Sagicor GENERAL

SAGICOR GENERAL INSURANCE INC.

ANNUAL REPORT 2013

Sagicor GENERAL

smart
AGILE
HONEST
adept
reliable

GENEROUS

innovative

ACCOUNTABLE

Industrious

DYNAMIC

RESOURCEFUL

"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."

SAGICOR GENERAL INSURANCE INC.

ANNUAL REPORT 2013

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Smart

To accomplish great things,
we must dream as well as act.

Sagicor General

Sagicor General Insurance Inc.

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 49% of our book of business, Motor premium revenue represents 37% and Accident & Marine business account for 14% of our total portfolio.

Our revised 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.

Agile

Twists and turns don't faze us.
We stay on target, no matter what

DIRECTORS' REPORT

FINANCIAL HIGHLIGHTS

DIRECTORS' REPORT

The Board of Directors of Sagicor General Insurance Inc. is pleased to submit to shareholders, the audited financial statements as at December 31, 2013 which incorporate a review of the company's performance for the year.

2013 was again a positive one for the company which achieved net income after tax of $9.9 M and delivered a 14.6% return on equity to shareholders. This achievement, in light of sluggish regional operating economies, continued low investment returns and fierce industry competition, is reflective of the discipline, dedication and commitment of our management and the various departmental teams.

The overall environment and in particular the challenging market place dictated that we continued to exercise underwriting prudence. This has contributed to our credible results.

During the year, the company maintained its financial rating of A- (Excellent) from A.M. Best Company Inc. providing confirmation of the prudence of our decision-making, the business results and the strength of the company's Balance Sheet.

During the year as well, the company bade farewell to David Deane FCII SCM who retired as President and CEO at the end of September. We wish to place on record our sincere appreciation for his significant contribution to Sagicor General's success for the last 20 years. The growth and success of Sagicor General as a major Caribbean carrier is a tribute to David Deane's vision, professionalism and commitment, and represents the legacy he has left for Sagicor General.

Martin Pritchard retired as Director and Deputy Chairman of the company effective April 30, 2013. The Chairman and Board thank Martin for

M. PATRICIA DOWNES – GRANT
Chairman

his sterling service and wise counsel and wish him well during his retirement.

David Alleyne was appointed President and CEO in September 2013. David brings substantial experience to the company as an insurance professional having spent the last 35 years in the business. He is currently the President of the Insurance Association of the Caribbean (IAC).

2013 Operating Results

Underwriting

Gross Written Premium (GWP) increased marginally during the year from $126.4 M in 2012 to $126.8 M in 2013. This limited movement was as a consequence of the significant pressure on market rates allied with our continued underwriting discipline in not accepting new and renewal business where risk pricing was inadequate for our business model. It is instructive to note that in respect of risks written in both of the two largest classes - property and motor - data analysis shows a higher volume of business was written. In the property class, aggregates relating to sums insured increased, while in the motor account, policy count in addition to units insured also increased. In both classes average rates declined.

Trinidad and Tobago continues to be our leading market generating 58.1% of gross written premium. Our Barbados portfolio accounts for 35.4% while our Eastern Caribbean offices in St. Lucia, Antigua and Dominica contributed 6.5%. During the year, GWP of our Trinidad and Tobago operations increased by 2.3%, the lowest on record since the branch's inception. All other territories recorded GWP which was either stagnant or had declined marginally.

Total reinsurance outgo remained at approximately 70.5% of gross premium, which in real terms reflected marginally better terms as the company secured slightly higher levels of cover on some treaties. Net earned premium improved marginally over prior year moving from $37.0 M in 2012 to $37.1M in 2013.

In looking at individual classes from a gross premium perspective, there were minimal declines in the property and miscellaneous accident books, which represent 49.4% and 12.1% of overall premium volume respectively. The motor portfolio, which grew by 2.0% during 2013, contributes 37.0% of overall premium volume while marine accounts for 1.5%.

Claims

The Company's overall loss ratio improved significantly during the year moving from 43.4% in 2012 to 38.0% in 2013. This commendable performance was derived primarily from positive movement in the motor portfolio improving from 58.9% in 2012 to 51.1% in 2013. The property book was impacted by several flood losses in the region, thus causing the loss ratio to move from 8.9% in 2012 to 14.3% in 2013. This is still considered to be an acceptable level. Of the major territories, overall loss ratios moved positively, with Barbados declining from 45.0% in prior year to 34.9% in 2013. There was a similar reduction in Trinidad and Tobago with the loss ratio moving from 43.6% in 2012 to 39.5% in 2013.

Investments

Though returns on our investment portfolio continue to be influenced by depressed rates on instruments available, the company saw an increase of $626.0 K or 17.0% in investment income. The increase was largely due to a higher share of income from Globe Finance Inc., an associated company, which saw an increase in net profits of 21.5%.

G&A Expenses

The Company's net profit has been negatively impacted by a $4.2 M increase in expenses over 2012. The main components of this increase relate to adjustment of salaries to bring remuneration in line with the industry in addition to expenditure relating to relocation of our main offices in Barbados and Trinidad and Tobago.

Balance Sheet

The company's balance sheet continues to strengthen with total assets reaching $218.2M at December 31, 2013, up from $209.1M at the end of 2012. Our equity position has improved, moving from $67.6M at the end of 2012 to $75.1M at year end 2013, with retained earnings growing by $6.7M or 18.2%. A dividend of $2.4M was declared during the year relating to 2012.

Human Resources

During the year employees, encouraged and often facilitated by management, embarked on many programs of lifestyle improvement through wellness activities. In February, Barbados employees were challenged to a Fat Loss competition hosted by Surfside Wellness Centre and in March, the Human Resources Department launched the highly popular "Fit by Summer Challenge". This competition created an environment where employees encouraged one another to diet and exercise, leading to weight loss and an improvement in fitness levels and overall health. Sessions were held with nutritionists and other health professionals to disseminate information on effective planning for diet, weight management, exercise and forging healthy lifestyle habits.

In Trinidad, our branch partnered with Sagicor Life Inc. to promote health awareness through participation in Sagicor's Corporate Wellness Program. The North West Regional Health Authority visited our offices and conducted tests for blood pressure, glucose, BMI and cholesterol. The intent was to educate staff on how to have a balanced, healthier life style which should improve their overall productivity. The sessions were well attended.

During the year staff pursued academic advancement in many disciplines and availed themselves of professional development through training opportunities provided by the company in many areas including technical insurance, business administration and compliance.

The following training sessions among others were attended by staff:

Productivity and Organizational Improvement through Supervisory Excellence - This was conducted in collaboration with the Barbados Productivity Council and allowed participants to improve their skills in the areas of coaching, engaging employees, time management and delegation and teamwork and motivation.

Business Communication - This was the focus of training sessions conducted at the Antigua, St Lucia and Trinidad branches where staff members were coached on the importance of precision in communicating to customers, both internally and externally.

HARVARD MANAGEMENTOR® 11 - In Trinidad the company embarked on a management development program for three Assistant Managers. The program is a practical, engaging resource for building management skills in the core competencies of communications/ interpersonal relationships, leadership, learning and personal development, personal accountability, service orientation, teaming and collaboration.

Occupational Safety and Health (SHAW) Checklist - In anticipation of the proclamation of the Safety and Health at Work Act, 2005, the company's Health and Safety Committee attended a one day session hosted by the Barbados Employers' Confederation. At the Insurance Institute of Barbados end-of-year awards Charmaine Walters-Burke received her Barbados Diploma in Insurance (BDI) and Shavon Franklyn received the Carl Moore prize for the most outstanding performance in Property and Pecuniary 1 & 2 in the Barbados Diploma program. Also in Barbados, Angela King completed her Chartered Insurance Professional (CIP) designation from the Insurance Institute of Canada while Donelle Belgrave-Young was admitted as an Associate of the Chartered Insurance Institute of the UK (ACII).

In St. Lucia, Gillian Polius, Agency Administrator, continues to make steady progress in the

Chartered Insurance Institute of the UK examinations and has reached Certificate level, while Sheena Martin attained her Caribbean Certificate of Insurance with distinction.

In Trinidad Nadia Nicholls-Jhangoor qualified as a professional accountant and is now a member of the Association of Chartered Certified Accountants (ACCA). Susan Wright-Raghoonanan gained a post graduate Certificate in Business Administration while Hillary Brown progressed to the Certificate level of the Business Management programme of the Association of Business Executives of the UK.

We are proud of our employees' achievements and support all others who have enrolled in academic or professional courses of study.

Information Technology

During 2013 the project team continued to work on the implementation of our new General Insurance Management System (GIMS). Delays have occurred and the company now expects to launch the new system in the last quarter of 2014.

The implementation of the new general insurance system will represent a major conversion of most operational processes and will involve considerable process re-engineering. There will be an entire transformation in work flow and the manner in which the company conducts its affairs, with significant reporting and customer service efficiencies.

Data entered into the system will update in real time and will be integrated fully and seamlessly to ensure smooth operations and complete control of information processes. Underwriting and policy information (including history) will merge with claims data on an individual account basis which then feeds billing and receivables management, reserving, reinsurance allocations and financial and compliance reporting.

GIMS will facilitate workflow scrutiny, allow crucial third party interface and provide management with previously unavailable real time data, thereby enabling an enhanced more effective level of business analytics.

The delay in delivery has resulted from the difficulties of moving from very manual operational processes to significant system sophistication together with the degree of customisation from original specification which has been incorporated since start-up.

GIMS will set new industry standards in relation to customer service delivery while creating competitive advantage for the company.

New locations

During the year the company relocated its Barbados and Trinidad main offices.

In Barbados, the company's corporate head office was moved from Bridgetown to modern new accommodations in Haggatt Hall, St Michael. Staff from offices in Bridgetown, Chelston Park, Collymore Rock and the original Haggatt Hall location were amalgamated into the new office accommodations. A small complement of staff has been retained in Bridgetown to service city traffic while a unit to serve the Sagicor Life Advisors remains in the Sagicor Financial Centre, Collymore Rock.

In Trinidad, the branch moved to more comfortable premises at 122, St Vincent Street, Port-of-Spain. A sub-branch established in the southern part of the island, moved to larger premises in San Fernando. These relocations in Trinidad became necessary due to rapid growth in the operations in recent years.

Social Responsibility / Community Involvement

During 2013, Sagicor General continued to provide sponsorships and other support to many organisations, groups and individuals as we sought to fulfil our mandate of uplifting the communities in which we operate.

Some of the associations, events, initiatives and activities we supported are detailed below:

Sagicor General sponsored its ninth consecutive National Amateur Athletics Association Championships in Trinidad and Tobago. A number of national records were broken as athletes prepare for the long road to the 2016 Olympic Summer Games. As one of the two main sponsors, Sagicor General not only provides financial sponsorship but our staff are involved actively in helping the association with the planning for, and management of, the activities on the days of the events.

Body builders Stevenson Belle and Joseph Bourne, competitors in the Barbados Amateur Bodybuilding and Fitness Championships, received financial assistance from Sagicor General in preparing mind and body for competition.

The 33rd annual Sagicor General Junior National Squash Championships received our support with Khamal Cumberbatch and Gylla Mackenzie being the eventual male and female national junior champions.

Sagicor General was one of the sponsors for the inaugural Barbados Open Water Festival, which attracted swimmers and water sports enthusiasts from 12 countries, ranging in age from 8 to 69 years old.

The inaugural Sagicor General family golf tournament provided an avenue for family members to spend quality time together on the fairways at Durants golf course. Siblings Ricky and Glyne Skeete were the 2013 winners.

The Barbados Cricket Association continues to be our partner in hosting the three major limited over competitions of the BCA: Super Cup, Shield and T20.

The company continues to sponsor the Barbados Cricket Umpires Association, whose President is a member of the International Cricket Council's international elite umpire panel and has officiated in many international games.

Sagicor General sponsors the highly successful Somerset Cricket team in Dominica.

In the latter part of the year in Trinidad, the branch adopted a community project by sponsoring the refurbishment of the Salazar Trace, Point Fortin's government primary school library. In addition to staff donations, we partnered with a major bookstore for co-sponsorship of new books and liaised with the Trinidad and Tobago National Library and Information Systems Authority (NALIS) which catalogued and organised the books on the shelves. The new library was opened in January 2014.

With our assistance in the donation of football kits, St. Cyprian's primary school made a valiant effort in the primary school football competition and placed second in their division. Zachary Bellamy was the leading goal scorer on the team.

Drug Education and Counselling Services (DECS) is a wonderful not-for-profit, non-governmental program working with young boys and girls between the ages of 8 to 25 years old who struggle with substance abuse and behavioural issues. Sagicor General was happy to provide support for this worthy initiative.

Sagicor General, as part of the Sagicor Group, participates in promoting and supporting the Sagicor Visionaries Challenge. The Visionaries Challenge encourages Caribbean secondary school students in our operating jurisdictions, through the study of Science, Technology Engineering and Math (STEM) subjects, to develop effective, innovative and sustainable solutions to the challenges facing them in their communities. Entries are first evaluated and judged at the national level in each of the Challenge Countries, with the winning school in each country moving on to the regional competition. Representatives of national school winners and their respective teachers participate in a 7-day, all-expenses STEM Ambassador Programme to Florida. Partners in this project, along with the Sagicor Group, are the Caribbean Science Foundation and the Caribbean Examinations Council.

Conclusion

Overall, the business environment in 2013 created challenges in the company's attempt to fulfil all of its strategic imperatives. The depressed state of regional economies along with competition-based pricing by several market players impacted our growth. Despite the challenges faced, an excellent return on equity has been realised.

A disciplined underwriting approach was maintained and our staff committed themselves to delivering the level of professional customer service from which our vision is derived. Sincere thanks to all policyholders, agents, financial advisors, brokers, reinsurers and other affiliates and partners who have contributed to our success.

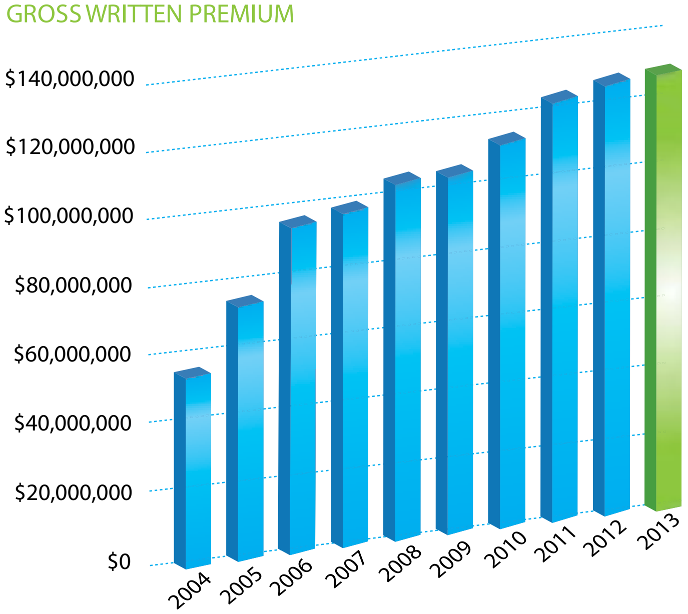
Looking forward, the underwriting discipline in risk selection and pricing which has been evident in our results and which has been the source of our financial stability over the years must be maintained. The market place demands changes in our outlook and focus and we will respond. Our imminent use of enhanced technology will herald in a new standard of customer service while creating efficiencies and with our underlying fundamentals remaining strong, our new business model will ensure that we position ourselves to continue delivering strong profits in the years ahead.

D. Alleyne

DAVID ALLEYNE
President and Chief Executive Officer

FINANCIAL HIGHLIGHTS

GROSS WRITTEN PREMIUM

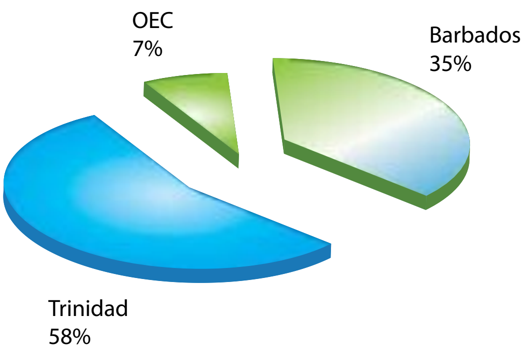


2013 - $126,849,000
2012 - $126,395,000
2011 - $124,241,000
2010 - $116,868,000
2009 - $107,068,000
2008 - $107,553,000
2007 - $98,649,000
2006 - $94,604,000
2005 - $76,704,000
2004 - $55,887,000

TOTAL EQUITY

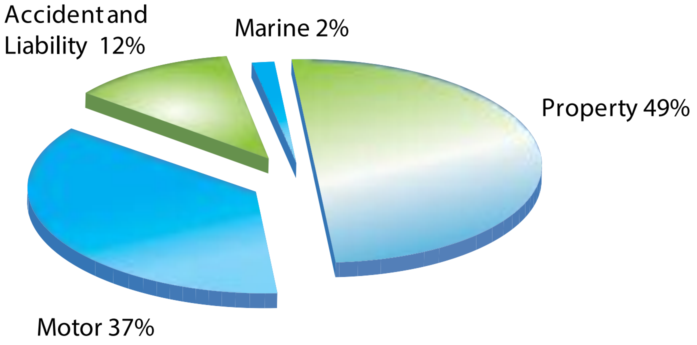
2013 - $75,135,000
2012 - $67,640,000
2011 - $63,232,000
2010 - $58,079,000
2009 - $54,591,000
2008 - $45,501,000

PREMIUM REVENUE BY TERRITORY

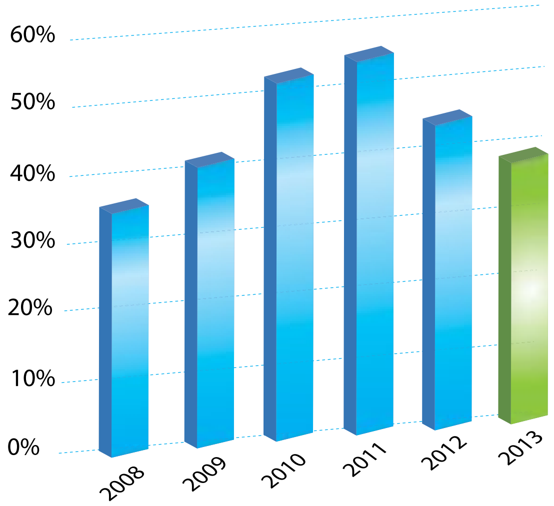


FINANCIAL HIGHLIGHTS

PREMIUM REVENUE BY BUSINESS CLASS



LOSS RATIO



2013	38.0%
2012	43.4%
2011	53.2%
2010	52.4%
2009	40.8%
2008	36.9%

TOTAL ASSETS

2013	$218,194,000
2012	$209,091,000
2011	$199,194,000
2010	$179,765,000
2009	$161,248,000
2008	$150,859,000

Generous

We measure ourselves , not by
what we have but by what we give.

CORPORATE & SOCIAL RESPONSIBILITY

OUTSTANDING PERFORMANCE

ACADEMIC ACHIEVEMENTS

NEW LOCATIONS

Body Builders Mr. Stevenson Belle and Mr. Joseph Bourne, competitors in the Barbados Amateur Bodybuilding and Fitness Championships received financial assistance from Sagicor General's President and Chief Executive Officer Mr. David Alleyne and former President and CEO, Mr. David Deane.

A lovely day at family golf.

Sagicor General Somerset Sports Club of Dominica.

Sagicor General's staff worked with the Youth at Risk in 2013 and volunteered their services to assist with a sports day.

Siblings Ricky Skeete (right) and brother Glyne (left) won the inaugural Sagicor General Family Golf Championship. They are seen here accepting their award from Assistant Vice President - Marketing, Roger Spencer.

Sagicor General sponsored its ninth consecutive National Amateur Athletics Association Championships in Trinidad. A number of national records were broken as athletes prepare for the long road to the 2016 Olympic Summer Games.

Sagicor General's President and CEO David Alleyne received an appreciation award from Mr. Gregory Brathwaite for Sagicor General's continued sponsorship of the BCUA. Mr. Brathwaite is a member of the International Cricket Council's elite panel of Umpires.

Sagicor General Insurance sponsored the football kit of the St. Cyprian's Primary School. The team made a valiant effort and placed second in their division.

Sagicor General once again sponsored the 33rd annual Sagicor General Junior National Squash Championships. Khamal Cumberbatch and Gylla Mackenzie were the eventual male and female National Junior

Members of the Barbados Fire Service seen here celebrating their victory over the Psychiatric Hospital in the SGI Shield Final.

Team members of LIME celebrate an emphatic win over runners up Maple.

Sagicor UWI who won the limited over and three day competition in 2013 celebrate winning the Sagicor General Twenty/20.

Sagicor General was one of the sponsors for the inaugural Barbados Open Water Festival which attracted swimmers and water sports enthusiasts from 12 countries ranging in age from 8-69 years old.

David Alleyne presents an award to Mr. Charles Packer who won the awards for Highest Premium Income - Renewals 2013 and Highest Premium Income - New Business 2013

Andre Barrow, Sagicor General's Employee of the Year 2013

OUTSTANDING PERFORMANCE

Trinidad: L-R Hillary Brown - Business Management Certificate recipient, Susan Wright-Raghoonanan - Postgraduate Certificate in Business Administration.

Barbados: L-R: Donelle Belgrave-Young gained the Associate degree from the Chartered Insurance Institue, Angela King attained the Chartered Insurance Professional designation, Charmaine Walters-Burke completed the Barbados Diploma in Insurance and Shavon Franklyn was the recipient of the Carl Moore prize for most outstanding performance in Property Pecuniary 1 & 2.

Business Communications Training for Antigua staff: L-R Simone Hewlett, Vanessa Burke, Mrs. Shirley Morris (Business Communications Tutor of Barbados Institute of Management & Productivity), Keith Herbert and Deirdre George.

Trinidad: Nadia Nicholls-Jhangoor completed the Association of Chartered Certified Accountants certification.

L-R: Gillian Polius who has reached the Certificate level at the Chartered Insurance Institute presenting to Sheena Martin who earned the Caribbean Certificate of Insurance designation with distinction.

ACADEMIC ACHIEVEMENTS

New Head Office Building at Haggatt Hall, Barbados

Reception area at Haggatt Hall, Barbados

Customer Service entrance at Haggatt Hall, Barbados

BARBADOS


Executive Dining Room at Haggatt Hall, Barbados

NEW LOCATIONS

Claims Reception area in the new Port of Spain, Trinidad office.

New San Fernando office

Port of Spain Claims Department

TRINIDAD & TOBAGO

NEW LOCATIONS

Honest

No Legacy is so rich as honesty.

1 M. PATRICIA DOWNES-GRANT
Chairman

2 VERE BRATHWAITE

3 C. NATASHA SMALL

4 WILLIAM PUTNAM

5 DAVID ALLEYNE
President and Chief Executive Officer

6 MARTIN J.K. PRITCHARD
Deputy Chairman (Until April 30, 2013)

7 RAVI RAMBARRAN

8 DAVID DEANE (Until September 30, 2013)

9 J. EDWARD CLARKE

BOARD OF DIRECTORS

Adept

Wisdom is knowing what to do but skill is knowing how to do it.

DAVID ALLEYNE ACII, ARe MBA
President and Chief Executive Officer - Barbados

CLAUDETTE ARTHUR BSc, CGA, FCA-ICAB
Vice President, Finance - Barbados

DIANE EDWARDS BA, MSc
Vice President, Human Resources - Barbados

CHRISTOPHER MAPP BSc, FCCA,
Chief Financial Officer - Barbados

CHERYL JORDAN AIIC
Vice President, Reinsurance - Barbados

MARK BLAKELEY BSc, MBA
Vice President Marketing and Business Development - Barbados

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

SENIOR EXECUTIVE MANAGEMENT

DEXTER MCKNIGHT ACII
Assistant Vice President
Underwriting - Trinidad & Tobago.

JEANE FORDE CIP
Assistant Vice President, Claims
Barbados

ELIZABETH STOUTE-BRATHWAITE FCCA
Assistant Vice President, Finance
Barbados

MICHAEL HOLDER
Assistant Vice President, Branch and
Overseas Operations - Barbados

ROGER SPENCER BSc, MSc, MCIM
Assistant Vice President, Marketing
Barbados

CARLYN CRICHLOW BSc, CPI
Assistant Vice President
Research & Development - Barbados

CHERYL ST. HILL
Assistant Vice President, Underwriting
Barbados

FELIX GOMEZ ACII, FLMI, ACS,
ARA, DIPMIA, Chartered Insurer
Assistant Vice President, Claims
Trinidad & Tobago

DEBORAH ROMEO FCCA, CA
Assistant Vice President, Finance
Trinidad & Tobago

GENERAL MANAGEMENT

Industrious

Success is dependent on effort.

St. Lucia Agency: Standing L-R Josh Cools, Furnella Isidore, Jason Edwin Sitting: Gillian Polius

Customer Service at Port of Spain

Antigua Agency: L-R Vanessa Burke, Deirdre George, Keith Herbert and Simone Hewlett

Collaboration with Munich Re

Barbados Staff

Dynamic

If everyone moves forward together, success takes care of itself.

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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, 2013 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

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, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

May 22, 2014
Bridgetown, Barbados

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013

Amounts expressed in Barbados $ 000

	Notes	2013	Restated 2012	Restated 2011
ASSETS				
Property, plant and equipment	5	16,134	10,457	9,015
Investment in associated company	6	4,434	3,783	3,694
Financial investments	7	82,147	77,230	59,684
Reinsurance assets	8	64,166	62,471	62,925
Income tax assets	9	1,912	648	862
Premiums receivable and deferred acquisition costs	10	29,852	28,660	29,848
Miscellaneous assets and receivables	11	896	535	1,425
Deposits with Sagicor Group companies	29	363	345	140
Amounts receivable from Sagicor Group companies	29	-	-	82
Cash and cash equivalents		18,290	24,962	31,519
Total assets		**218,194**	**209,091**	**199,194**
LIABILITIES				
Policyholders' liabilities	12	109,513	107,750	108,780
Provisions	13	2,558	3,028	772
Income tax liabilities	14	547	37	146
Due to reinsurers, deferrals and premium tax payable	15	24,866	23,609	23,614
Amounts payable to Sagicor Group companies	29	272	513	27
Accounts payable and accrued liabilities		5,303	6,514	2,623
Total liabilities		**143,059**	**141,451**	**135,962**
EQUITY				
Share capital	16	3,000	3,000	3,000
Reserves	17	28,562	27,779	25,898
Retained earnings		43,573	36,861	34,334
Total equity		**75,135**	**67,640**	**63,232**
Total equity and liabilities		**218,194**	**209,091**	**199,194**

These financial statements have been approved for issue by the Board of Directors on May 19, 2014.

______________________ Director   ______________________ Director

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF INCOME
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

	Notes	2013	2012
REVENUE			
Premium revenue	18	126,807	126,917
Reinsurance expense	18	(89,753)	(89,929)
Net premium revenue		37,054	36,988
Investment income	19	3,659	3,595
Share of operating income of associated company	6	651	89
Fees and other revenue	20	27,707	27,766
Total revenue		**69,071**	**68,438**
CLAIMS INCURRED			
Claims incurred	21	31,627	32,433
Claims reinsured	21	(17,530)	(16,383)
Net claims incurred		**14,097**	**16,050**
EXPENSES			
Administrative expenses		24,488	20,707
Commissions and related compensation	10	15,609	15,847
Premium taxes		867	875
Depreciation		1,311	977
Total expenses		**42,275**	**38,406**
INCOME BEFORE TAXES		12,699	13,982
Income taxes	24	(2,803)	(3,326)
NET INCOME FOR THE YEAR		**9,896**	**10,656**

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

	Notes	2013	Restated 2012
NET INCOME FOR THE YEAR		9,896	10,656
OTHER COMPREHENSIVE INCOME			
Items net of tax that may be reclassified subsequently to income:	26		
Changes in fair value reserves:			
Available for sale financial assets:		(374)	617
		(374)	617
Items net of tax that will not be reclassified subsequently to income:	26		
Gains/ (losses) on defined benefit plans		419	(1,871)
		419	(1,871)
Other comprehensive income/ (loss) for the year		45	(1,254)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,941**	**9,402**

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

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

	Year ended December 31, 2013			
	Share capital Note 16	**Reserves Note 17**	**Retained earnings**	**Total**
Balance, beginning of year				
As previously reported	3,000	27,779	39,176	69,955
Prior period adjustment (Note 35)	-	-	(2,315)	(2,315)
Balance, beginning of year, as restated	3,000	27,779	36,861	67,640
Total comprehensive income	-	(374)	10,315	9,941
Other movements	-	1,157	(1,157)	-
Dividends declared (Note 25)	-	-	(2,446)	(2,446)
Balance, end of year	**3,000**	**28,562**	**43,573**	**75,135**

	Year ended December 31, 2012			
	Share capital Note 16	**Reserves Note 17**	**Retained earnings**	**Total**
Balance, beginning of year				
As previously reported	3,000	25,898	34,778	63,676
Prior period adjustment (Note 35)	-	-	(444)	(444)
Balance, beginning of year, as restated	3,000	25,898	34,334	63,232
Total comprehensive income	-	617	8,785	9,402
Other movements	-	1,264	(1,264)	-
Dividends paid (Note 25)	-	-	(4,994)	(4,994)
Balance, end of year	**3,000**	**27,779**	**36,861**	**67,640**

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

SAGICOR GENERAL INSURANCE INC.
CASH FLOW STATEMENT
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

	Notes	2013	2012
Cash flows from operating activities			
Income before taxes		12,699	13,982
Adjustments for non-cash items, interest and dividends	27	(1,839)	(2,646)
Interest and dividends received		3,383	3,256
Interest and dividends received from Sagicor Group companies		570	725
Income taxes paid		(3,696)	(2,597)
Changes in operating assets	27	(7,629)	(15,538)
Changes in operating liabilities	27	1,970	(1,269)
Net cash from/ (used in) operating activities		**5,458**	**(4,087)**
Cash flows from investing activities			
Property, plant and equipment	27	(7,223)	(2,383)
Net cash used in investing activities		**(7,223)**	**(2,383)**
Cash flows from financing activities			
Dividends paid to shareholders		(4,907)	(87)
Net cash used in financing activities		**(4,907)**	**(87)**
Net decrease in cash and cash equivalents		**(6,672)**	**(6,557)**
Cash and cash equivalents, beginning of year		24,962	31,519
Cash and cash equivalents, end of year	27	**18,290**	**24,962**

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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 where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Amendments to IFRS

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

(i) IAS 19 - Employee Benefits (revised)

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

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

The revised standard has been adopted as a change in accounting policy and has been applied retrospectively with the restatement of the comparative 2012 amounts and of the cumulative impact at the beginning of 2012. The impact on the company's results has been:

- A decrease in equity of $444, an increase in the net defined benefit liability of $591 and an increase in deferred tax asset of $147 at the beginning of 2012;
- For the year ended December 31, 2012, a decrease in equity of $1,871, an increase in net defined benefit liability of $2,495 and an increase in deferred tax asset of $624.

These restatements are summarised in note 35.

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

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

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

These standards have no significant impact on the company's financial results.

(iii) IFRS 13 - Fair Value Measurement

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

The company has adopted this standard from the current year. These statements include new disclosures of the fair value hierarchy as applied to owner-occupied property (note 30) and to financial instruments carried at amortised cost (note 31.5(b)). Disclosures of the fair value hierarchy as applied to financial instruments carried at fair value continues from prior years in note 31.5(a).

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Future accounting developments

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

IFRS (Effective date)	Subject/ Comments
IFRS 7 – Financial Instruments: Disclosures IAS 32 - Financial Instruments Presentation (January 1, 2014)	Offsetting Financial Assets and Financial Liabilities These amendments clarify the presentation of certain offsetting requirements and amend the disclosure to include information on the effect of netting arrangements.
IFRS 9 – Financial Instruments (January 1, 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 designated at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship. Amendments have been made to hedge accounting with the most significant improvements applying to the hedging of non-financial risk. New requirements for the impairment of financial assets are to be finalised. In addition, limited amendments to the classification and measurement requirements are to be incorporated.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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 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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts (continued)

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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 less the fair value of plan assets. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

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

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 2013 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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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 $1,157 (2012 - $1,264).

2.15 Presentation of current and non-current assets and liabilities

In note 31.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5, 6, 9, 13 and 14 are non-current unless otherwise stated in those notes.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting polices may have a material impact on the 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 $42,575 (2012 - $44,662) 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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

5. PROPERTY, PLANT AND EQUIPMENT

	2013				
	Freehold land and building	**Office furnishings**	**Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	4,740	1,108	3,911	698	10,457
Additions at cost	5	6,062	377	617	7,061
Disposals	-	(583)	(4)	(231)	(818)
Depreciation charge	(71)	(491)	(355)	(394)	(1,311)
Depreciation on disposals	-	510	4	231	745
Net book value, end of year	**4,674**	**6,606**	**3,933**	**921**	**16,134**
Represented by:					
Cost or valuation	5,028	9,773	10,756	2,231	27,788
Accumulated depreciation	(354)	(3,167)	(6,823)	(1,310)	(11,654)
	4,674	**6,606**	**3,933**	**921**	**16,134**

	2012				
	Freehold land and building	**Office furnishings**	**Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	4,811	1,287	2,055	862	9,015
Additions at cost	-	49	2,192	178	2,419
Disposals	-	(3)	(5)	(121)	(129)
Depreciation charge	(71)	(228)	(336)	(342)	(977)
Depreciation on disposals	-	3	5	121	129
Net book value, end of year	**4,740**	**1,108**	**3,911**	**698**	**10,457**
Represented by:					
Cost or valuation	5,023	4,294	10,383	1,845	21,545
Accumulated depreciation	(283)	(3,186)	(6,472)	(1,147)	(11,088)
	4,740	**1,108**	**3,911**	**698**	**10,457**

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.

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6. INVESTMENT IN ASSOCIATED COMPANY

The company holds 1,000,000 (2012 - 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:

	2013	2012
Investment, beginning of year	3,783	3,694
Income before taxes	651	89
Investment, end of year	4,434	3,783

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

	2013	2012
Total assets	212,644	155,046
Total liabilities	190,041	135,126
Total revenue	19,544	17,009
Net income for the year	3,037	2,500

7. FINANCIAL INVESTMENTS

	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
Available for sale securities:				
Debt securities	1,663	1,663	1,592	1,592
Equity securities	5,289	5,289	5,734	5,734
	6,952	6,952	7,326	7,326
Loans and receivables:				
Debt securities	71,914	76,674	63,618	67,070
Mortgage loans	2,352	2,274	2,496	2,376
Deposits	929	929	3,790	3,790
	75,195	79,877	69,904	73,236
Total financial investments	82,147	86,829	77,230	80,562

Debt securities comprise:	2013	2012
Government and government-guaranteed debt securities	62,915	54,377
Other securities	10,662	10,833
	73,577	65,210

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

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8. REINSURANCE ASSETS

	2013	2012
Claim recoveries from reinsurers (note 12)	26,068	24,011
Unearned premiums ceded to reinsurers (note 12)	38,098	38,460
	64,166	62,471

9. INCOME TAX ASSETS

	2013	Restated 2012
Income and withholding taxes recoverable	789	87
Deferred tax	1,123	561
	1,912	648
Deferred tax assets not recognised consist of:		
Unutilised tax losses	161	174
Accelerated tax depreciation	(4)	(1)
	157	173

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

	2013	2012
Premiums in the course of collection	20,980	19,800
Deferred commission expense	7,773	7,703
Deferred premium tax	1,099	1,157
	29,852	28,660

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

	2013	2012
Deferred commission expense		
Balance, beginning of year	7,703	8,007
Commission paid	15,679	15,543
Commissions and related compensation	(15,609)	(15,847)
Balance, end of year	7,773	7,703

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10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS (continued)

	2013	2012
Deferred premium tax		
Balance, beginning of year	1,157	1,180
Premium tax paid	2,331	2,389
Premium tax expense	(2,389)	(2,412)
Balance, end of year	1,099	1,157

11. MISCELLANEOUS ASSETS AND RECEIVABLES

	2013	2012
Prepaid expenses	105	117
Other accounts receivable	791	418
	896	535

12. POLICYHOLDERS' LIABILITIES

	2013	2012
Claims in the course of settlement	47,037	45,316
Provision for unearned premiums	62,476	62,434
	109,513	107,750

12.1 Claims in the course of settlement

(a) Analysis of claims in the course of settlement

	2013	2012
Property business	1,690	1,772
Motor business	32,979	31,791
Accident and liability business	12,175	11,672
Marine business	193	81
	47,037	45,316

Claims in the course of settlement include $15,856 (2012 - $16,067) in provisions for claims incurred but not yet reported.

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12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

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

	2013	2012
Property business	1,155	1,238
Motor business	17,969	16,195
Accident and liability business	6,928	6,570
Marine business	16	8
	26,068	24,011

(b) Movement in claims in the course of settlement

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

	2013	2012
Balance, beginning of year	45,316	45,823
Claims incurred (note 21)	31,627	32,433
Claims paid	(29,906)	(32,940)
Balance, end of year	47,037	45,316

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

	2013	2012
Balance, beginning of year	24,011	23,756
Ceded in year (note 21)	17,530	16,383
Claim recoveries	(15,473)	(16,128)
Balance, end of year (note 8)	26,068	24,011

The valuation of claims liabilities is sensitive to the underlying assumptions used which are 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 $1,180 and $564 (2012 - $1,232 and $611) respectively and a $616 (2012 - $621) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of $1,201 and $572 (2012 - $1,258 and $620) respectively and a $629 (2012 - $638) increase in income from ordinary activities.

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12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

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.

	2009	2010	2011	2012	2013	Total
Gross						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	30,676	36,579	35,912	32,156	30,658	165,981
One year later	30,060	35,624	34,709	31,102	-	-
Two years later	30,347	35,077	34,629	-	-	-
Three years later	32,016	34,574	-	-	-	-
Four years later	31,328	-	-	-	-	-
Current estimate of ultimate claims incurred	31,328	34,574	34,629	31,102	30,658	162,291
Cumulative payments to date	(27,759)	(29,296)	(29,268)	(24,564)	(17,829)	(128,716)
Liability recognised in the balance sheet	3,569	5,278	5,361	6,538	12,829	33,575
Liability in respect of prior years						12,513
Liability for unallocated loss adjustment expenses						949
Total liability included in the balance sheet						47,037
Net favourable/ (unfavourable) development	(652)	2,005	1,283	1,054	-	

	2009	2010	2011	2012	2013	Total
Reinsurance						
Estimate of ultimate claims incurred:						
At the end of financial reporting year	16,418	21,334	19,157	16,460	15,712	89,081
One year later	16,044	20,732	17,950	15,847	-	-
Two years later	15,994	20,543	18,051	-	-	-
Three years later	16,759	20,209	-	-	-	-
Four years later	16,378	-	-	-	-	-
Current estimate of ultimate claims incurred	16,378	20,209	18,051	15,847	15,712	86,197
Cumulative payments to date	(14,663)	(16,815)	(15,396)	(12,607)	(9,124)	(68,605)
Asset recognised in the balance sheet	1,715	3,394	2,655	3,240	6,588	17,592
Liability in respect of prior years						8,476
Total asset included in the balance sheet						26,068
Net favourable/ (unfavourable) development	40	1,125	1,106	613	-	

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12. POLICYHOLDERS' LIABILITIES (continued)

12.2 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	2013	2012
Property business	29,370	30,430
Motor business	24,426	23,187
Accident and liability business	7,690	7,917
Marine business	990	900
	62,476	62,434
The associated unearned premiums ceded to reinsurers:		
Property business	22,188	22,961
Motor business	12,302	11,678
Accident and liability business	3,599	3,819
Marine business	9	2
	38,098	38,460

(b) Movement in provision for unearned premiums

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

	2013	2012
Balance, beginning of year	62,434	62,957
Premiums written	126,849	126,394
Premium revenue (note 18)	(126,807)	(126,917)
Balance, end of year	62,476	62,434

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

	2013	2012
Balance, beginning of year	38,460	39,169
Reinsurance on premiums written	89,391	89,220
Reinsurance expense (note 18)	(89,753)	(89,929)
Balance, end of year (note 8)	38,098	38,460

13. PROVISIONS

	2013	2012
Pensions plan (note 23)	2,558	3,028

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14. INCOME TAX LIABILITIES

	2013	Restated 2012
Deferred income tax liabilities	547	-
Income taxes payable	-	37
	547	37
Analysis of deferred income tax liabilities:		
Accelerated tax depreciation	547	-
Deferred income tax liabilities to be settled after one year	547	-

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

	2013	2012
Amounts due to reinsurers	5,828	5,674
Deferred commission income	15,143	13,945
Premium tax payable	3,204	3,257
Deferred premium tax	691	733
	24,866	23,609

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

	2013	2012
Deferred commission income		
Balance, beginning of year	13,945	14,774
Commission received	20,178	18,366
Commission earned (note 20)	(18,980)	(19,195)
Balance, end of year	15,143	13,945
Deferred premium tax		
Balance, beginning of year	733	745
Premium tax recoveries	1,480	1,524
Premium taxes earned	(1,522)	(1,536)
Balance, end of year	691	733

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16. SHARE CAPITAL

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

	2013	2012
Issued 2,000,000 shares, with no par value	3,000	3,000

17. RESERVES

	2013	2012
Fair value reserve - available for sale investment securities:		
Balance, beginning of year	2,359	1,742
Total comprehensive income (note 26)	(374)	617
Balance, end of year	1,985	2,359
Fair value reserve - owner occupied property:		
Balance, beginning and end of year	3,577	3,577
Statutory reserves:		
Balance, beginning of year	21,843	20,579
Other movements	1,157	1,264
Balance, end of year	23,000	21,843
Reserves, end of year	28,562	27,779

18. PREMIUM REVENUE

	Premium revenue		Reinsurance expense	
	2013	2012	2013	2012
Property business	63,686	63,868	58,371	58,442
Motor business	45,695	46,018	23,424	23,567
Accident and liability business	15,616	15,166	7,783	7,722
Marine business	1,810	1,865	175	198
	126,807	126,917	89,753	89,929

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19. INVESTMENT INCOME

	2013	2012
Interest income:		
Debt securities	3,062	2,931
Mortgage loans	120	111
Deposits	360	512
Dividend income	154	378
Net losses on financial investments	-	(311)
Other investment income	(37)	(26)
	3,659	3,595

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

	2013	2012
Commission income on insurance ceded to reinsurers (note 15)	18,980	19,195
Fees, other revenue and profit commission	8,484	8,286
Miscellaneous income	243	285
	27,707	27,766

21. CLAIMS INCURRED

	Claims incurred		Claims reinsured	
	2013	2012	2013	2012
Property business	2,888	1,991	2,126	1,511
Motor business	24,964	26,465	13,579	13,238
Accident and liability business	3,549	3,829	1,817	1,612
Marine business	226	148	8	22
	31,627	32,433	17,530	16,383

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22. EMPLOYEE COSTS

Included in administrative expenses are the following:

	2013	2012
Administrative staff salaries, directors' fees and other short-term benefits	11,434	10,240
Employer's contributions to social security schemes	708	649
Employer's contribution to group health and life	436	416
Costs - defined benefit pension scheme (note 23)	899	626
	13,477	11,931

23. EMPLOYEE RETIREMENT BENEFITS

The company has a contributory defined benefit pension scheme in place for eligible administrative staff. The plan provides defined benefits based on final salary and number of years active service.

The assets of the pension plan are held under deposit administration contracts with Sagicor Life Inc.

The plan was valued on December 31, 2013.

(a) The amounts recognised in the financial statements are as follows:

	2013	2012
Present value of funded pension obligations	13,852	12,756
Fair value of pension plan assets	(11,294)	(9,728)
Net liability	2,558	3,028
Represented by:		
Liability balances (note 13)	2,558	3,028

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23. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2013			2012		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
Net liability/(asset), beginning of year	12,756	(9,728)	3,028	9,293	(8,521)	772
Current service cost	643	-	643	549	-	549
Interest expense/ (income)	1,022	(766)	256	768	(691)	77
Net expense recognised in income	1,665	(766)	899	1,317	(691)	626
Losses from changes in assumptions	101	-	101	404	-	404
(Gains)/ losses from changes in experience	(902)	-	(902)	1,603	-	1,603
Return on plan assets	-	243	243	-	474	474
Net (gains)/ losses recognised in other comprehensive income	(801)	243	(558)	2,007	474	2,481
Contributions made by the company	-	(845)	(845)	-	(874)	(874)
Contributions made by employees	266	(266)	-	218	(218)	-
Benefits paid	(34)	34	-	(79)	79	-
Other items	-	34	34	-	23	23
Other movements	232	(1,043)	(811)	139	(990)	(851)
Net liability/(asset), end of year	13,852	(11,294)	2,558	12,756	(9,728)	3,028

(c) The significant actuarial assumptions used were as follows:

	Barbados	**Trinidad**
Discount rate	7.8%	4.5%
Expected return on plan assets	7.8%	4.5%
Future salary increases	6.5%	3.5%
Future pension increases	2.5%	0.0%
Portion of employees opting for early retirement	0.0%	0.0%

For the next financial year, the total contributions to be made by the company are estimated at $822 (2012 - $871).

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23. EMPLOYEE RETIREMENT BENEFITS (continued)

(d) The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is as follows:

	Barbados	Trinidad
Base pension obligation	12,368	1,484
	Increase in pension obligations	
Decrease discount rate by 1.0%	15,061	1,797
Increase discount rate by 1.0%	10,324	1,264
Decrease salary growth rate by 0.5%	11,591	1,386
Increase salary growth rate by 0.5%	14,571	1,607
Increase average life expectancy by 1 year	12,381	1,486

24. INCOME TAXES

The income tax expense is comprised of:

	2013	2012
Current tax	2,957	3,262
Deferred tax	(154)	64
	2,803	3,326

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

	2013	2012
Income subject to tax	12,699	13,982
Tax calculated at a tax rate of 25 %	3,175	3,496
Different tax rates in other countries	16	9
Income taxed at different rates	(65)	(38)
(Over)/ under provision of current and deferred tax	(355)	129
Movement in deferred tax asset not recognised	(5)	(192)
Transfer to catastrophe reserve deductible for tax	(239)	(261)
Tax allowances	(16)	(11)
Expenses not deductible for tax	375	336
Income not subject to tax	(226)	(228)
Tax losses expiring unutilised	48	-
Other taxes	95	86
	2,803	3,326

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25. DIVIDENDS PER COMMON SHARE

In respect of financial year 2012, a dividend of 122 cents per share was declared in 2013.

A dividend of 250 cents per share in respect of financial year 2011 was paid during the year.

26. OTHER COMPREHENSIVE INCOME

	2013			2012		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Items that may be reclassified subsequently to income:						
Available for sale assets:						
(Losses)/ gains arising on revaluation	(374)	-	(374)	306	-	306
Losses transferred to income	-	-	-	311	-	311
	(374)	-	(374)	617	-	617
Items that will not be reclassified subsequently to income:						
Defined benefit gains/ (losses)	558	(139)	419	(2,481)	610	(1,871)
Other comprehensive income/ (loss) for the year	184	(139)	45	(1,864)	610	(1,254)

27. CASH FLOWS

27.1 Operating activities

	2013	2012
Adjustments for non-cash items, interest and dividends		
Increase in provision for unearned premiums, net of reinsurance	404	186
Interest income	(3,542)	(3,554)
Dividend income	(154)	(378)
Net losses on financial investments	-	311
Share of operating income of associated companies	(651)	(89)
Movement in recognised employee retirement benefits	73	(239)
Depreciation	1,311	977
Loss/ (gain) on disposal of property, plant and equipment	5	(36)
Amortisation on bonds	159	136
Exchange loss	556	40
	(1,839)	(2,646)

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27. CASH FLOWS (continued)

27.1 Operating activities (continued)

	2013	2012
Changes in operating assets		
Debt securities	(8,781)	(14,346)
Mortgage loans	(144)	(60)
Deposits	2,867	(3,087)
Receivables and other assets	(1,571)	1,955
	(7,629)	(15,538)
Debt securities		
Purchases	(31,581)	(37,729)
Proceeds on maturities and disposals	22,800	23,383
	(8,781)	(14,346)

	2013	2012
Changes in operating liabilities		
Claims in the course of settlement, net of reinsurance	(336)	(760)
Other liabilities and payables	2,306	(509)
	1,970	(1,269)

27.2 Investing activities

	2013	2012
Property, plant and equipment		
Purchases	(7,291)	(2,419)
Disposal proceeds	68	36
	(7,223)	(2,383)

	2013	2012
Cash resources	11,570	12,275
Term deposits and T Bills with original maturities of less than 90 days	6,720	12,687
	18,290	24,962

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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 31.2(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:

	2013	2012
Compensation		
Salaries, directors' fees and other short-term benefits	2,101	2,068
Pension and other retirement benefits	146	132
	2,247	2,200

	Mortgage and staff loans
Balance, beginning of year	628
Advances	70
Repayments	(68)
Balance, end of year	630

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

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

	2013	2012
Premium income	6,963	6,958
Management fees	(723)	(723)
Investment income	440	436
Dividend income	-	200
Rental expense	(497)	(969)

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29. RELATED PARTY TRANSACTIONS (continued)

29.2 Other related party transactions

Deposits with related parties amounted to $363 (2012 - $345) and bear interest at 4.0% (2012 - 4.0%). There were no amounts receivable from related parties. Amounts payable to related parties amounted to $272 (2012 - $513) and are interest free with no stated terms of repayment. Premiums receivable amounted to $865 (2012 – $971).

30. FAIR VALUE OF PROPERTY

Owner-occupied property is carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

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

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

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

	Level 1	Level 2	Level 3	Total
Owner-occupied land and buildings	-	-	4,674	4,674

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

	Land and buildings
Balance, beginning of year	4,740
Additions	5
Disposals	(71)
Balance, end of year	4,674

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31. 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 32. 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.

31.1 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.

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.

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

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31. FINANCIAL RISK (continued)

31.1 Credit risk (continued)

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 32.3).

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

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

	2013		2012	
	$	%	$	%
Debt securities	73,577	51.3	65,210	46.2
Mortgage loans	2,352	1.6	2,496	1.8
Deposits	929	0.7	3,790	2.7
Reinsurance assets	26,068	18.2	24,011	17.0
Premiums in the course of collection	20,980	14.6	19,800	14.0
Deposits with Sagicor Group companies	363	0.3	345	0.2
Miscellaneous assets and receivables	896	0.6	535	0.4
Cash resources	18,290	12.7	24,962	17.7
Total balance sheet exposures	143,455	100.0	141,149	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	2013	Sagicor Risk Rating	2012
Debt securities:				
Government of Trinidad and Tobago	2	46,005	2	36,902
Government of Barbados	4	14,947	4	14,721
Sagicor Financial Corporation	4	5,840	4	6,033
Deposits & cash:				
RBTT Bank Limited	1	4,295	3	8,942
CIBC FirstCaribbean	2	4,313	2	4,112
The Bank of Nova Scotia	1	1,371	1	5,469
Claim recoveries				
Munich Reinsurance Company	1	19,145	1	19,458

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31. FINANCIAL RISK (continued)

31.1 Credit risk (continued)

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

Category		Sagicor Risk Rating	Classification	2013 Exposure $	2013 Exposure %	2012 Exposure $	2012 Exposure %
Non-default	Investment grade	1	Minimal risk	8,844	9.3	8,951	9.3
		2	Low risk	55,165	58.0	41,255	42.8
		3	Moderate risk	3,143	3.3	14,391	14.9
	Non-investment grade	4	Acceptable risk	20,476	21.5	24,130	25.0
		5	Average risk	5,919	6.2	7,564	7.8
	Watch	6	Higher risk	1,127	1.2	167	0.2
		7	Special mention	-	-	-	-
Default		8	Substandard	474	0.5	-	-
		9	Doubtful	-	-	-	-
		10	Loss	-	-	-	-
			TOTALS	95,148	100.0	96,458	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.

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31. FINANCIAL RISK (continued)

31.1 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.

2013	**Debt securities**	**Mortgage loans**	**Premiums in the course of collection**
Neither past due nor impaired	73,077	2,074	-
Past due up to 12 months, but not impaired	500	98	20,624
Past due up to 5 years, but not impaired	-	180	-
Total past due but not impaired	73,577	2,352	20,624
Impaired assets	-	-	356
Total carrying value	73,577	2,352	20,980
Accumulated allowances on impaired assets	-	-	356
2012			
Neither past due nor impaired	64,710	2,238	-
Past due up to 12 months, but not impaired	500	78	19,444
Past due up to 5 years, but not impaired	-	180	-
Total past due but not impaired	500	258	19,444
Impaired assets	-	-	356
Total carrying value	65,210	2,496	19,800
Accumulated allowances on impaired assets	-	-	356

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.

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31. FINANCIAL RISK (continued)

31.2 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.

2013	**On demand or within 1 year**	**1 to 5 years**	**Total**
Financial liabilities:			
Due to re-insurers and premium tax	9,032	-	9,032
Amounts payable to Sagicor Group companies	272	-	272
Accounts payable and accrued liabilities	5,303	-	5,303
Total financial liabilities	14,607	-	14,607

2012	**On demand or within 1 year**	**1 to 5 years**	**Total**
Financial liabilities:			
Due to re-insurers and premium tax	8,931	-	8,931
Amounts payable to Sagicor Group companies	513	-	513
Accounts payable and accrued liabilities	6,514	-	6,514
Total financial liabilities	15,958	-	15,958

Off financial statement commitments related to the purchase of a new insurance software package totalled $542 (2012 - $824).

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31. FINANCIAL RISK (continued)

31.2 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
2013				
Policyholders' liabilities	32,170	14,867	-	47,037
2012				
Policyholders' liabilities	28,919	16,397	-	45,316

(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.

2013	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	25,309	18,054	30,214	73,577
Mortgage loans	196	728	1,428	2,352
Deposits	929	-	-	929
Reinsurance assets	18,990	7,078	-	26,068
Premiums in the course of collection	20,980	-	-	20,980
Deposits with Sagicor Group companies	363	-	-	363
Miscellaneous assets and receivables	516	327	53	896
Cash resources	18,290	-	-	18,290
Total	85,573	26,187	31,695	143,455

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31. FINANCIAL RISK (continued)

31.2 Liquidity risk (continued)

2012	**Maturing within 1 year**	**Maturing 1 to 5 years**	**Maturing after 5 years**	**Total**
Debt securities	22,326	18,198	24,686	65,210
Mortgage loans	229	679	1,588	2,496
Deposits	3,790	-	-	3,790
Reinsurance assets	16,351	7,660	-	24,011
Premiums in the course of collection	19,800	-	-	19,800
Deposits with Sagicor Group companies	345	-	-	345
Miscellaneous assets and receivables	150	385	-	535
Cash resources	24,962	-	-	24,962
Total	87,953	26,922	26,274	141,149

31.3 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.

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31. FINANCIAL RISK (continued)

31.3 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.

2013	**Exposure within 1 year**	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Policyholders' liabilities	-	-	-	47,037	47,037
Due to re-insurer and premium tax	-	-	-	9,032	9,032
Payable to Sagicor Group companies	-	-	-	272	272
Accounts payable and accrued liabilities	-	-	-	5,303	5,303
Total	-	-	-	61,644	61,644
2012					
Policyholders' liabilities	-	-	-	45,316	45,316
Due to re-insurer and premium tax	-	-	-	8,931	8,931
Payable to Sagicor Group companies	-	-	-	513	513
Accounts payable and accrued liabilities	-	-	-	6,514	6,514
Total	-	-	-	61,274	61,274

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.

2013	**Exposure within 1 year**	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Debt securities	24,244	18,054	30,214	1,065	73,577
Mortgage loans	196	728	1,428	-	2,352
Deposits	870	-	-	59	929
Reinsurance assets	-	-	-	26,068	26,068
Premiums in the course of collection	-	-	-	20,980	20,980
Deposits with Sagicor Group companies	357	-	-	6	363
Miscellaneous assets and receivables	257	327	53	259	896
Cash resources	1,666	-	-	16,624	18,290
Total	27,590	19,109	31,695	65,061	143,455

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31. FINANCIAL RISK (continued)

31.3 Interest rate risk (continued)

2012	**Exposure within 1 year**	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Debt securities	20,935	18,198	24,686	1,391	65,210
Mortgage loans	229	679	1,588	-	2,496
Deposits	3,737	-	-	53	3,790
Reinsurance assets	-	-	-	24,011	24,011
Premiums in the course of collection	-	-	-	19,800	19,800
Deposits with Sagicor Group companies	345	-	-	-	345
Miscellaneous assets and receivables	150	385	-	-	535
Cash resources	3,003	-	-	21,959	24,962
Total	28,399	19,262	26,274	67,214	141,149

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

	2013	**2012**
Debt securities	4.2%	4.9%
Mortgage loans	5.5%	5.5%
Deposits	2.6%	2.9%

Sensitivity

The company's operations are not exposed to a significant degree of interest rate risk.

31.4 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.

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31. FINANCIAL RISK (continued)

31.4 Foreign exchange risk (continued)

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

	Barbados$ 000 equivalents of balances denominated in:			
2013	**Barbados $**	**Trinidad $**	**Other currencies**	**Total**
ASSETS				
Financial investments	15,988	32,313	28,557	76,858
Reinsurance assets	6,463	14,329	5,276	26,068
Receivables	9,254	11,113	1,509	21,876
Deposits with Sagicor Group companies	363	-	-	363
Cash resources	3,747	6,743	7,800	18,290
Total financial and insurance assets	35,815	64,498	43,142	143,455
LIABILITIES				
Policyholders' liabilities	13,967	27,341	5,729	47,037
Payable to Sagicor Group companies	150	52	70	272
Payables	6,348	1,961	6,026	14,335
Total financial and insurance liabilities	20,465	29,354	11,825	61,644
Net position	15,350	35,144	31,317	81,811
2012				
ASSETS				
Financial investments	18,487	26,477	26,532	71,496
Reinsurance assets	7,209	15,170	1,632	24,011
Receivables	7,835	10,817	1,683	20,335
Deposits with Sagicor Group companies	345	-	-	345
Cash resources	3,533	16,476	4,953	24,962
Total financial and insurance assets	37,409	68,940	34,800	141,149
LIABILITIES				
Policyholders' liabilities	15,089	28,417	1,810	45,316
Payable to Sagicor Group companies	153	75	285	513
Payables	7,872	1,745	5,828	15,445
Total financial and insurance liabilities	23,114	30,237	7,923	61,274
Net position	14,295	38,703	26,877	79,875

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31. FINANCIAL RISK (continued)

31.4 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.

31.5 Fair value of financial instruments

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The 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.

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.

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31. FINANCIAL RISK (continued)

31.5 Fair value of financial instruments (continued)

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.

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

A financial instrument is classified as Level 3 if:

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

Level 3 available for sale securities comprise primarily corporate equity instruments issued in Barbados.

Level 3 assets designated include mortgage loans. These assets are valued with inputs other than observable market data.

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

(a) Financial instruments carried at fair value

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2013				
Debt securities	1,663	-	-	1,663
Equity securities	4,887	-	402	5,289
	6,550	-	402	6,952

Available for sale securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
2012				
Debt securities	1,592	-	-	1,592
Equity securities	5,332	-	402	5,734
	6,924	-	402	7,326

There were no transfers occurring in 2013 or 2012 between levels 1, 2 and 3.

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31. FINANCIAL RISK (continued)

31.5 Fair value of financial instruments (continued)

b) Financial instruments carried at amortised cost

Loans and receivables:	**Level 1**	**Level 2**	**Level 3**	**Total**
2013				
Debt securities	-	23,519	53,155	76,674
Mortgage loans	-	-	2,274	2,274
	-	23,519	55,429	78,948

Loans and receivables:	**Level 1**	**Level 2**	**Level 3**	**Total**
2012				
Debt securities	-	23,057	44,013	67,070
Mortgage loans	-	-	2,376	2,376
	-	23,057	46,389	69,446

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	5,289	1,058

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

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32. 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.

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.

32.1 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.

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32. INSURANCE RISK (continued)

32.2 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**
2013		
Property business	11,992,702	2,695,992
Motor business	693,323	346,662
Accident business	4,089,107	1,973,575
Marine business	17,819	17,819
Sums insured	**16,792,951**	**5,034,048**

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

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32. INSURANCE RISK (continued)

32.2 Claims risk (continued)

	Gross	**Net**
2012		
Property business	11,616,322	2,694,183
Motor business	685,998	342,999
Accident business	4,168,192	1,973,761
Marine business	18,597	18,597
Sums insured	**16,489,109**	**5,029,540**

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 32.3.

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 2013 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 200 year return period	588,965	10,000
Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad:		
Used assumption of this event having a 250 year return period	652,362	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.

32.3 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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

32. INSURANCE RISK (continued)

32.3 Reinsurance risk (continued)

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 $10,500 for a single non-catastrophic event; • maximum retention of $10,000 (2012 - $15,000) for a catastrophic event; • quota share retention to maximum of 30% in respect of the treaty limits; • quota share retention is further reduced to a maximum of $1,500 (2012 - $1,500) per event
Motor and liability risks	• maximum retention of $1,500 (2012 - $1,500) for a single event; • quota share retention to maximum of 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
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% 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

SAGICOR GENERAL INSURANCE INC.
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32. INSURANCE RISK (continued)

32.3 Reinsurance risk (continued

Reinsurance balances and the effects of reinsurance ceded on income are disclosed at notes 8, 12.1, 12.2, 15, 18, 21 and 31.1.

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:

Category		Sagicor Risk Rating	Classification	Exposure $	Exposure %
Non-default	Investment grade	1	Minimal risk	416,859	34.0
		2	Low risk	763,233	62.2
		3	Moderate risk	46,235	3.8
	Non-investment grade	4	Acceptable risk	-	-
		5	Average risk	-	-
	Watch	6	Higher risk	-	-
		7	Special mention	-	-
Default		8	Substandard	-	-
		9	Doubtful	-	-
		10	Loss	-	-
			TOTALS	1,226,327	100.0

32.4 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.

32.5 Sensitivity of incurred claims

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

33. CAPITAL MANAGEMENT

33.1 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:

	2013	2012
Equity	75,135	67,640
Total capital resources	75,135	67,640

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.

33.2 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. The company was in compliance with all of its regulatory capital requirements at year end.

34 CONTINGENT LIABILITY

During 2007 and 2008 the company submitted revised corporation tax returns for 2004 to 2007 for the Trinidad Branch. Revisions to the computations were made for several reasons most notably the change in calculation of unearned premium to conform with IFRS and change in estimate for claims reserve arising out of an independent actuarial review. The adjustments gave rise to losses in the years under review which were utilised in successive years. It appears these revised returns were never reviewed by the Board of Inland Revenue (BIR) in Trinidad and as such losses utilised by the company in the tax computation for 2008 were never recognised by the BIR. The BIR has assessed the company with corporation tax for income year 2008 of $5.4m made up of tax of $2.9m and interest of $2.9m. The company is currently in discussions with the BIR in respect of this matter and based on legal advice has made no provision in these financial statements for the amounts assessed.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2013

Amounts expressed in Barbados $ 000

35 CHANGE IN ACCOUNTING POLICY

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

STATEMENT OF FINANCIAL POSITION	**As previously stated**	**Effect of restatement**	**As restated**
Balance, December 31, 2012			
Income tax assets	87	771	858
Miscellaneous assets and receivables	593	(58)	535
Total other assets	207,908	-	207,908
Total assets	208,588	713	209,301
Provisions	-	3,028	3,028
Total other liabilities	138,633	-	138,633
Total liabilities	138,633	3,028	141,661
Total equity	69,955	(2,315)	67,640
Balance, December 31, 2011			
Income tax assets	715	147	862
Miscellaneous assets and receivables	1,481	(56)	1,425
Total other assets	196,907	-	196,907
Total assets	199,103	91	199,194
Provisions	237	535	772
Total other liabilities	135,190	-	135,190
Total liabilities	135,427	535	135,962
Total equity	63,676	(444)	63,232

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
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35 CHANGE IN ACCOUNTING POLICY (continued)

STATEMENT OF COMPREHENSIVE INCOME	As previously stated	Effect of restatement	As restated
Year ended December 31, 2012			
Losses on defined benefit plans	-	(1,871)	(1,871)
Other comprehensive income	617	(1,871)	(1,254)
Total comprehensive income	11,273	(1,871)	9,402

STATEMENT OF EQUITY	As previously stated	Effect of restatement	As restated
Balance, December 31, 2012			
Retained earnings	39,176	(2,315)	36,861
Share capital and reserves	30,779	-	30,779
Total equity	69,955	(2,315)	67,640
Balance, December 31, 2011			
Retained earnings	34,778	(444)	34,334
Share capital and reserves	28,898	-	28,898
Total equity	63,676	(444)	63,232

Resourceful

We always look beyond the problem to find a solution.

ADVISORS AND BANKERS

Advisors and Bankers

APPOINTED ACTUARY

Eckler Ltd.

AUDITORS

PricewaterhouseCoopers

SENIOR COUNSEL

Sir Richard Cheltenham, QC, Ph.D

BANKERS

CIBC FirstCaribbean International Bank Limited

First Citizens

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 GM942
Bridge Street
Castries

BRANCHES & OFFICES:

TRINIDAD AND TOBAGO:
Sagicor General Insurance Inc.
122 St. Vincent Street
Port of Spain
Trinidad

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

Sagicor General Insurance Inc.
Head Office
Haggatt Hall
St. Michael

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the EIGHTEENTH 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, June 19, 2014 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, 2013.

2. To elect Directors:-

   Mr. David Alleyne and Mrs. C. Natasha Small 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
May 29, 2014

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 Companies Act, management is deemed to be soliciting proxies within the meaning of the Companies Act.

This Management Proxy Circular accompanies the Notice of the Eighteenth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on June 19, 2014 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, 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, 2013 and the Auditors' Report thereon, are included in the 2013 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 two (2). 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. David Alleyne is the President and Chief Executive Officer of the Company. He was appointed to this position in September 2013 and was appointed as a director on January 1, 2014 to fill the vacancy created by the resignation of Mr. David Deane from the Board on Mr. Deane's retirement as President and Chief Executive Officer of the Company.

Mrs. C. Natasha Small was elected as a director at the Annual Meeting of Shareholders held on June 15, 2011 for a term of three years.

These directors will retire at the close of the Eighteenth 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.

The Directors recommend the appointment of Mr. Alleyne and Mrs. Small for the terms stated above 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, the incumbent Auditors, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders.

DISCRETIONARY AUTHORITY

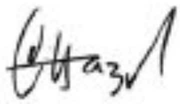
Management knows of no matter to come before the meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour 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: May 29, 2014



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Althea C. Hazzard
Corporate Secretary

Sagicor

GENERAL