



Sagicor

GENERAL

SAGICOR GENERAL INSURANCE INC.

Annual Report 2014





Sagicor
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SAGICOR GENERAL INSURANCE INC.
Annual Report 2014





vision

the commitment to use intelligence, imagination and insight to plan for the future.



Sagikor

GENERAL

TABLE OF CONTENTS



VISION
INNOVATION
TEAM WORK
STABILITY
COMMITMENT
WISDOM
LEADERSHIP

“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

| | |
|-------------------------------------|-----|
| Corporate Overview | |
| Chairman and CEO's Report | 10 |
| Outstanding Performance | 16 |
| Financial Highlights | 20 |
| Corporate and Social Responsibility | 26 |
| Our Team Members | 30 |
| Board of Directors | 36 |
| Senior Executive Management | 42 |
| General Management | 46 |
| Index of Financial Statements | 51 |
| Financial Statements | 54 |
| Notes to Financial Statements | 59 |
| Advisors & Bankers | 105 |
| Agencies, Branches and Offices | 106 |
| Notice of Meeting | 107 |
| Management Proxy Circular | 108 |





innovation

the **commitment** to apply improved solutions to meet the needs of our markets.

CHAIRMAN AND CEO'S REPORT

Business Environment 2014

Global economic growth varied across the major markets for 2014. The USA recorded moderate growth of 2.4% whilst the other major global players, Europe and Japan experienced slower growth rates of 0.8% and 0.1% respectively. Consequently, this led to the continuation of the accommodative fiscal and monetary policies within developed economies throughout 2014.

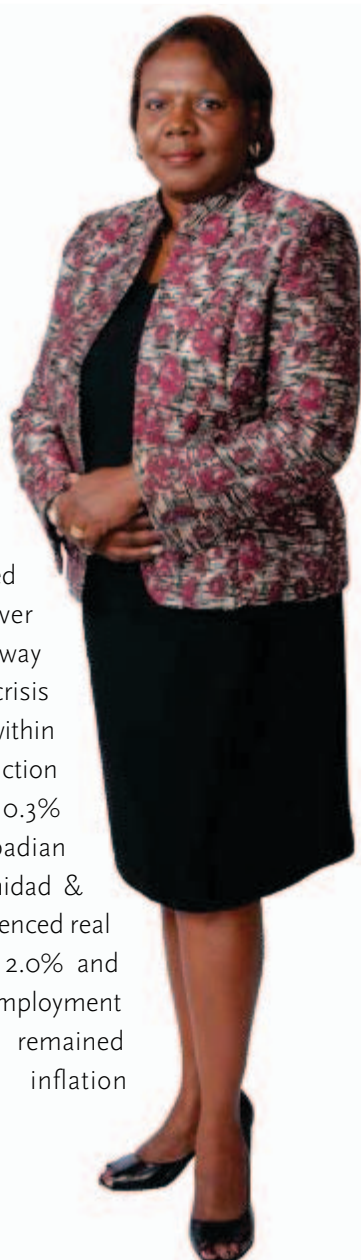
In the USA, there were signs of improvement in the economic indicators. Unemployment rates declined to 5.6%, the lowest levels since 2008. There was also increased consumer spending during the fourth quarter of 2014. However, global oil prices continued to decline and consequently restricted inflation levels which stood at 1.3 % in November. This prompted the likely continuation of the zero interest rates.

Meanwhile over in Europe, the continent continued to be affected by low levels of inflation and a generally weak investment climate. High unemployment levels continued to have a negative impact on economic growth.

In the Caribbean, there were positive trends in economic growth, however, these were at relatively low levels. A number of factors can be attributed to the relatively

low growth within the regional economies and these include burdensome fiscal deficits, increasing debt levels and reduced foreign direct investment.

The tourism sector secured moderate gains, however these levels remained way below those recorded pre-crisis of 2008. Modest growth within the tourism and construction sectors contributed to 0.3% of growth in the Barbadian economy. Meanwhile, Trinidad & Tobago and Jamaica experienced real GDP growth for 2014 of 2.0% and 0.9%, respectively. Unemployment levels across the region remained relatively high, whilst inflation generally trended lower.



DR. M. PATRICIA DOWNES-GRANT
Chairman

The Board of Directors of Sagicor General Insurance Inc. is pleased to submit to its shareholders, the annual report incorporating the audited financial statements for the year ending December 31, 2014 and a review of the company's performance for the year.

2014 was a moderate year of achievement for Sagicor General with the company recording net income of \$6.4M and delivering a return on equity of 8.6%. The balance sheet was strengthened, but an increasingly competitive industry along with continued regional economic sluggishness challenged our ability to achieve meaningful growth.

In August 2014, A.M. Best Company Inc. reaffirmed the company's A- (Excellent) financial rating, following an extensive annual review and consultation. The rating reflects the company's, "historically profitable operating performance, prudent underwriting leverage, regional market presence and parental support". The report did mention as a concern, "the increasingly competitive regional insurance environment". Management has noted this concern and the strategic plan for 2015 and beyond takes into account, and plans for, this paradigm shift in the operating environment.

During the year Anthony Ali, Managing Director of Goddard Enterprises limited (GEL), replaced Vere Brathwaite as one of the GEL representatives on the Board of Directors. While welcoming Anthony, we also offer our thanks to Vere and record our sincere appreciation for the invaluable contribution she made during her tenure on the Board.

2014 OPERATING RESULTS

Revenue

The company recorded a marginal increase in gross written premium during 2014 moving from \$126.8M in 2013 to \$127.7M in 2014. As indicated in the introduction, whatever positive steps were made by the company in attracting new business, were eroded by the necessity to reduce premium rates in an effort to secure our existing portfolios. As in the previous year, the indicators of successfully attracting new clients were positive. In respect of the two largest classes (property and motor), sums insured and vehicle count were up however, average rates in both classes continued

their downward slide. Regrettably also, we were unable to retain all covers. In all territories, where prudence indicated that pricing points were inappropriate for the risks we were renewing, we declined further participation. This underwriting vigilance has again been confirmed by the company's excellent overall loss ratio of 41.6%.

Net written and earned premiums increased over prior year, but this positive effect did not flow straight through to total net income. More favourable reinsurance terms meant direct commissions increased but were counter-balanced by a slightly higher loss ratio, thus reducing profit commissions and resulting in an overall reduction in net underwriting income before claims of \$1.9M.

Overall the company returned an underwriting profit of \$30.4M down approximately 10.6% from 2013.

Claims

Our claims performance overall remains credible although the loss ratio rose from 38.0% in 2013 to 41.6% in 2014, representing an increase in claims activity of approximately \$1.7M over last year.

The loss ratio of the motor book moved from 51.1% in 2013 to 53.0% in 2014 resulting in approximately \$1M. In increased claims activity across all territories. Performance in the accident, property and marine classes resulted in claims incurred figures increasing by \$405K, \$214K and \$66K respectively.

Investments

The investment portfolio returned a healthy 20.6% or \$888K increase in income over the 2013 financial year. The portfolio was, however, adversely affected by our share of the operating loss recorded by Globe Finance Inc. in which the company holds a 20% shareholding. This resulted in a reduction in income of \$250K. The company's investment philosophy continues to be conservative with the portfolio comprising mainly government and corporate bonds, cash and short-term investments with little equity participation. The income from this portfolio provides earnings diversification for the company.

G & A Expenses

General and administrative expenses which had recorded a substantial increase in 2013 due primarily to salary adjustments and relocation costs in Trinidad and Barbados, increased by just over \$800K in 2014. Management continues to work to reduce our expense ratio.

Overall Result

Overall, the company recorded net income after income taxes of \$6.4M for the year, the result having been negatively impacted by a higher effective tax rate over 2013. This was due to a tax adjustment for St. Lucia and deferred tax pension adjustment for Barbados.

Balance Sheet

The company’s balance sheet continues to strengthen, with total assets reaching \$224.6M at December 31 2014, up from \$ 218.2M at the end of 2013. A dividend of \$4.0M relating to the 2013 financial year was declared during the year. With retained earnings increasing by \$3.5M, total equity has improved, moving from \$75.1M at the end of 2013 to \$78.0M at December 2014.

OPERATING TERRITORIES

Trinidad and Tobago

The company’s portfolio in Trinidad and Tobago grew by just under 2.0% during the year moving from \$ 73.7M to \$75.1M. Competing in an intensely competitive marketplace with declining rates, this book accounts for approximately 59.0% of our total written premium. The portfolio returned a loss ratio of 45.4% moving upwards from 39.5% in 2013.

Barbados

Business written in Barbados moved marginally downwards with written premium declining from \$44.8M to \$ 44.5M during the year. Economic stagnation and rate reductions contributed to this performance. Contributing 35.0% of total written premium, the portfolio’s profitability improved slightly with loss ratio moving from 34.9% to 34.5% during 2014.

TRINIDAD AND TOBAGO



L-R: SENIOR MANAGEMENT TRINIDAD AND TOBAGO
Dexter McKnight, Dyan Loutan-Ali, Deborah Romeo and Felix Gomez

EC Territories - St. Lucia, Antigua, Dominica

Our EC territories contribute 6.0% of total written premium and with regional economies remaining sluggish, growth during the year did not occur. Contribution to the company’s profitability was enhanced however as the loss ratios from these territories significantly improved, moving from 38.8% to 25.4 % during 2014.

ST. LUCIA STAFF



L-R: Josh Cools, Furnella Isidore, Gillian Polius and Jason Edwin

ANTIGUA STAFF



L-R: Alicia Roberts, Vanessa Burke, Simone Matthew-Hewlett, Deidre George

BUSINESS HIGHLIGHTS

Market Innovation

We continue to focus on innovation within our business in order to secure greater market share and to meet customers' demands. Indeed, our continuing research and surveillance of market trends have led us to believe that there is a need for a new type of general insurance product. In support of this, we have focused our attention on launching a new product within our motor portfolio. We anticipate that this product will adequately combine mobile technology and risk management practices. It is our intention to introduce our revolutionary product to the market in 2015. It is anticipated that this will allow us to compete effectively within the motor portfolio, maximise insured value whilst having a positive impact on the driving experience.

Small Business Package Policy

The company launched the long awaited Small Business Package Policy in Barbados and Trinidad in February and July of 2014 respectively. The product was well received by both the Barbados and Trinidad markets. The Small Business Package Policy is constructed in a novel way. It is a product which is less cumbersome to understand and makes the insurance-buying process much easier for entrepreneurs. The policy combines eight essential individual insurance covers, into one easy to understand policy. Consequently,



Mrs. C. Natasha Small cuts the ribbon to officially launch the Small Business Policy product in Barbados while Mr. David Alleyne looks on.

this policy includes several policy sections at no additional cost, making it very affordable for the consumer.

In launching this policy, the company continues to offer solutions for varying segments of the market and continues to build greater relationships in the commercial sector.



Mr. Dexter McKnight giving a speech at the Small Business Policy Launch in Trinidad.

Changing the way we think about risk (The Tariffication Project)

Evaluating risk is pivotal to our business and we are in the final stages of implementing a new approach to the measurement and analysis of this central aspect of our business. Our underwriting and claims experiences will be

BARBADOS



Project Team Members L-R Back Row: Patti Carter, Rosalie Austin, Andre Barrow, Mark Blakeley and Shavon Franklyn, **Middle Row:** Dawn Alleyne, Kelly Marshall, Yvonne Griffith and Juan Bynoe, **Front Row:** Audrey Bryan, June Grant, Andrea Skeete and Judy Harper- Reid

scientifically distilled, concentrating our focus and adding new hues to our perceptions. This has been achieved in a way that is statistically sound giving us a clear and unbiased view of our risks and rewards landscape. Rooting our judgment in the data will provide revelations and attendant opportunities to profitably grow our portfolios.

Our valued relationship with Munich Re has been indispensable in this endeavour giving us access to a specialist set of skills and global points of view. Our signals in the marketplace will move from being based on customs and heritage models to a greater focus on analytics allowing us to have conversations with prospective clients in new and exciting ways. With our new technology system providing information at a more granular level we will constantly refine our methodology to guard against threats and seize opportunities. This project epitomises a main tenet of the company.

The leveraging of information and technologies to enhance relationships with our customers.

Information Technology

During 2014 the company prepared for the January 2015 go-live of our new information technology platform General Insurance Management system (GIMS). Upon introduction

TRINIDAD



Project Team Members L-R Front Row: Loverne Gonzales, Stachys Noel, Donna Flemming, Nisa Ramnath
Back row: Yasmin Nanan and Kenny Laloo

of GIMS in January 2015, we anticipated an improvement in service delivery. Under GIMS we can also expect the integrating and streamlining of key functions such as policy underwriting, claims management, reinsurance, content and document management, financial reporting and business intelligence as well as broker and agent direct access.

In 2015 efforts will continue on the second phase of the project which will involve the introduction of the non-motor lines. This approach will also allow for improved data cleansing ultimately leading to more effective levels of business analytics.

The management of the company remains confident that GIMS will set the industry standard in relation to customer service delivery.

Customer Experience

During 2014 the management team started to examine ways to strengthen our competitive advantage within our markets. Subsequently, we took the decision to embark on a strategic approach to customer experience. We started this process by conducting extensive research and we are pleased with results of that research. It indicates that Sagicor General is poised to capitalize on our customer experience strengths and capabilities.

Within our customer experience strategy, we are committed to moving away from a merely transactional relationship with our customers. It is our intention to foster a culture where we develop genuine relationships. We understand that this is a continuous process and we all will be working to deliver the remarkable customer experiences which our customers deserve.

Our strategic focus, therefore, will continue to be in making substantial investments in acquiring customers and also in retaining our existing customers. We anticipate that we will be streamlining our customer feedback process, developing our customer journeys and touch points as well as improving our customer communication.

Over time, we will be making improvements to our customer experience landscape in all of our markets in Barbados, Trinidad & Tobago, Antigua, St. Lucia and Dominica. Our goal is to consistently deliver superior products and excellent service.

Looking Forward

2014 was a challenging year but also had many positive aspects. The economic environment created difficulties in trying to prudently manage our cash through receivables while being flexible enough in facilitating our clients premium payments. Further during 2014, highly competitive industry rating in all territories had the effect of dampening growth.

2014 was also in many ways a year of re-organisation. The realities of the new marketplace means that management spent much of the year crafting new strategies, initiatives and services, much of which will be rolled out in the coming year and onward. We have already upgraded our office facilities at Haggatt Hall, Collymore Rock and Bridgetown and have plans for additional strategic locations. New software will allow us to migrate to an enhanced level of client interaction and data analytics, essential for creating the customer experience we want and facilitating the information processing and delivery speed required in a modern digital age.

Early in 2014, we started the process towards the delivery of market leading customer service. A new Vice President of Customer Experience will accelerate this process in 2015.

Our technical and marketing teams have developed a number of products and services and have planned a series of extensive launches during 2015.

During 2014, the company continued to develop a formalized Enterprise Risk Management program (ERM) assisted by our new Compliance Officer. The department not only monitors and manages operational risks but also oversees the provision of underwriting services to our clients in the areas of property and vehicle surveys and loss prevention advice.

Our new business model will ensure that we continue to focus on underwriting prudence in risk selection and pricing, which has resulted in historical excellent loss ratios and results. In that regard, while we position ourselves for growth in the years ahead, our efforts must be conducted in a manner which continues to deliver strong profits to our reinsurers and shareholders, while preserving the integrity of our brand.

We continue to focus on innovation within our business in order to secure greater market share and to meet customers' demands. Indeed, our continuing research and surveillance of market trends have led us to believe that there is a need for a new type of general insurance product. In support of this, we have focused our attention on launching a new product within our motor portfolio. We believe that this product will adequately combine mobile technology and risk management practices. It is our intention to introduce our revolutionary product to the market in 2015. It is anticipated that this will allow us to compete effectively within the motor portfolio, maximise insured value whilst having a positive impact on the driving experience.



D. Alleyne

DAVID ALLEYNE

President and CEO

BARBADOS

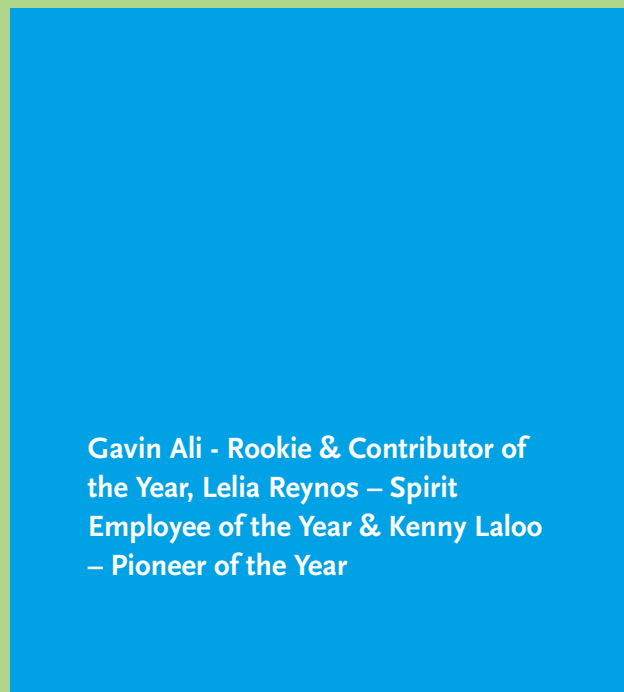
OUTSTANDING PERFORMANCE



Erskine Simmons received the award for the Highest New Business Producer 2014.



L-R: Mrs. Judy Harper-Reid, Employee of the Year and Roslyn Hintzen, Contributor of the Year.



Gavin Ali - Rookie & Contributor of the Year, Lelia Reynos – Spirit Employee of the Year & Kenny Laloo – Pioneer of the Year



TRINIDAD & TOBAGO



Mr. Charles Packer won the award for the Most Renewal Business – 2014

team work

the commitment to work collaboratively and selflessly in the interests of a common cause





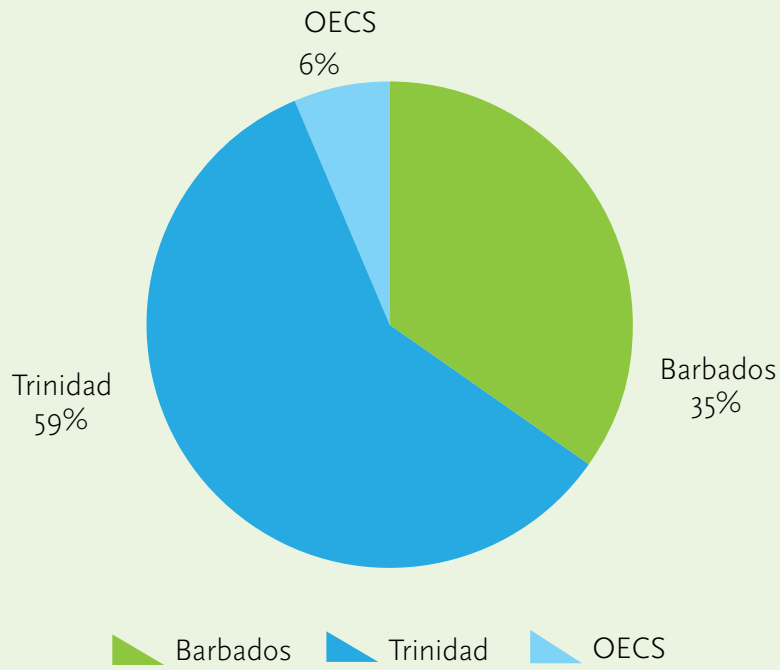


stability

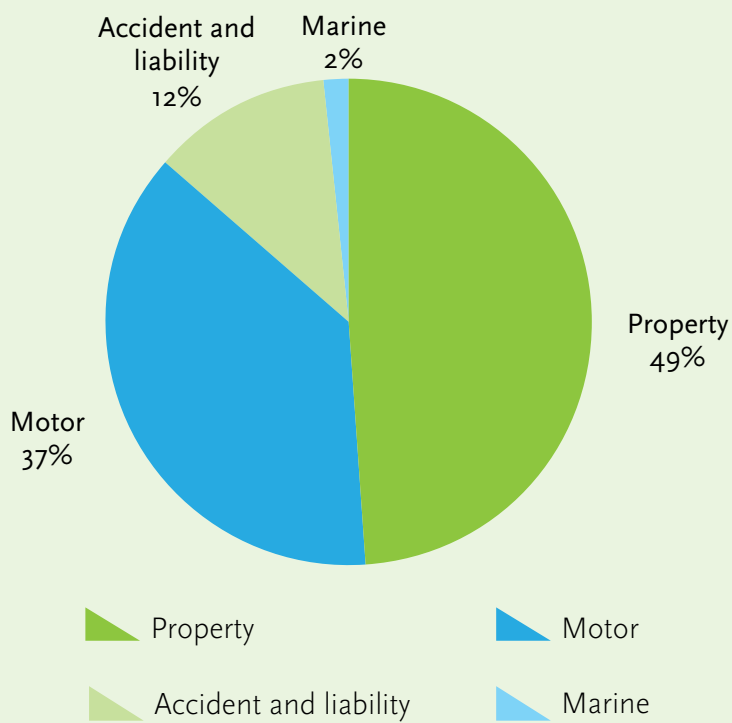
the commitment to stay true to our values and stand strong even through times of turbulence and uncertainty.

FINANCIAL HIGHLIGHTS

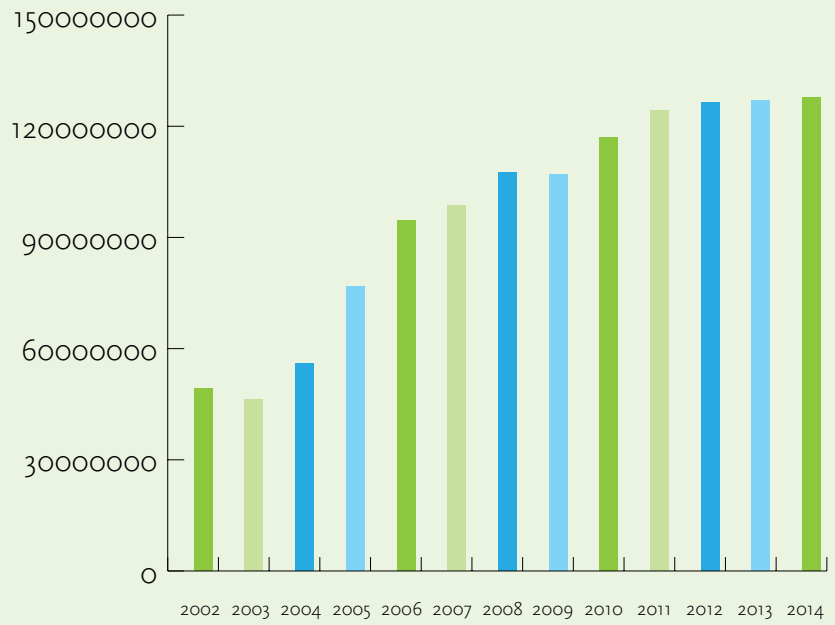
PREMIUM REVENUE BY TERRITORY



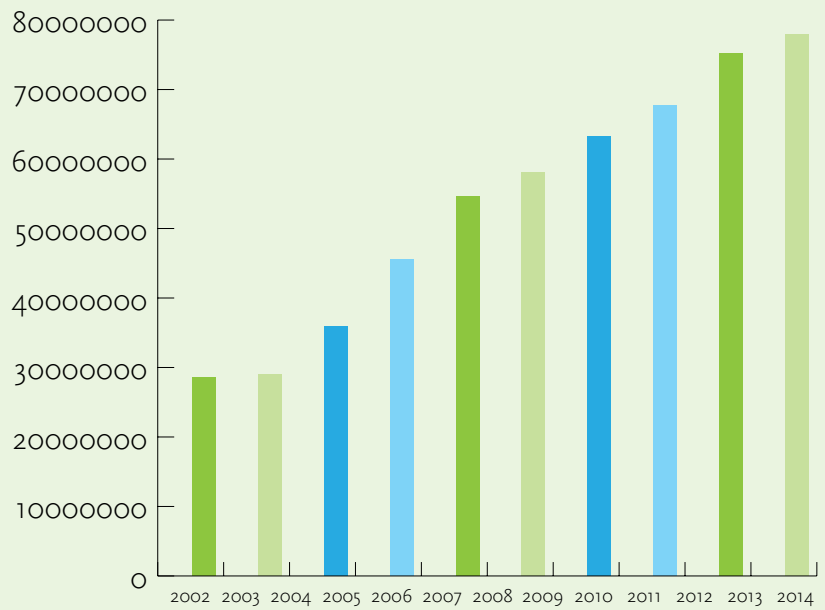
GROSS WRITTEN PREMIUM BY BUSINESS CLASS



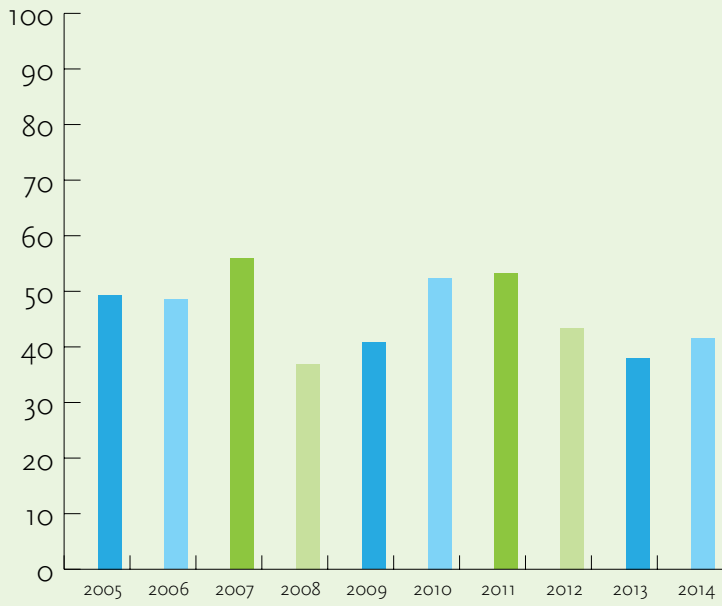
GROSS WRITTEN PREMIUM



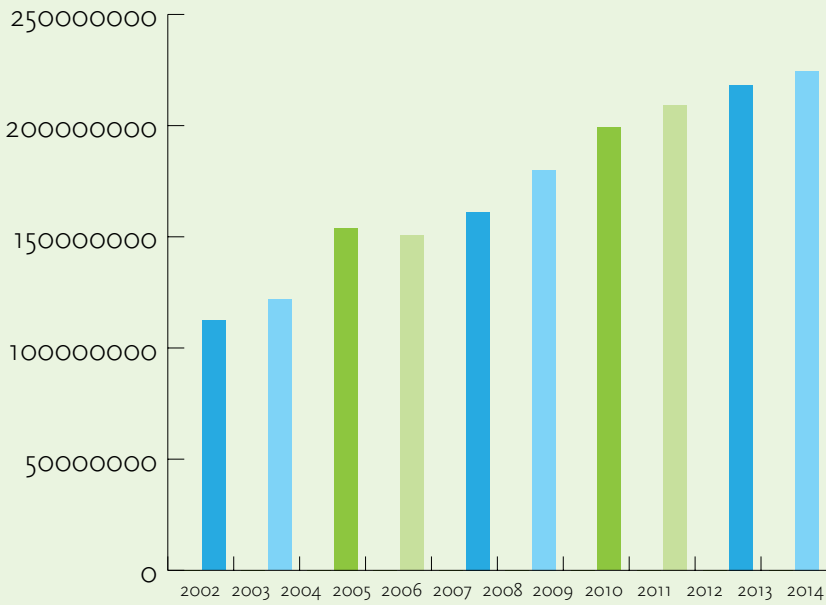
TOTAL EQUITY



LOSS RATIO



TOTAL ASSETS



The background features a large, vibrant green area on the right side, which is partially overlaid by a white, angular shape on the left. This white shape is composed of several overlapping geometric forms, including a large triangle and a smaller, more complex polygon, creating a dynamic, abstract composition. The text is centered horizontally within the green area.

CORPORATE & SOCIAL RESPONSIBILITY





commitment

the commitment to use our collective knowledge, experience, understanding, and insight to think and act on the behalf of our customers, employees, shareholders and all other stakeholders.

CORPORATE AND SOCIAL RESPONSIBILITY

Sagicor General continues to focus heavily on its corporate social responsibility. During 2014, all of our corporate sponsorship activities were directed with one major goal which is to uplift the communities where we operate.

As is traditional for the company, we see the fostering of community spirit and personal development as easily achieved through sports. The sporting tradition at Sagicor General, particularly in the area of cricket is well-known. To-date, we have not moved away from that tradition and continue to invest in a number of sporting disciplines for the betterment of the region.

Barbados Family Golf Championships

An opportunity for families to tee off and build lasting partnerships. That was the occasion of the Barbados Family Golf championships. The Skeete family of Holders Hill, St. James, were named overall net winners of the championships, while players Scott and Muffin Stollmeyer were in outstanding form, posting a gross 68 to emerge overall gross champions of the day. Also participating was Sagicor General's Vice-President of Marketing and



Sagicor General Twenty/20 - Winners Spartan defeated Wanderers by eight wickets to win the Sagicor General Twenty/20. Wanderers are seen here with Roger Spencer Assistant Vice President -Marketing

Business Development, Mark Blakeley and his wife Leiza, who enjoyed a good day on the greens with the participating families.



In January 2014 SGI sponsored the family golf championships. L-R Roger Spencer – AVP Marketing presenting an award to Simon Proverbs while Richard Proverbs accepts his award from Regina Hoyte

Cricket

The company sponsored a number of cricket tournaments including the Shield, Twenty/20 and the Super-Cup. The Barbados Fire Service lifted the Sagicor General Limited-Over Cricket Shield for the first time when they defeated Psychiatric Hospital by eight wickets in the final. In the Twenty/20 Super Centre Spartan defeated Counter Point Wanderers by eight wickets. While Maple won over Pickwick in the Super-Cup final. In Dominica, the company continued to support the Sagicor Somerset cricket team which continued to have a number of successes during the season.

Barbados Cricket Umpires Association

The Barbados Cricket Umpires Association (BCUA) benefited from the company's assistance. Sponsorship funds were made available to provide financial assistance with training. This training acts as a refresher for the more seasoned and newer members of the association. Mr. Gregory Brathwaite, President of the BCUA, is a member of the International Cricket Council's panel of Umpires and Referees.

Squash

The 34th Barbados National Junior Squash Championships was extremely competitive over Easter weekend. The event saw Khamal Cumberbatch successfully defending the boy's under 13 and under 15 titles. While Stewart St. John won the Under 19 and Gylla Mackenzie won the Under 17 girls. These squash tournaments are attended by a number of parents of the competitors and it is an event which Sagicor General has been supporting since the 1970's.

Bodybuilding and Fitness

The company also sponsored Barbadian bodybuilders and fitness athletes Stevenson Belle and Melissa Burrowes. This is the second year that Sagicor General has assisted Barbadian bodybuilders in attending the CAC championships. The CAC championships attracted more than 150 athletes from 25 countries.

Athletics

In May 2014 the company sponsored the National Amateur Athletic Association's Junior Championships. This championship is used to select members of the Trinidad National Athletic Team. The event attracted Trinidad's best athletes and helped to identify competitors who may qualify for the 2015 World Championships and the 2016 Olympic Games.

EDUCATION

Sagicor Visionaries

Sagicor General continued to assist with the Sagicor Visionaries project in various territories. Sagicor Visionaries seeks to promote the study of Science, Technology, Engineering and Mathematics (STEM) subjects by students in secondary schools.

National Sports Council Award

The company was recognised by the National Sports Council of Barbados for its commitment and outstanding contribution to sports during 2014. The award was given at the Sports Council Annual Awards function.



Sagicor General was part of the Sagicor Visionaries project which ended in Barbados with a competition in September. Competitions were also held in Trinidad, Antigua, St. Lucia and Dominica. Sagicor Visionaries seeks to promote the study and research by students of S.T.E.M subjects.

CORPORATE AND SOCIAL RESPONSIBILITY

CRICKET



Isolation Cavaliers won the final of the Sagicor General Shield. Michael Holder - Assistant Vice President - Financial Advisor Unit and Overseas (third from left) is seen here celebrating winners.

CRICKET



Sagicor General Super Cup winners CGI Maple celebrating their victory with Roger Spencer – Assistant Vice President Marketing (on the left) and David Alleyne – President and CEO of Sagicor General (on the right)

CORPORATE AND SOCIAL RESPONSIBILITY

SQUASH



Barbados National Junior Squash Championships trophy winners flanked on the left by Craig Archer – President, Barbados Squash Racquet Association and on the right Roger Spencer – Assistant Vice President – Marketing at Sagicor General

BODY BUILDING



Sagicor General sponsored Stevenson Belle and Melissa Burrowes, participants in the Central American and Caribbean Body Building and Fitness Championships




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L-R: Gemma Howell, Stacia Massiah & Andrea Elie-Jones received the Barbados Diploma in Insurance at the Insurance Institute of Barbados (IIB)

BARBADOS



Sagicor General's graduates of the Certificate of Proficiency L-R: Jonelle Greaves, Xavier Woodroffe, Tameisha Grant, Kirk Robinson and Lori Brooks

L-R: Shellyann McCarthy received the Work Life Certified Professional Designation, Donelle Belgrave-Young was the recipient of a Masters Degree in Risk Management



ACADEMIC PERFORMANCE

ST. LUCIA



Furnella Isidore and Jason Edwin completed the Caribbean Insurance Foundation Certificate in General Insurance from the Association of Insurance Institutes of the Caribbean (IAC)



Sagicor
GENERAL

TRINIDAD AND TOBAGO

ST. LUCIA

TRINIDAD &
TOBAGO



L-R Terry De Coteau completed the Associate Degree in Risk Management, Victra George received the Bachelor of Science in Public Sector Management, Stephan Lazare – Associate Degree in Claims





wisdom

the commitment to use our collective knowledge, experience, understanding and insight to think and act on the behalf of our customers, employees, communities, shareholders and all of our other stakeholders.

BOARD OF DIRECTORS

BOARD OF DIRECTORS



Chief Executive Officer and President of Sagicor Life Inc

Dr. Patricia Downes-Grant was appointed Chief Executive Officer and President of Sagicor Life Inc on January 1, 2006, having served as Group Chief Operating Officer, since July 1, 2002. She joined Sagicor in 1991 and held several senior positions, including those of Vice President, Investments and Treasurer and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer. She holds an MBA in Finance, an MA in Economics, a Doctorate in Business Administration (Finance) and an Honorary Doctor of Laws from the University of the West Indies.

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



President and Chief Executive Officer, Sagicor International

Ravi Rambarran joined Sagicor in 2006, and he is President and Chief Executive Officer of Sagicor International. His work experience includes Pensions Actuary of Life of Jamaica (LOJ), Appointed Actuary of Global Life Bahamas and Global Life Cayman, Chief Financial & Investment Officer of LOJ, Managing Director of NCB Capital Markets and West Indian Trust Company, part-time Lecturer in Actuarial Science at the University of the West Indies and running his own actuarial practice. Prior to joining LOJ, Mr. Rambarran was a Consulting Actuary with Aon Group and the HSBC Group in the United Kingdom. Mr Rambarran has a BSc(Hons) in Actuarial Science from City University, London, and an Ms.c in Finance from the University of London. Mr. Rambarran was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, and is also a Fellow of the Institute of Actuaries.

BOARD OF DIRECTORS



President & CEO Sagicor General Insurance Inc.

David Alleyne joined Sagicor General Insurance Inc. on September 1, 2013 as President & CEO, bringing substantial experience as an insurance professional having spent the last 35 years in the business. He is a past Executive Director of United Insurance Company Limited where as Manager in charge of Overseas Operations he was instrumental in spreading the brand across the region.

Mr. Alleyne is the current President of The Insurance Association of the Caribbean (IAC). He is an Associate of the Chartered Insurance Institute (ACII), a Chartered Insurer and an Associate in Reinsurance (ARe). He also holds a Master of Business Administration (MBA) designation from Durham University.



Chief Operating Officer for Sagicor Life Inc

J. Edward Clarke was appointed to the position of Chief Operating Officer for Sagicor Life Inc in September, 2010. Prior to this, he held the position of Group Internal Auditor. Mr. Clarke is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 25 years' experience in the field of auditing and finance.

Mr. Clarke began his accounting career at Pannell Fitzpatrick & Company Chartered Accountants (now Ernst & Young). He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Prior to joining Sagicor, Mr. Clarke was the Chief Finance Officer of Goddard Enterprises Limited.

Mr. Clarke is Vice President of the Barbados Chamber of Commerce, and a council member of the National Communicable Disease Commission and the UWI Campus Council. Mr. Clarke is also a Director of Globe Finance Inc, Sagicor Funds Inc. and the Insurance Association of the Caribbean Inc.

BOARD OF DIRECTORS



C. NATASHA SMALL

Chief Financial Officer - Goddard Enterprises Limited

Mrs. Small was appointed to the position of Chief Financial Officer of Goddard Enterprises Limited effective January 1, 2008 after having acted in the post from April 1st, 2007. Previously she served as Group Financial Officer from April 1, 2006. Mrs. Small joined the Group on September 4, 2000 as Financial Controller of Hipac Limited. She held this position for five and a half years before being promoted to Head Office. Her activities involve planning and coordinating the Group's financial and investment activities as well as developing and coordinating the financial strategy of the Group; ensuring that adequate financial resources are available to accomplish the Group's business objectives; managing the corporate finance and accounting functions, managing cash flow investments and credit lines to maximise the productivity of the Group's financial resources. Mrs.

Small was educated at Queens College and the Barbados Community College. She attended the University of the West Indies, Cave Hill Campus where she obtained a Bachelor of Science degree with First Class Honours in Accounting. She is a fellow of the Association of Chartered Certified Accountants (FCCA), having qualified in September 2000. Prior to joining Goddard Enterprises Limited Group, Mrs. Small worked with Ernst & Young. She is currently a part-time lecturer at the University of the West Indies Cave Hill Campus. She was born in 1977.



WILLIAM PUTNAM

Finance Director - Macmillan Oil Company of Florida Inc

Mr. Putnam is currently the Finance Director of Macmillan Oil Company of Florida Inc, one of the largest distributors of fuel in South Florida. He is also a Director of the Parent Company, 2955 Holdings Inc, which deals with strategic direction and financing of the Group's operations.

Previously, Mr. Putnam has worked for the Goddard Group serving in several capacities: as General Manager of Star Discount Ltd, Managing Director of Bridgetown Cruise Terminals Inc and Managing Director of Courtesy Garage Limited. Later, he spent seven years in Brazil, first as Country Manager for Suzuki's automotive operations there, and then as Managing Director of an industrial export company.

BOARD OF DIRECTORS



Managing Director - Goddard Enterprises Limited

Mr. Anthony Ali spent most of his working life in Canada and where he worked in the areas of Operations, Sales, Marketing, Customer Allegiance and Strategic Planning for a number of fortune 500 companies in Canada and the United States in a variety of industries including manufacturing, distribution and technology. Before joining Goddard Enterprises Ltd in 2013 as Managing Director, he worked with SM Jaleel in Trinidad – the largest soft drink manufacturer in the English speaking Caribbean - where he served as General Manager from 2010 – 2013 and where he was responsible for growing the business as well as the company's market share over two years in all categories of their business.

Upon graduating from the University of Toronto in 1988 with a B.Sc. Honours Degree in Chemistry, Mr. Ali worked as a Research Chemist at National Silicates – a manufacturer of sodium silicates and silicates derivatives - and subsequently as their Business Development Manager. He also completed a post graduate degree in Executive Marketing from the University of Western Ontario in 1992 and has completed several leadership and management programmes.

In 1993, he was selected from 6,000 employees from Abitibi-Price Inc. – manufacturers and sellers of newsprint and groundwood specialties products – to participate in a fellowship at McKinsey & Co. for two years where he worked on a number of projects – both financial and operational – for a variety of clients.

He later joined Thermo Fisher Scientific – the world's largest provider of scientific equipment - in 2005 as Global Director of Operations and Customer Allegiance where he remained for three years; and then moved to Enerworks Inc. – a North American manufacturer of Solar Thermal systems - where he served as Vice President of Sales, Marketing and Customer Allegiance.

Mr. Ali has served on several Boards in the Energy field, is the co-author of several publications and has four patents pending. He has an interest in all types of sporting activities.





leadership

the commitment to listen carefully, to inspire continually and empower fully as we work towards achieving our shared vision.

SENIOR EXECUTIVE MANAGEMENT

GENERAL MANAGEMENT

SENIOR EXECUTIVE MANAGEMENT



DAVID ALLEYNE,
ACII, ARe, MBA

Chief Executive Officer

David Alleyne joined Sagicor General Insurance Inc. on September 1, 2013 as President & CEO, bringing substantial experience as an insurance professional having spent the last 35 years in the business. He is a past Executive Director of United Insurance Company Limited where as Manager in charge of Overseas Operations he was instrumental in spreading the brand across the region.

Mr. Alleyne is the current President of The Insurance Association of the Caribbean (IAC). He is an Associate of the Chartered Insurance Institute (ACII), a Chartered Insurer and an Associate in Reinsurance (ARe). He also holds a Master of Business Administration (MBA) designation from Durham University.



CHRISTOPHER MAPP,
BSC, FCCA

Chief Financial Officer

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

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

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

SENIOR EXECUTIVE MANAGEMENT



CHERYL JORDAN,
AIC

Vice President – Reinsurance

Cheryl Jordan joined the company in 1981 and has accumulated a wealth of knowledge which has allowed her to significantly contribute to the deliberations of the Sagacor General's executive team. She has untiringly served over 34 years in the insurance industry in Barbados.

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

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



CLAUDETTE ARTHUR,
BSC, CGA, FCA-ICAB

Vice President - Finance

Claudette has been with the company for 26 years having started with one of the predecessor companies, Barbados Commercial Insurance Company Ltd.

She holds a Bsc. in Accounting, is a Certified General Accountant (CGA) and a Fellow of the Institute of Chartered Accountants of Barbados (ICAB).

Ms. Arthur is responsible for the Accounting function as well as reporting to the Financial Services Commissions in the various territories in which the company operates.

SENIOR EXECUTIVE MANAGEMENT



Vice President – Human Resources

Diane has been involved in the discipline of Human Resources for the past 21 years. Her experience spans the retail and off-shore sectors as well as the financial sector with special emphasis on the general insurance area.

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

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



Vice President – Trinidad & Tobago

Dyan Loutan-Ali joined the Insurance industry in 1988 when she joined NEM (West Indies) Limited.

She later joined GTM Insurance Company Limited in 2000. She was subsequently promoted to the post of General Manager responsible for the day-to-day operations of the organization, a position which she held until she joined Sagicor General in October 2009. Mrs. Loutan-Ali qualified with a Masters in Business Administration from Heriot Watt University in 2006 and she is also an Associate of the Chartered Insurance Institute of London UK (ACII).

Mrs. Loutan-Ali has attended several professional courses in Trinidad & Tobago and the United States.

SENIOR EXECUTIVE MANAGEMENT

MARK BLAKELEY,
BSC, MBA



TRACEY KNIGHT LLOYD,
B.A, MSC



Vice President Marketing and Business Development

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

Vice President Customer Experience

Tracey Knight-Lloyd is the Vice President of Customer Experience. A former journalist, Ms. Knight-Lloyd has over ten years experience in the life insurance industry and over fifteen years of marketing experience.

Ms Knight-Lloyd's mandate is primarily to ensure that consistently high levels of customer service are delivered to all of Sagicor General's clients, including direct customers, brokers and advisors. In addition to service delivery, this role is also primarily concerned with monitoring customer feedback, evaluation of such and ensuring all customer needs are met.

She is currently responsible for customer experience across the Sagicor General operations in Barbados, Trinidad and Tobago, St. Vincent, Dominica, Antigua and St. Lucia.

Ms. Knight-Lloyd is a member of the Rotary Club of Barbados and has a special interest in increasing autism awareness.

GENERAL MANAGEMENT



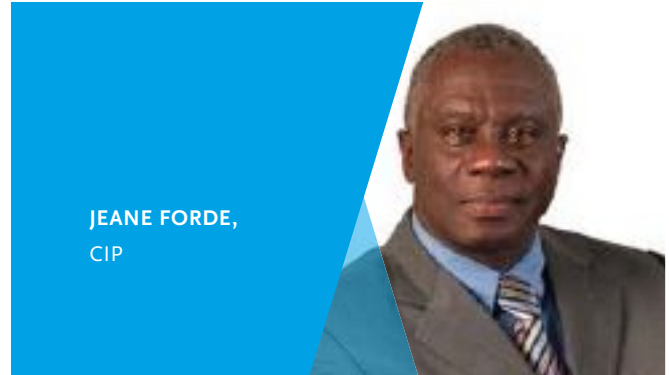
ROGER SPENCER,
BSC, MSC, MCIM

Assistant Vice President – Marketing

Roger Spencer has 16 years experience in the Insurance industry. Fourteen of these years were with Sagicor General.

Mr. Spencer holds a Bachelor's Degree in Economics and Management (Upper Second Class Honours) from The University of the West Indies, the Certificate of Proficiency in Insurance at the Insurance Institute of Barbados as well as MSc Tourism Marketing from The University of Surrey (England). He is also a member of the Chartered Institute of Marketing in London.

His duties include Strategic Planning and Market Analysis to ensure that the Sagicor General brand is enhanced. Mr. Spencer is responsible for all Advertising, Public Relations, and Marketing of the company.



JEANE FORDE,
CIP

Assistant Vice President – Claims

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

Mr. Forde performs the role of effectively managing the operation of the company's claims operations in Barbados and the Eastern Caribbean territories while developing and executing the company's policies to provide the best possible claims service.

GENERAL MANAGEMENT

MICHAEL HOLDER



Assistant Vice President - Financial Advisor Unit and Overseas

Michael Holder joined the team at Barbados Fire & General now Sagicor General in 1994 filling the role of Underwriting Supervisor. In 1998 he was appointed Branch Supervisor for the Haggatt Hall Branch following which in 2004 he was promoted to Branch Manager. From 2005-2009 Mr. Holder was a member of the Board of Directors for Insurance Institute of Barbados and was a member of the Board of Directors of General Insurance Association of Barbados (G.I.A.B.) from 2009-present. He has been the President of the G.I.A.B. from 2011 to present. He has lectured in the Certificate of Proficiency courses at the Insurance Institute of Barbados from 2007 to 2010

Mr. Holder now functions as Sagicor General's A.V.P. Financial Advisor Unit & E.C. Operations with duties such as; managing staff (F.A.U. & E.C Operations monitoring and reporting on the performance of the (F.A.U and EC territories, ensuring that the objectives of the F.A.U and E.C Operations are realized. Mr. Holder is currently completing the Associate programme of The Chartered Insurance Institute.

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

CHERYL ST. HILL



Assistant Vice President – Underwriting

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

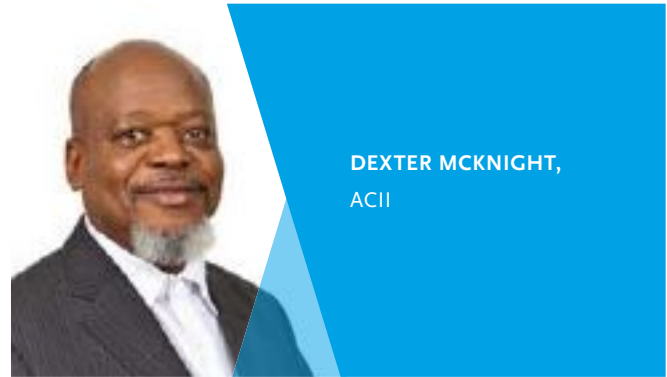
Her duties encompass the overall direct responsibility for the Underwriting Department which comprises of twenty-seven (27) employees.

GENERAL MANAGEMENT



Assistant Vice President – Research & Development

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



Assistant Vice President – Underwriting - Trinidad & Tobago

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

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

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

GENERAL MANAGEMENT

ELIZABETH STOUTE-
BRATHWAITE, FCCA



Assistant Vice President – Finance

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

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

Her role includes the day to day supervision of all accounting duties of Sagikor General's Accounts

department as well as the preparation of monthly financials.

DEBORAH ROMEO,
FCCA, CA



Assistant Vice President – Finance – Trinidad & Tobago

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

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

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

GENERAL MANAGEMENT

FELIX GOMEZ,
ACII, FLMI, ACS, ARA, DIPMIA,
CHARTERED INSURER



Assistant Vice President - Claims

Felix Gomez professional career spans over thirty (30) years during which time he held management positions in underwriting, marketing and claims at major insurance companies and brokerage houses. He has had extensive training both locally and overseas in all areas of general insurance. He holds the following designations, Associate of the Chartered Insurance Institute (ACII), Fellow Life Management Institute (FLMI), Associate in Customer Service (ACS), Associate in Reinsurance (ARA) and Diploma in Motor Insurance Claims Adjusting and Investigation. Felix presently sits on Council of Trustees of the Trinidad and Tobago Insurance Institute having previously held the position of 1st Vice President before retiring by rotation in 2000. He also serves on several sub committees of the Association of Trinidad & Tobago Insurance Companies.

Sagicor General Insurance Inc.

Financial Statements

December 31, 2014

| NOTE | | PAGE |
|------|--|--------|
| i | INDEPENDENT AUDITOR'S REPORT | 52-53 |
| ii | STATEMENT OF FINANCIAL POSITION | 54 |
| iii | STATEMENT OF INCOME | 55 |
| iv | STATEMENT OF COMPREHENSIVE INCOME..... | 56 |
| v | STATEMENT OF CHANGES IN EQUITY | 57 |
| vi | STATEMENT CASH FLOWS | 58 |
| 1 | INCORPORATION AND PRINCIPAL ACTIVITIES | 59 |
| 2 | ACCOUNTING POLICIES..... | 59-68 |
| 3 | CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS | 69 |
| 4 | STATUTORY RESTRICTIONS ON ASSETS..... | 69 |
| 5 | PROPERTY, PLANT AND EQUIPMENT..... | 70 |
| 6 | INVESTMENT IN ASSOCIATED COMPANY | 71 |
| 7 | FINANCIAL INVESTMENTS..... | 71 |
| 8 | REINSURANCE ASSETS..... | 72 |
| 9 | INCOME TAX ASSETS..... | 72 |
| 10 | PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS | 72-73 |
| 11 | MISCELLANEOUS ASSETS AND RECEIVABLES | 73 |
| 12 | POLICYHOLDERS' LIABILITIES..... | 73-76 |
| 13 | PROVISIONS | 76 |
| 14 | INCOME TAX LIABILITIES | 77 |
| 15 | DUE TO REINSURERS,DEFERRALS AND PREMIUM TAX PAYABLE..... | 77 |
| 16 | SHARE CAPITAL | 78 |
| 17 | RESERVES | 78 |
| 18 | PREMIUM REVENUE | 78 |
| 19 | INVESTMENT INCOME | 79 |
| 20 | FEES AND OTHER REVENUE | 79 |
| 21 | CLAIMS INCURRED | 79 |
| 22 | EMPLOYEE COSTS | 80 |
| 23 | EMPLOYEE RETIREMENT BENEFITS | 80-82 |
| 24 | INCOME TAXES..... | 82 |
| 25 | DIVIDENDS PER COMMON SHARE | 83 |
| 26 | OTHER COMPREHENSIVE INCOME | 83 |
| 27 | CASH FLOWS | 83 |
| 28 | RELATED PARTY TRANSACTIONS | 84 |
| 29 | FAIR VALUE OF PROPERTY | 85 |
| 30 | FINANCIAL RISK | 86-98 |
| 31 | INSURANCE RISK..... | 99-103 |
| 32 | CAPITAL MANAGEMENT..... | 104 |
| 33 | CONTINGENT LIABILITY..... | 104 |



INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Sagicor General Insurance Inc.**

We have audited the accompanying financial statements of **Sagicor General Insurance Inc.** as shown on pages 54 to 104, which comprise the statement of financial position as of December 31, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.



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

Other Matter

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

PricewaterhouseCoopers SRL


April 17, 2015
Bridgetown, Barbados

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2014

Amounts expressed in Barbados \$ 000

| | Notes | <u>2014</u> | <u>2013</u> |
|--|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Property, plant and equipment | 5 | 17,567 | 16,134 |
| Investment in associated company | 6 | 4,184 | 4,434 |
| Financial investments | 7 | 72,647 | 82,147 |
| Reinsurance assets | 8 | 67,781 | 64,166 |
| Income tax assets | 9 | 1,851 | 1,912 |
| Premiums receivable and deferred acquisition costs | 10 | 30,849 | 29,852 |
| Miscellaneous assets and receivables | 11 | 616 | 896 |
| Deposits with Sagicor Group companies | 28 | 375 | 363 |
| Cash and cash equivalents | | 28,758 | 18,290 |
| Total assets | | <u>224,628</u> | <u>218,194</u> |
| LIABILITIES | | | |
| Policyholders' liabilities | 12 | 113,539 | 109,513 |
| Provisions | 13 | 295 | 2,558 |
| Income tax liabilities | 14 | 250 | 547 |
| Due to reinsurers, deferrals and premium tax payable | 15 | 27,970 | 24,866 |
| Amounts payable to Sagicor Group companies | 28 | 2,555 | 272 |
| Accounts payable and accrued liabilities | | 2,062 | 5,303 |
| Total liabilities | | <u>146,671</u> | <u>143,059</u> |
| EQUITY | | | |
| Share capital | 16 | 3,000 | 3,000 |
| Reserves | 17 | 27,870 | 28,562 |
| Retained earnings | | 47,087 | 43,573 |
| Total equity | | <u>77,957</u> | <u>75,135</u> |
| Total equity and liabilities | | <u>224,628</u> | <u>218,194</u> |

These financial statements have been approved for issue by the Board of Directors on April 13, 2015.

 Director

 Director

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF INCOME
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

| | Notes | <u>2014</u> | <u>2013</u> |
|--|-------|----------------------|----------------------|
| REVENUE | | | |
| Premium revenue | 18 | 127,518 | 126,807 |
| Reinsurance expense | 18 | (89,455) | (89,753) |
| Net premium revenue | | <u>38,063</u> | <u>37,054</u> |
| Investment income | 19 | 5,448 | 3,659 |
| Share of operating (loss) income of associated company | 6 | (250) | 651 |
| Fees and other revenue | 20 | <u>25,260</u> | <u>27,707</u> |
| Total revenue | | <u>68,521</u> | <u>69,071</u> |
| CLAIMS INCURRED | | | |
| Claims incurred | 21 | 40,155 | 31,627 |
| Claims reinsured | 21 | (24,332) | (17,530) |
| Net claims incurred | | <u>15,823</u> | <u>14,097</u> |
| EXPENSES | | | |
| Administrative expenses | | 24,990 | 24,488 |
| Commissions and related compensation | 10 | 15,819 | 15,609 |
| Premium taxes | | 842 | 867 |
| Depreciation | | <u>1,612</u> | <u>1,311</u> |
| Total expenses | | <u>43,263</u> | <u>42,275</u> |
| INCOME BEFORE TAXES | | 9,435 | 12,699 |
| Income taxes | 24 | (3,005) | (2,803) |
| NET INCOME FOR THE YEAR | | <u>6,430</u> | <u>9,896</u> |

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF COMPREHENSIVE INCOME
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

| | Notes | <u>2014</u> | <u>2013</u> |
|---|-------|----------------|--------------|
| NET INCOME FOR THE YEAR | | 6,430 | 9,896 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items net of tax that may be reclassified subsequently to income: | 26 | | |
| Available for sale financial assets | | | |
| Unrealised gains (losses) arising on revaluation | | 37 | (374) |
| Gains transferred to income | | <u>(1,307)</u> | <u>-</u> |
| | | <u>(1,270)</u> | <u>(374)</u> |
| Items net of tax that will not be reclassified subsequently to income: | 26 | | |
| Unrealised loss arising on revaluation of property | | (603) | - |
| Gains on defined benefit plans | | 2,223 | 419 |
| | | <u>1,620</u> | <u>419</u> |
| Other comprehensive income for the year | | <u>350</u> | <u>45</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>6,780</u> | <u>9,941</u> |

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

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF CHANGES IN EQUITY
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

| | Year ended December 31, 2014 | | | |
|------------------------------|------------------------------|---------------------|----------------------|---------------|
| | Share capital Note 16 | Reserves Note 17 | Retained earnings | Total |
| Balance, beginning of year | 3,000 | 28,562 | 43,573 | 75,135 |
| Total comprehensive income | - | (1,873) | 8,653 | 6,780 |
| Other movements | - | 1,181 | (1,181) | - |
| Dividends declared (Note 25) | - | - | (3,958) | (3,958) |
| Balance, end of year | 3,000 | 27,870 | 47,087 | 77,957 |

| | Year ended December 31, 2013 | | | |
|----------------------------|------------------------------|---------------------|----------------------|---------------|
| | Share capital Note 16 | Reserves Note 17 | Retained earnings | Total |
| Balance, beginning of year | 3,000 | 27,779 | 36,861 | 67,640 |
| Total comprehensive income | - | (374) | 10,315 | 9,941 |
| Other movements | - | 1,157 | (1,157) | - |
| Dividends paid (Note 25) | - | - | (2,446) | (2,446) |
| Balance, end of year | 3,000 | 28,562 | 43,573 | 75,135 |

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

SAGICOR GENERAL INSURANCE INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

| | Notes | <u>2014</u> | <u>2013</u> |
|--|-------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Income before taxes | | 9,435 | 12,699 |
| Adjustments for non-cash items, interest and dividends | 27 | (3,432) | (1,839) |
| Interest and dividends received | | 3,326 | 3,383 |
| Interest and dividends received from Sagicor Group companies | | 800 | 570 |
| Income taxes paid | | (3,241) | (3,696) |
| Changes in operating assets | 27 | 8,629 | (7,629) |
| Changes in operating liabilities | 27 | 1,048 | 1,970 |
| Net cash from operating activities | | <u>16,565</u> | <u>5,458</u> |
| Cash flows from investing activities | | | |
| Property, plant and equipment | 27 | (3,651) | (7,223) |
| Net cash used in investing activities | | <u>(3,651)</u> | <u>(7,223)</u> |
| Cash flows from financing activities | | | |
| Dividends paid to shareholders | | (2,446) | (4,907) |
| Net cash used in financing activities | | <u>(2,446)</u> | <u>(4,907)</u> |
| Net increase (decrease) in cash and cash equivalents | | 10,468 | (6,672) |
| Cash and cash equivalents, beginning of year | | 18,290 | 24,962 |
| Cash and cash equivalents, end of year | 27 | <u>28,758</u> | <u>18,290</u> |

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

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 and available for sale investments.

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

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

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 9 – Financial Instruments (January 1, 2018) | <p><u>Classification and measurement of financial instruments</u></p> <p>IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The determination is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.</p> <p>IFRS 9 has amended the treatment, applicable to financial liabilities designated at fair value, of changes in own credit risk. Such changes are to be recorded in other comprehensive income unless part of a hedging relationship.</p> <p>Amendments have been made to hedge accounting with the most significant improvements applying to the hedging of non-financial risk.</p> <p>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.</p> |

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

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.

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

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.

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.5 Financial investments (continued)

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 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 and a decline that has persisted for more than 12 months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.6 Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

2.7 Insurance contracts (continued)

Liability adequacy tests are performed at the date of the financial statements 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.

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

2. ACCOUNTING POLICIES (continued)

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

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, 2014

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 2014 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, 2014

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 \$1,181 (2013 - \$1,157).

2.15 Presentation of current and non-current assets and liabilities

In note 30.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5, 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, 2014

Amounts expressed in Barbados \$ 000

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the 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 date of the financial statements, whether reported or not, is subject to the outcome of events that may not yet have occurred. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of casualty contracts. Events which may affect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

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

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 \$49,093 (2013 - \$42,575) 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, 2014

Amounts expressed in Barbados \$ 000

5. PROPERTY, PLANT AND EQUIPMENT

| | 2014 | | | | Total |
|-----------------------------------|----------------------------------|-----------------------|--------------|-------------------|---------------|
| | Freehold land and building | Office furnishings | Equipment | Motor vehicles | |
| Net book value, beginning of year | 4,674 | 6,606 | 3,933 | 921 | 16,134 |
| Additions at cost | - | 374 | 2,390 | 1,042 | 3,806 |
| Disposals | - | (47) | (110) | (944) | (1,101) |
| Depreciation in fair values | (603) | - | - | - | (603) |
| Depreciation charge | (71) | (775) | (343) | (423) | (1,612) |
| Depreciation on disposals | - | 36 | 3 | 904 | 943 |
| Net book value, end of year | 4,000 | 6,194 | 5,873 | 1,500 | 17,567 |
| Represented by: | | | | | |
| Cost or valuation | 4,425 | 10,100 | 13,036 | 2,329 | 29,890 |
| Accumulated depreciation | (425) | (3,906) | (7,163) | (829) | (12,323) |
| | 4,000 | 6,194 | 5,873 | 1,500 | 17,567 |
| | | | | | |
| | 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 |

The land and building of the company situated at Beckwith Place, Bridgetown, were independently valued at December 31, 2014 at \$4,000 by professional real estate valuers. The decline in value of \$603 was transferred to other comprehensive income.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

6. INVESTMENT IN ASSOCIATED COMPANY

The company holds 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:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|--------------|--------------|
| Investment, beginning of year | 4,434 | 3,783 |
| (Loss) income before taxes | (250) | 651 |
| Investment, end of year | <u>4,184</u> | <u>4,434</u> |

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

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|-------------|-------------|
| Total assets | 200,844 | 212,644 |
| Total liabilities | 181,738 | 190,041 |
| Total revenue | 16,959 | 19,544 |
| Net (loss) income for the year | (1,341) | 3,037 |

7. FINANCIAL INVESTMENTS

| | <u>2014</u> | | <u>2013</u> | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Available for sale securities: | | | | |
| Debt securities | 1,670 | 1,670 | 1,663 | 1,663 |
| Equity securities | 1,574 | 1,574 | 5,289 | 5,289 |
| | <u>3,244</u> | <u>3,244</u> | <u>6,952</u> | <u>6,952</u> |
| Loans and receivables: | | | | |
| Debt securities | 63,655 | 67,591 | 71,914 | 76,674 |
| Mortgage loans | 2,202 | 2,054 | 2,352 | 2,274 |
| Deposits | 3,546 | 3,546 | 929 | 929 |
| | <u>69,403</u> | <u>73,191</u> | <u>75,195</u> | <u>79,877</u> |
| Total financial investments | <u>72,647</u> | <u>76,435</u> | <u>82,147</u> | <u>86,829</u> |

Debt securities comprise:

| | <u>2014</u> | <u>2013</u> |
|--|---------------|---------------|
| Government and government-guaranteed debt securities | 54,637 | 62,915 |
| Other securities | 10,688 | 10,662 |
| | <u>65,325</u> | <u>73,577</u> |

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

8. REINSURANCE ASSETS

| | 2014 | 2013 |
|---|---------------|---------------|
| Claim recoveries from reinsurers (note 12) | 29,544 | 26,068 |
| Unearned premiums ceded to reinsurers (note 12) | 38,237 | 38,098 |
| | <u>67,781</u> | <u>64,166</u> |

9. INCOME TAX ASSETS

| | 2014 | 2013 |
|---|--------------|--------------|
| Income and withholding taxes recoverable | 761 | 789 |
| Deferred tax | 1,090 | 1,123 |
| | <u>1,851</u> | <u>1,912</u> |
| Deferred tax assets not recognised consist of: | | |
| Unutilised tax losses | 155 | 161 |
| Accelerated tax depreciation | (5) | (4) |
| | <u>150</u> | <u>157</u> |

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

| | 2014 | 2013 |
|--------------------------------------|---------------|---------------|
| Premiums in the course of collection | 21,977 | 20,980 |
| Deferred commission expense | 7,773 | 7,773 |
| Deferred premium tax | 1,099 | 1,099 |
| | <u>30,849</u> | <u>29,852</u> |

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

| | 2014 | 2013 |
|--------------------------------------|--------------|--------------|
| Deferred commission expense | | |
| Balance, beginning of year | 7,773 | 7,703 |
| Commission paid | 15,819 | 15,679 |
| Commissions and related compensation | (15,819) | (15,609) |
| | <u>7,773</u> | <u>7,773</u> |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS (continued)

| | <u>2014</u> | <u>2013</u> |
|-----------------------------|----------------|----------------|
| Deferred premium tax | | |
| Balance, beginning of year | 1,099 | 1,157 |
| Premium tax paid | 2,308 | 2,331 |
| Premium tax expense | <u>(2,308)</u> | <u>(2,389)</u> |
| Balance, end of year | <u>1,099</u> | <u>1,099</u> |

11. MISCELLANEOUS ASSETS AND RECEIVABLES

| | <u>2014</u> | <u>2013</u> |
|---------------------------|-------------|-------------|
| Prepaid expenses | 351 | 105 |
| Other accounts receivable | <u>265</u> | <u>791</u> |
| | <u>616</u> | <u>896</u> |

12. POLICYHOLDERS' LIABILITIES

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|----------------|----------------|
| Claims in the course of settlement | 50,912 | 47,037 |
| Provision for unearned premiums | <u>62,627</u> | <u>62,476</u> |
| | <u>113,539</u> | <u>109,513</u> |

12.1 Claims in the course of settlement

(a) Analysis of claims in the course of settlement

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|---------------|---------------|
| Property business | 1,582 | 1,690 |
| Motor business | 37,533 | 32,979 |
| Accident and liability business | 11,633 | 12,175 |
| Marine business | <u>164</u> | <u>193</u> |
| | <u>50,912</u> | <u>47,037</u> |

Claims in the course of settlement include \$19,281 (2013 - \$15,856) in provisions for claims incurred but not yet reported.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

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:

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| Property business | 1,135 | 1,155 |
| Motor business | 22,009 | 17,969 |
| Accident and liability business | 6,396 | 6,928 |
| Marine business | 4 | 16 |
| | <u>29,544</u> | <u>26,068</u> |

(b) Movement in claims in the course of settlement

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

| | 2014 | 2013 |
|----------------------------|-----------------|-----------------|
| Balance, beginning of year | 47,037 | 45,316 |
| Claims incurred (note 21) | 40,155 | 31,627 |
| Claims paid | <u>(36,280)</u> | <u>(29,906)</u> |
| Balance, end of year | <u>50,912</u> | <u>47,037</u> |

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

| | 2014 | 2013 |
|-------------------------------|-----------------|-----------------|
| Balance, beginning of year | 26,068 | 24,011 |
| Ceded in year (note 21) | 24,332 | 17,530 |
| Claim recoveries | <u>(20,856)</u> | <u>(15,473)</u> |
| Balance, end of year (note 8) | <u>29,544</u> | <u>26,068</u> |

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 \$1,292 and \$757 (2013 - \$1,180 and \$564) respectively and a \$535 (2013 - \$616) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of \$1,318 and \$774 (2013 - \$1,201 and \$572) respectively and a \$544 (2013 - \$629) increase in income from ordinary activities.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

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 statement of financial position. The disclosures are by accident year which is the financial period in which the claim is incurred.

| | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|---|----------|----------|----------|----------|----------|-----------|
| Gross | | | | | | |
| Estimate of ultimate claims incurred: | | | | | | |
| At the end of financial reporting year | 36,579 | 35,912 | 32,156 | 30,658 | 36,178 | 171,483 |
| One year later | 35,624 | 34,709 | 31,102 | 30,689 | - | - |
| Two years later | 35,077 | 34,629 | 31,376 | - | - | - |
| Three years later | 34,574 | 34,311 | - | - | - | - |
| Four years later | 31,976 | - | - | - | - | - |
| Current estimate of ultimate claims incurred | 31,976 | 34,311 | 31,376 | 30,689 | 36,178 | 164,530 |
| Cumulative payments to date | (30,049) | (29,853) | (25,905) | (23,577) | (20,691) | (130,075) |
| Liability recognised in the statement of financial position | 1,927 | 4,458 | 5,471 | 7,112 | 15,487 | 34,455 |
| Liability in respect of prior years | | | | | | 14,993 |
| Liability for unallocated loss adjustment expenses | | | | | | 1,464 |
| Total liability included in the statement of financial position | | | | | | 50,912 |
| Net favourable/ (unfavourable) development | 4,603 | 1,601 | 780 | (31) | - | |
| | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
| Reinsurance | | | | | | |
| Estimate of ultimate claims incurred: | | | | | | |
| At the end of financial reporting year | 21,334 | 19,157 | 16,460 | 15,712 | 19,149 | 91,812 |
| One year later | 20,732 | 17,950 | 15,847 | 16,515 | - | - |
| Two years later | 20,543 | 18,051 | 16,280 | - | - | - |
| Three years later | 20,209 | 18,055 | - | - | - | - |
| Four years later | 18,310 | - | - | - | - | - |
| Current estimate of ultimate claims incurred | 18,310 | 18,055 | 16,280 | 16,515 | 19,149 | 88,309 |
| Cumulative payments to date | (17,196) | (15,673) | (13,282) | (12,488) | (10,836) | (69,475) |
| Asset recognised in the statement of financial position | 1,114 | 2,382 | 2,998 | 4,027 | 8,313 | 18,834 |
| Liability in respect of prior years | | | | | | 10,710 |
| Total asset included in the statement of financial position | | | | | | 29,544 |
| Net favourable/ (unfavourable) development | 3,024 | 1,102 | 180 | (803) | - | |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

12. POLICYHOLDERS' LIABILITIES (continued)

12.2 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| Property business | 29,863 | 29,370 |
| Motor business | 24,181 | 24,426 |
| Accident and liability business | 7,636 | 7,690 |
| Marine business | 947 | 990 |
| | <u>62,627</u> | <u>62,476</u> |

The associated unearned premiums ceded to reinsurers:

| | | |
|---------------------------------|---------------|---------------|
| Property business | 22,575 | 22,188 |
| Motor business | 12,183 | 12,302 |
| Accident and liability business | 3,477 | 3,599 |
| Marine business | 2 | 9 |
| | <u>38,237</u> | <u>38,098</u> |

(b) Movement in provision for unearned premiums

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

| | 2014 | 2013 |
|----------------------------|---------------|---------------|
| Balance, beginning of year | 62,476 | 62,434 |
| Premiums written | 127,669 | 126,849 |
| Premium revenue (note 18) | (127,518) | (126,807) |
| Balance, end of year | <u>62,627</u> | <u>62,476</u> |

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

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| Balance, beginning of year | 38,098 | 38,460 |
| Reinsurance on premiums written | 89,594 | 89,391 |
| Reinsurance expense (note 18) | (89,455) | (89,753) |
| Balance, end of year (note 8) | <u>38,237</u> | <u>38,098</u> |

13. PROVISIONS

| | 2014 | 2013 |
|-------------------------|-------------|--------------|
| Pensions plan (note 23) | <u>295</u> | <u>2,558</u> |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

14. INCOME TAX LIABILITIES

| | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| Deferred income tax liabilities | 250 | 547 |
| Analysis of deferred income tax liabilities: | | |
| Accelerated tax depreciation | 250 | 547 |
| Deferred income tax liabilities to be settled after one year | <u>250</u> | <u>547</u> |

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

| | <u>2014</u> | <u>2013</u> |
|----------------------------|---------------|---------------|
| Amounts due to reinsurers | 7,036 | 5,828 |
| Deferred commission income | 16,940 | 15,143 |
| Premium tax payable | 3,303 | 3,204 |
| Deferred premium tax | 691 | 691 |
| | <u>27,970</u> | <u>24,866</u> |

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

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|---------------|---------------|
| Deferred commission income | | |
| Balance, beginning of year | 15,143 | 13,945 |
| Commission received | 22,862 | 20,178 |
| Commission earned (note 20) | (21,065) | (18,980) |
| Balance, end of year | <u>16,940</u> | <u>15,143</u> |
| Deferred premium tax | | |
| Balance, beginning of year | 691 | 733 |
| Premium tax recoveries | 1,466 | 1,480 |
| Premium taxes earned | (1,466) | (1,522) |
| Balance, end of year | <u>691</u> | <u>691</u> |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

16. SHARE CAPITAL

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

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Issued 2,000,000 shares, with no par value | 3,000 | 3,000 |

17. RESERVES

| | <u>2014</u> | <u>2013</u> |
|---|---------------|---------------|
| Fair value reserve - available for sale investment securities: | | |
| Balance, beginning of year | 1,985 | 2,359 |
| Total comprehensive income (note 26) | (1,270) | (374) |
| Balance, end of year | <u>715</u> | <u>1,985</u> |
| Fair value reserve - owner occupied property: | | |
| Balance, beginning of year | 3,577 | 3,577 |
| Unrealised loss arising on revaluation (note 5) | (603) | - |
| Balance, end of year | <u>2,974</u> | <u>3,577</u> |
| Statutory reserves: | | |
| Balance, beginning of year | 23,000 | 21,843 |
| Other movements | 1,181 | 1,157 |
| Balance, end of year | <u>24,181</u> | <u>23,000</u> |
| Reserves, end of year | <u>27,870</u> | <u>28,562</u> |

18. PREMIUM REVENUE

| | Premium revenue | | Reinsurance expense | |
|---------------------------------|------------------------|----------------|----------------------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Property business | 62,236 | 63,686 | 57,151 | 58,371 |
| Motor business | 48,022 | 45,695 | 24,595 | 23,424 |
| Accident and liability business | 15,371 | 15,616 | 7,541 | 7,783 |
| Marine business | 1,889 | 1,810 | 168 | 175 |
| | <u>127,518</u> | <u>126,807</u> | <u>89,455</u> | <u>89,753</u> |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

19. INVESTMENT INCOME

| | 2014 | 2013 |
|------------------------------------|--------------|--------------|
| Interest income: | | |
| Debt securities | 3,202 | 3,062 |
| Mortgage loans | 113 | 120 |
| Deposits | 321 | 360 |
| Other | 136 | 122 |
| Dividend income | 629 | 154 |
| Net gains on financial investments | 1,307 | - |
| Amortisation | (260) | (159) |
| | 5,448 | 3,659 |

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

| | 2014 | 2013 |
|--|---------------|---------------|
| Commission income on insurance ceded to reinsurers (note 15) | 21,065 | 18,980 |
| Fees, other revenue and profit commission | 3,708 | 8,484 |
| Miscellaneous income | 487 | 243 |
| | 25,260 | 27,707 |

21. CLAIMS INCURRED

| | Claims incurred | | Claims reinsured | |
|---------------------------------|------------------------|---------------|-------------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Property business | 3,639 | 2,888 | 2,663 | 2,126 |
| Motor business | 31,972 | 24,964 | 19,546 | 13,579 |
| Accident and liability business | 4,272 | 3,549 | 2,135 | 1,817 |
| Marine business | 272 | 226 | (12) | 8 |
| | 40,155 | 31,627 | 24,332 | 17,530 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

22. EMPLOYEE COSTS

Included in administrative expenses are the following:

| | <u>2014</u> | <u>2013</u> |
|--|---------------|---------------|
| Administrative staff salaries, directors' fees and other short-term benefits | 10,956 | 11,434 |
| Employer's contributions to social security schemes | 758 | 708 |
| Employer's contribution to group health and life | 479 | 436 |
| Costs - defined benefit pension scheme (note 23) | <u>823</u> | <u>899</u> |
| | <u>13,016</u> | <u>13,477</u> |

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, 2014.

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

| | <u>2014</u> | <u>2013</u> |
|---|-----------------|-----------------|
| Present value of funded pension obligations | 13,109 | 13,852 |
| Fair value of pension plan assets | <u>(12,814)</u> | <u>(11,294)</u> |
| Net liability | <u>295</u> | <u>2,558</u> |
| Represented by: | | |
| Liability balances (note 13) | <u>295</u> | <u>2,558</u> |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

23. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances:

| | 2014 | | | 2013 | | |
|---|------------------------|------------------------|---------|------------------------|------------------------|-------|
| | Retirement obligations | Retirement plan assets | Total | Retirement obligations | Retirement plan assets | Total |
| Net liability/(asset), beginning of year | 13,852 | (11,294) | 2,558 | 12,756 | (9,728) | 3,028 |
| Current service cost | 608 | - | 608 | 643 | - | 643 |
| Interest expense/ (income) | 1,081 | (866) | 215 | 1,022 | (766) | 256 |
| Net expense recognised in income | 1,689 | (866) | 823 | 1,665 | (766) | 899 |
| Losses from changes in assumptions | 114 | - | 114 | 101 | - | 101 |
| Gains from changes in experience | (2,707) | - | (2,707) | (902) | - | (902) |
| Return on plan assets | - | 370 | 370 | - | 243 | 243 |
| Net (gains)/ losses recognised in other comprehensive income | (2,593) | 370 | (2,223) | (801) | 243 | (558) |
| Contributions made by the company | - | (913) | (913) | - | (845) | (845) |
| Contributions made by employees | 324 | (324) | - | 266 | (266) | - |
| Benefits paid | (163) | 163 | - | (34) | 34 | - |
| Other items | - | 50 | 50 | - | 34 | 34 |
| Other movements | 161 | (1,024) | (863) | 232 | (1,043) | (811) |
| Net liability/(asset), end of year | 13,109 | (12,814) | 295 | 13,852 | (11,294) | 2,558 |

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

| | Barbados | Trinidad |
|--|----------|----------|
| Discount rate | 7.8% | 4.0% |
| Expected return on plan assets | 7.8% | 4.0% |
| Future salary increases | 4.5% | 3.0% |
| Future pension increases | 2.0% | 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 \$886.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

23. EMPLOYEE RETIREMENT BENEFITS (continued)

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

| | <u>Barbados</u> | <u>Trinidad</u> |
|--|--------------------------------------|-----------------|
| Base pension obligation | 11,140 | 1,969 |
| | Effect on pension obligations | |
| Decrease discount rate by 1.0% | 2,145 | 413 |
| Increase discount rate by 1.0% | (1,650) | (299) |
| Decrease salary growth rate by 0.5% | (630) | (132) |
| Increase salary growth rate by 0.5% | 689 | 152 |
| Increase average life expectancy by 1 year | 11 | 2 |

24. INCOME TAXES

The income tax expense is comprised of:

| | <u>2014</u> | <u>2013</u> |
|--------------|--------------|--------------|
| Current tax | 3,269 | 2,957 |
| Deferred tax | (264) | (154) |
| | <u>3,005</u> | <u>2,803</u> |

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:

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| Income subject to tax | 9,435 | 12,699 |
| Tax calculated at a tax rate of 25 % | 2,359 | 3,175 |
| Different tax rates in other countries | 32 | 16 |
| Income taxed at different rates | (67) | (65) |
| Under/ (over) provision of current and deferred tax | 668 | (355) |
| Movement in deferred tax asset not recognised | 7 | (5) |
| Transfer to catastrophe reserve deductible for tax | (261) | (239) |
| Tax allowances | (24) | (16) |
| Expenses not deductible for tax | 321 | 375 |
| Income not subject to tax | (112) | (226) |
| Tax losses expiring unutilised | - | 48 |
| Other taxes | 82 | 95 |
| | <u>3,005</u> | <u>2,803</u> |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

25. DIVIDENDS PER COMMON SHARE

In respect of financial year 2013, a dividend of \$198 cents per share was declared in 2014. A dividend of 122 cents per share in respect of financial year 2012 was paid during the year.

26. OTHER COMPREHENSIVE INCOME

| | 2014 | | | 2013 | | |
|--|------------|-----|-----------|------------|-------|-----------|
| | Before tax | Tax | After tax | Before tax | Tax | After tax |
| Items that may be reclassified subsequently to income: | | | | | | |
| Available for sale assets: | | | | | | |
| Gains (losses) arising on revaluation | 37 | - | 37 | (374) | - | (374) |
| Gains transferred to income | (1,307) | - | (1,307) | - | - | - |
| | (1,270) | - | (1,270) | (374) | - | (374) |
| Items that will not be reclassified subsequently to income: | | | | | | |
| Unrealised loss arising on revaluation of property | (603) | - | (603) | - | - | - |
| Defined benefit gains/ (losses) | 2,223 | - | 2,223 | 558 | (139) | 419 |
| | 1,620 | - | 1,620 | 558 | (139) | 419 |
| Other comprehensive income/ (loss) for the year | 350 | - | 350 | 184 | (139) | 45 |

27. CASH FLOWS

27.1 Operating activities

| | 2014 | 2013 |
|---|---------|---------|
| Adjustments for non-cash items, interest and dividends | | |
| Increase in provision for unearned premiums, net of reinsurance | 12 | 404 |
| Interest income | (3,636) | (3,542) |
| Dividend income | (629) | (154) |
| Net gains on financial investments | (1,307) | - |
| Share of operating loss (income) of associated companies | 250 | (651) |
| Movement in recognised employee retirement benefits | (40) | 73 |
| Depreciation | 1,612 | 1,311 |
| (Gain) loss on disposal of property, plant and equipment | (104) | 5 |
| Amortisation on bonds | 260 | 159 |
| Exchange loss | 150 | 556 |
| | (3,432) | (1,839) |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

28. RELATED PARTY TRANSACTIONS

28.1 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:

| | <u>2014</u> | <u>2013</u> |
|---|--------------|---|
| Compensation | | |
| Salaries, directors' fees and other short-term benefits | 1,508 | 2,101 |
| Pension and other retirement benefits | 137 | 146 |
| | <u>1,645</u> | <u>2,247</u> |
| | | Mortgage and staff loans |
| | | <u>630</u> |
| Balance, beginning of year | | 630 |
| Advances | | 113 |
| Repayments | | <u>(79)</u> |
| Balance, end of year | | <u>664</u> |

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

28.2 Other related party transactions

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

| | <u>2014</u> | <u>2013</u> |
|-------------------|-------------|-------------|
| Premium income | 7,262 | 6,963 |
| Management fees | (152) | (723) |
| Investment income | 438 | 440 |
| Dividend income | 500 | - |
| Rental expense | 95 | (497) |

Deposits with related parties amounted to \$2,139 (2013 - \$2,136) and bear interest between 3.0% - 4.5% (2013 - 4.0% - 6.5%). There were no amounts receivable from related parties. Amounts payable to related parties amounted to \$2,555 (2013 - \$272) and are interest free with no stated terms of repayment. Premiums receivable amounted to \$1,133 (2013 - \$865).

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

29. 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, 2014 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------|---------|---------|-------|
| Owner-occupied land and buildings | - | - | 4,000 | 4,000 |

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 | 4,674 |
| Fair value changes recorded in other comprehensive income | (603) |
| Depreciation charge | (71) |
| Balance, end of year | 4,000 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK

The company's activities of issuing insurance contracts, investing insurance premium in a variety of financial and other assets and dealing in securities exposes the company to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in note 31. The overriding objective of the company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the company accepts certain levels of risk in order to generate returns and manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

30.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the company. Credit risk is primarily associated with financial investments, premiums in the course of collection, reinsurance contracts held and cash and cash equivalents. Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing staff loans only after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

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 | |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 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 31.3).

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:

| | 2014 | | 2013 | |
|---------------------------------------|---------|-------|---------|-------|
| | \$ | % | \$ | % |
| Debt securities | 65,325 | 42.9 | 73,577 | 51.3 |
| Mortgage loans | 2,202 | 1.5 | 2,352 | 1.6 |
| Deposits | 3,546 | 2.3 | 929 | 0.7 |
| Reinsurance assets | 29,544 | 19.4 | 26,068 | 18.2 |
| Premiums in the course of collection | 21,977 | 14.4 | 20,980 | 14.6 |
| Deposits with Sagicor Group companies | 375 | 0.2 | 363 | 0.3 |
| Miscellaneous assets and receivables | 616 | 0.4 | 896 | 0.6 |
| Cash resources | 28,758 | 18.9 | 18,290 | 12.7 |
| Total balance sheet exposures | 152,343 | 100.0 | 143,455 | 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 | 2014 | Sagicor Risk Rating | 2013 |
|-----------------------------------|---------------------|--------|---------------------|--------|
| Debt securities: | | | | |
| Government of Trinidad and Tobago | 2 | 39,583 | 2 | 46,005 |
| Government of Barbados | 4 | 13,101 | 4 | 14,947 |
| Sagicor Financial Corporation | 4 | 5,917 | 4 | 5,840 |
| Deposits & cash: | | | | |
| RBTT Bank Limited | 1 | 8,383 | 1 | 4,295 |
| CIBC FirstCaribbean | 2 | 6,196 | 2 | 4,313 |
| The Bank of Nova Scotia | 1 | 4,731 | 1 | 1,371 |
| Claim recoveries | | | | |
| Munich Reinsurance Company | 1 | 23,760 | 1 | 19,145 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

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

| Category | | Sagicor Risk Rating | Classification | 2014 | | 2013 | |
|-------------|-------------------------|------------------------|-----------------|----------------|---------------|----------------|---------------|
| | | | | Exposure \$ | Exposure % | Exposure \$ | Exposure % |
| Non-default | Investment grade | 1 | Minimal risk | 14,070 | 14.1 | 8,844 | 9.3 |
| | | 2 | Low risk | 55,779 | 55.9 | 55,165 | 58.0 |
| | | 3 | Moderate risk | 3,829 | 3.8 | 3,143 | 3.3 |
| | Non-investment grade | 4 | Acceptable risk | 5,917 | 5.9 | 20,476 | 21.5 |
| | | 5 | Average risk | 19,183 | 19.2 | 5,919 | 6.2 |
| | Watch | 6 | Higher risk | 500 | 0.5 | 1,127 | 1.2 |
| | | 7 | Special mention | - | - | - | - |
| Default | 8 | Substandard | 553 | 0.6 | 474 | 0.5 | |
| | 9 | Doubtful | - | - | - | - | |
| | 10 | Loss | - | - | - | - | |
| TOTALS | | | | 99,831 | 100.0 | 95,148 | 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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

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

| | Debt securities | Mortgage loans | Premiums in the course of collection |
|--|--------------------|-------------------|--|
| 2014 | | | |
| Neither past due nor impaired | 65,325 | 1,933 | - |
| Past due up to 12 months, but not impaired | - | 89 | 21,472 |
| Past due up to 5 years, but not impaired | - | 180 | - |
| Total past due but not impaired | 65,325 | 2,202 | 21,472 |
| Impaired assets | - | - | 505 |
| Total carrying value | 65,325 | 2,202 | 21,977 |
| Accumulated allowances on impaired assets | - | - | 505 |
| 2013 | | | |
| 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 |

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk

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

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

(a) Financial liabilities and commitments

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

| 2014 | On demand or within 1 year | 1 to 5 years | Total |
|--|---------------------------------------|---------------------|--------------|
| Financial liabilities: | | | |
| Due to re-insurers and premium tax | 10,339 | - | 10,339 |
| Amounts payable to Sagicor Group companies | 2,555 | - | 2,555 |
| Accounts payable and accrued liabilities | 2,062 | - | 2,062 |
| Total financial liabilities | 14,956 | - | 14,956 |
| | | | |
| 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 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk (continued)

(b) Insurance liabilities

The maturity profiles of the company's monetary policyholders' liabilities are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

| | Maturing within 1 year | Maturing 1 to 5 years | Maturing after 5 years | Total |
|----------------------------|-----------------------------------|----------------------------------|-----------------------------------|--------------|
| 2014 | | | | |
| Policyholders' liabilities | 33,364 | 17,548 | - | 50,912 |
| 2013 | | | | |
| Policyholders' liabilities | 32,170 | 14,867 | - | 47,037 |

(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.

| | Maturing within 1 year | Maturing 1 to 5 years | Maturing after 5 years | Total |
|---------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------|
| 2014 | | | | |
| Debt securities | 11,737 | 34,234 | 19,354 | 65,325 |
| Mortgage loans | 282 | 684 | 1,236 | 2,202 |
| Deposits | 3,546 | - | - | 3,546 |
| Reinsurance assets | 20,647 | 8,897 | - | 29,544 |
| Premiums in the course of collection | 21,977 | - | - | 21,977 |
| Deposits with Sagicor Group companies | 375 | - | - | 375 |
| Miscellaneous assets and receivables | 145 | 448 | 23 | 616 |
| Cash resources | 28,758 | - | - | 28,758 |
| Total | 87,467 | 44,263 | 20,613 | 152,343 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.2 Liquidity risk (continued)

| 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 |

30.3 Interest rate risk

The company is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the company in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

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

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

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.3 Interest rate risk (continued)

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

| 2014 | Exposure within 1 year | Exposure 1 to 5 years | Exposure after 5 years | Not exposed to interest | Total |
|--|-----------------------------------|----------------------------------|-----------------------------------|------------------------------------|---------------|
| Policyholders' liabilities | - | - | - | 50,912 | 50,912 |
| Due to re-insurer and premium tax | - | - | - | 10,339 | 10,339 |
| Payable to Sagicor Group companies | - | - | - | 2,555 | 2,555 |
| Accounts payable and accrued liabilities | - | - | - | 2,062 | 2,062 |
| Total | - | - | - | 65,868 | 65,868 |
| 2013 | | | | | |
| 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 |

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.

| 2014 | Exposure within 1 year | Exposure 1 to 5 years | Exposure after 5 years | Not exposed to interest | Total |
|---------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|------------------------------------|----------------|
| Debt securities | 10,559 | 34,234 | 19,354 | 1,178 | 65,325 |
| Mortgage loans | 282 | 684 | 1,236 | - | 2,202 |
| Deposits | 3,517 | - | - | 29 | 3,546 |
| Reinsurance assets | - | - | - | 29,544 | 29,544 |
| Premiums in the course of collection | - | - | - | 21,977 | 21,977 |
| Deposits with Sagicor Group companies | 370 | - | - | 5 | 375 |
| Miscellaneous assets and receivables | 116 | 448 | 23 | 29 | 616 |
| Cash resources | 3,909 | - | - | 24,849 | 28,758 |
| Total | 18,753 | 35,366 | 20,613 | 77,611 | 152,343 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.3 Interest rate risk (continued)

| 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 |

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

| | 2014 | 2013 |
|-----------------|------|------|
| Debt securities | 4.5% | 4.2% |
| Mortgage loans | 5.5% | 5.5% |
| Deposits | 2.0% | 2.6% |

Sensitivity

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

30.4 Foreign exchange risk

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

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.4 Foreign exchange risk (continued)

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

| 2014 | Barbados\$ 000 equivalents of balances denominated in: | | | |
|--|--|---------------|------------------|----------------|
| | Barbados \$ | Trinidad \$ | Other currencies | Total |
| ASSETS | | | | |
| Financial investments | 14,524 | 29,102 | 27,447 | 71,073 |
| Reinsurance assets | 14,780 | 14,240 | 524 | 29,544 |
| Receivables | 9,257 | 11,690 | 1,646 | 22,593 |
| Deposits with Sagicor Group companies | 375 | - | - | 375 |
| Cash resources | 4,637 | 16,618 | 7,503 | 28,758 |
| Total financial and insurance assets | 43,573 | 71,650 | 37,120 | 152,343 |
| LIABILITIES | | | | |
| Policyholders' liabilities | 21,821 | 28,399 | 692 | 50,912 |
| Payable to Sagicor Group companies | 2,364 | 153 | 38 | 2,555 |
| Payables | 3,450 | 1,731 | 7,220 | 12,401 |
| Total financial and insurance liabilities | 27,635 | 30,283 | 7,950 | 65,868 |
| Net position | 15,938 | 41,367 | 29,170 | 86,475 |
| 2013 | | | | |
| 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 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.4 Foreign exchange risk (continued)

Sensitivity

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

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

30.5 Fair value of financial instruments

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.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.5 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 |
|---------------------------------------|----------------|----------------|----------------|--------------|
| 2014 | | | | |
| Debt securities | 1,670 | - | - | 1,670 |
| Equity securities | 1,446 | - | 128 | 1,574 |
| | 3,116 | - | 128 | 3,244 |

| Available for sale securities: | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|----------------|----------------|----------------|--------------|
| 2013 | | | | |
| Debt securities | 1,663 | - | - | 1,663 |
| Equity securities | 4,987 | - | 302 | 5,289 |
| | 6,650 | - | 302 | 6,952 |

There were no transfers occurring in 2014 or 2013 between levels 1, 2 and 3.

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

30. FINANCIAL RISK (continued)

30.5 Fair value of financial instruments (continued)

b) Financial instruments carried at amortised cost

| Loans and receivables: | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------|----------------|----------------|--------------|
| 2014 | | | | |
| Debt securities | - | 23,210 | 44,381 | 67,591 |
| Mortgage loans | - | - | 2,054 | 2,054 |
| | - | 23,210 | 46,435 | 69,645 |

| 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 |

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 | 1,574 | 315 |

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK

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

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

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

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

31.1 Underwriting risk

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

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

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

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.2 Claims risk

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

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

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

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

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

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

Total insurance coverage on insurance policies 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 |
|---------------------|-------------------|------------------|
| 2014 | | |
| Property business | 12,387,550 | 2,871,454 |
| Motor business | 713,926 | 356,963 |
| Accident business | 4,287,445 | 2,050,745 |
| Marine business | 19,460 | 19,460 |
| Sums insured | 17,408,381 | 5,298,622 |

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.2 Claims risk (continued)

| | 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 |
| | <hr/> | <hr/> |
| Sums insured | 16,792,951 | 5,034,048 |

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

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

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

Realistic disaster scenarios modelled for 2014 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 | <hr/> 586,709 | <hr/> 10,000 |
| Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad: Used assumption of this event having a 250 year return period | <hr/> 713,931 | <hr/> 10,000 |

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.

31.3 Reinsurance risk

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

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.3 Reinsurance risk (continued)

The company selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagikor 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 | <ul style="list-style-type: none"> • maximum retention of \$10,500 for a single non-catastrophic event; • maximum retention of \$10,000 (2013 - \$10,000) 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 (2013 - \$1,500) per event |
| Motor and liability risks | <ul style="list-style-type: none"> • maximum retention of \$1,500 (2013 - \$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 | <ul style="list-style-type: none"> • maximum retention of \$150 for a single event; • treaty limits apply |
| Engineering business risks | <ul style="list-style-type: none"> • maximum retention of \$1,000 (2013 - \$500) for a single risk; • treaty limits apply for material damage and for liability claims |
| Marine risks | <ul style="list-style-type: none"> • maximum retention of \$150 for a single event; • treaty limits apply |
| Bond risks | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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.
NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

31. INSURANCE RISK (continued)

31.3 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 30.1.

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

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

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

| Category | | Sagicor Risk Rating | Classification | Exposure \$ | Exposure % |
|-------------|----------------------|---------------------|-----------------|------------------|--------------|
| Non-default | Investment grade | 1 | Minimal risk | 437,092 | 34.1 |
| | | 2 | Low risk | 804,967 | 62.9 |
| | | 3 | Moderate risk | 38,581 | 3.0 |
| | Non-investment grade | 4 | Acceptable risk | - | - |
| | | 5 | Average risk | - | - |
| | Watch | 6 | Higher risk | - | - |
| | | 7 | Special mention | - | - |
| Default | | 8 | Substandard | - | - |
| | | 9 | Doubtful | - | - |
| | | 10 | Loss | - | - |
| | | | TOTALS | 1,280,640 | 100.0 |

31.4 Estimation of claim liabilities

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

31.5 Sensitivity of incurred claims

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

SAGICOR GENERAL INSURANCE INC.
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2014

Amounts expressed in Barbados \$ 000

32. CAPITAL MANAGEMENT

32.1 Capital resources

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

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

The principal capital resource of the company at the financial statement date is as follows:

| | 2014 | 2013 |
|-------------------------|-------------|-------------|
| Equity | 77,957 | 75,135 |
| Total capital resources | 77,957 | 75,135 |

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

32.2 Capital adequacy

Management monitors the adequacy of the company's capital to ensure compliance with the solvency requirements of the territories in which it operates and to safeguard its ability as a going concern to continue to provide benefits and returns to shareholders. At year-end the company was in compliance with all of its regulatory capital requirements in Barbados, Trinidad and St. Lucia however in Dominica and Antigua the company was short of the share capital requirement stipulated in the individual acts. Steps are being taken to have this corrected.

33 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 \$6.4m made up of tax of \$2.9m and interest of \$3.5m. 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.

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 Agent 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

Advisor Unit
First Floor Sagicor Financial Centre
Lower Collymore Rock
St. Michael

ANTIGUA:

Sagicor Financial Centre
9 Factory Road
P.O. Box 666
St. Johns

ST. LUCIA:

Sagicor Financial Centre
Choc Estate
Castries

NOTICE OF MEETING

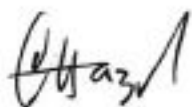
NOTICE IS HEREBY GIVEN that the NINETEENTH GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F de Caires Building, Wildey, St. Michael, Barbados, on Tuesday June 16, 2015 at 4:00 p.m. for the following purposes:

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, 2014.
2. To elect Directors:-

Messrs. Anthony Ali, William Putnam and Ravi Rambarran 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



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Althea C. Hazzard LLM, FCIS
Corporate Secretary
May 25, 2015

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 Nineteenth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on June 16, 2015 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 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, 2014 and the Auditors' Report thereon, are included in the 2014 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

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

Mr. Anthony Ali was appointed as a director on January 1, 2014 to fill the unexpired term of Mrs. Vere Brathwaite who resigned as a director on December 31, 2013.

Mr. William Putnam was appointed as a director on July 18, 2013 to fill the unexpired term of Mr. Martin Pritchard who resigned on April 30, 2013.

Mr. Ravi Rambarran was elected as a director at the Annual meeting of Shareholders held on July 5, 2012 for a term of three years.

These directors will retire at the close of the Nineteenth 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 Messrs Ali, Rambarran and Putnam 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

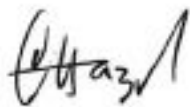
Management knows of no matter to come before the meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour 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 25, 2015



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Althea C. Hazzard
Corporate Secretary



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GENERAL