whitchurch & Company Limited
P.O. Box 771
Roseau

Willcher Services Inc.
44 Cnr. Hillsborough
Independence Street
Roseau

ST. LUCIA:
Sagicor Life Inc.
Sagicor Financial Centre
Choc Estate
Castries

J.E. Maxwell & Company Limited
P.O Box GM507
Castries

BRANCHES & OFFICES:

TRINIDAD AND TOBAGO:
Sagicor General Insurance Inc.
109 Abercromby Street
Port of Spain
Trinidad

BARBADOS:
Registered Office
Sagicor General Insurance Inc.
Beckwith Place
Lower Broad Street
Bridgetown

Haggatt Hall
Mall Internationale
Haggatt Hall
St. Michael

Collymore Rock
Sagicor Financial Centre
Lower Collymore Rock
St. Michael

Chelston
Building #2
Chelston Park
St. Michael

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SIXTEENTH ANNUAL GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F de Caires Building, Wildey, St. Michael, Barbados, on Thursday, July 5, 2012 at 4:00 p.m. for the following purposes:

1. To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended December 31, 2011.

2. To elect Directors:-

    (a) Mr. Martin J. K. Pritchard, Mr. Ravi Rambarran and Dr. Ashwell Thomas are the Directors whose terms of office expire at the close of this meeting in accordance with paragraph 4.4 of the by-laws of the Company, and being eligible offer themselves for re-election for terms expiring at the close of the third annual meeting following this meeting.

3. To re-appoint the incumbent Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

4. To transact such other business as may properly come before the meeting and at any adjournment thereof.

BY ORDER OF THE BOARD

Althea C. Hazzard LLM, FCIS
Corporate Secretary
June 14, 2012

PROXIES

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a shareholder. Proxy forms must be lodged at the Company's Registered Office, Beckwith Place, Bridgetown, Barbados, not less than twenty-four hours before the meeting. A form of Proxy is enclosed for your convenience.

SAGICOR GENERAL INSURANCE INC.
COMPANY NO. 11569

MANAGEMENT PROXY CIRCULAR

Management is required by the Companies Act Cap. 308 of the Laws of Barbados (hereinafter called "The Companies Act") to send with the Notice convening the meeting, forms of proxy. By complying with the Act management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the Sixteenth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on July 5, 2012 at 4:00 p.m. (hereinafter called the "meeting") and is furnished in connection with the solicitation by the management of the Company of proxies for use at the meeting, or any adjournment thereof. It is expected that the solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

REVOCATION OF PROXY

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder, or his attorney authorised in writing, with the Corporate Secretary at the head office of the Company at Beckwith Place, Bridgetown, Barbados, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

RECORD DATE, NOTICE OF MEETING & VOTING SHARES

The Directors of the Company have not fixed a record date for determining the shareholders who are entitled to receive notice of the meeting. In accordance with the Companies Act Chapter 308 of the Laws of Barbados the statutory record date applies. Only the holders of common shares of the Company of record at the close of business on the day immediately preceding the day on which the Notice is given under Section 109 (1) of the Companies Act will be entitled to receive notice of the meeting.

Only the holders of common shares of the Company will be entitled to attend and vote at the meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are 2,000,000 common shares of the Company outstanding.

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2011 and the Auditors' Report thereon, are included in the 2011 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The Board of Directors consists of 7 (seven) members. The number of Directors to be elected at the meeting is three (3). The following are the names of the persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast for their re-election as Directors pursuant to the form of proxy hereby enclosed:

Mr. Martin J. K. Pritchard
Mr. Ravi Rambarran
Dr. Ashwell E. Thomas

Messrs. Pritchard and Rambarran and Dr. Thomas were elected as Directors at the Annual Meeting of Shareholders on June 3, 2009 and are now directors of the Company. They will retire at the close of the Sixteenth Annual Meeting in accordance with the provisions of the by-laws of the Company, but being eligible, offer themselves for re-election for terms expiring not later than the close of the third annual meeting of shareholders following this meeting or until their successor are elected or appointed.

The Directors recommend the appointment of Messrs. Pritchard and Rambarran and Dr. Thomas for terms expiring not later than the close of the third annual meeting of shareholders following this meeting or until their successors are elected or appointed.

The management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Director.

APPOINTMENT OF AUDITORS

It is proposed to re-appoint the firm of PricewaterhouseCoopers SRL, the incumbent Auditors, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders.

DISCRETIONARY AUTHORITY

Management knows of no matter to come before the meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2).

No Auditors' statement is submitted pursuant to Section 163(1).

Date: June 14, 2012

Althea C. Hazzard
Corporate Secretary