



OUR JOURNEY

1970 - 2010



VISION:

To be a great company committed to improving the lives of people in the communities in which we operate.

THE YEAR AT A GLANCE

10

consecutive years of Profit

\$4.6

Billion in Net Profit for 2010

\$8.5

Billion in Benefits paid out

\$143

Billion in Total Assets for 2010

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OUR JOURNEY

Life of Jamaica (LOJ) goes public to raise the \$760,000 needed to complete the financing.

2,500 individual Jamaicans had responded and the issue was fully subscribed.

The new company's field force wrote more than \$1 million in life insurance on the first day of operations June 1, 1970.

The transfer of some \$20 million in assets and \$170 million of in-force business from the NALACO Jamaica portfolio made Life of Jamaica the second largest life insurance company in the Caribbean.

LOJ acquires 62% of the Jamaica Citizens Bank and the purchase of 20 acres of prime land in New Kingston.

A Worker Mortgage Fund was launched as part of the Pooled Investment Funds, allowing LOJ to control more than 40% of the Pensions market.

Universal Life Policy was introduced to the market.

LOJ became a member of the ICWI Group of Companies, by way of majority stock purchase.

1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989



1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989

Douglas Fletcher - Chairman (appointed 1969)

Patrick Rousseau appointed Chairman

Danny Williams - President and CEO Life of Jamaica (appointed 1969).

Adrian Foreman Appointed President

R. Danny Williams reappointed President & CEO

<p>The Audited Financial Statements for the year end reflected a profit attributable to shareholders of \$92.1 million.</p> <p>President & CEO of the company Hon. R. Danny Williams retired.</p> <p>LOJ purchased the Jamaican operations of ALICO (American Life Insurance Company).</p>	<p>A consortium of Barbados Mutual, Life of Barbados and Colina acquires the Government's 76% shareholding in Sagicor Life Jamaica Limited.</p> <p>At an Extraordinary General Meeting of the company, resolutions were passed for FINSAC to gain controlling interest in the company. Dennis Morrison, QC, was then appointed Chairman of the Board.</p>	<p>Barbados Mutual was incorporated as Sagicor Life Incorporated, and a holding company under the name Sagicor Financial Corporation. Life Jamaica Limited then became a member of the Sagicor Group.</p> <p>Operations of Island Life Insurance Company Limited were transferred to the Life of Jamaica head office.</p> <p>Life of Jamaica assumed the liabilities and supporting assets for Capital Life Insurance Company Limited (Capital Life) portfolio in the Cayman Islands.</p> <p>LOJ and First Life signed and exchanged definitive agreements with respect to the transfer of First Life's financial services business to LOJ.</p> <p>LOJ acquired 53% of the outstanding Pan Caribbean Financial Services shares.</p>	<p>LOJ was rebranded Sagicor Life Jamaica Limited, officially becoming part of an international corporation, operating in twenty-two (22) countries across the Caribbean, Latin America, the United Kingdom and the United States.</p> <p>Sagicor Life Jamaica acquired the Insurance portfolio of Blue Cross.</p> <p>SLJ purchased an additional 33% of Pan Caribbean Financial Services shares to now owning 86% of the company.</p>
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1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010



1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010

<p>Richard Powell appointed President & CEO</p> <p>Dennis Lalor appointed Executive Chairman</p>	<p>C. Dennis Morrison Appointed Chairman</p> <p>Milverton Reynolds appointed President & CEO</p>	<p>J. Arthur Bethell appointed Chairman</p> <p>Maxine MacLure appointed President & CEO</p>	<p>Dodridge Miller appointed Chairman</p> <p>Richard Byles appointed President and CEO</p>	<p>R. Danny Williams appointed Chairman</p>
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1970

AN IDEA COMES TO LIFE

“Life of Jamaica will be the leader in its field, charting a new course designed to demonstrate the benefits of capital ownership by Jamaicans. Specific policies will include a Special Enhanced Protection Plan to give maximum permanent coverage at the lowest cost; specifically designed educational policies; a Double Endowment Plan particularly suited for retirement purposes; group life and pension plans.”

- R. Danny Williams, March 12, 1970



R. Danvers “Danny” Williams shared a view in the post-colonial era of the 1950s Jamaica that many had; his dream was to create a new life for his fellow Jamaicans.

It was a period in Jamaica’s history where foreign countries seeking international expansion owned scores of private sector organisations. Danny Williams wanted more for his country. He and other members of the then middle class were stirred towards Jamaicans becoming owners of businesses.

When Jamaica was granted her Independence, on August 6, 1962, it brought a sense of purpose and a challenge. All over the country, people felt the urge to develop new projects and explore new ideas. In this atmosphere, the idea of establishing a locally controlled

life insurance company took root in the minds of six enterprising young Jamaicans: Danny Williams, Adrian Foreman, Manley McAdam, Donald Davidson, Herbert Hall and Peter Rousseau.

A mountain of challenges stood in the way. Danny Williams recalls when Life of Jamaica was just an embryo, Jamaica did not have one local actuary or many of the other human resources necessary to establish such a company. Not daunted, Danny Williams looked to the fact that North American Life, for which he and many of his countrymen

worked, had its largest, most successful branch worldwide within the shores of Jamaica. For Danny Williams, that was all the confirmation he needed that Jamaica could have its own life insurance industry.

Life of Jamaica came into being on June 1, 1970. R. Danny Williams and his team of executives persuaded the North American Life Assurance Company of Canada to permit them to form a new company; Life of Jamaica Limited. Prior to June 1, 1970, the Danny Williams led team raised JA\$2.5 million by public subscription of shares, created operating systems for the new company, and quickly won the confidence of the



SETTING THE PACE: President, Danny Williams announcing the new direction of the company at a press conference launching the venture, held on March 12, 1970 at the Courtleigh Manor Hotel. He vowed that Life of Jamaica would be a leader in its field.

AN IDEA COMES TO LIFE

The dream came to fruition in 1970, and today, the former Life of Jamaica is now Sagicor Life Jamaica a part of a wider Caribbean conglomerate.

insuring public in Jamaica. Danny Williams was the largest shareholder, with only 5% of the company's shares.

In 1973 the group proposed the establishment of NALACO (Jamaica) Limited, with NALACO holding 51% of the shares. The remaining 49% was

to be widely held by Jamaicans. This approach was rebuffed, but the seed had been sown.

In 1974, negotiations got underway for the transfer of the Jamaican business of NALACO to LOJ; this long awaited dream became a reality in 1975. \$20 million in assets

and \$170 million of in-force business was transferred from the NALACO Jamaica portfolio making LOJ the second largest life insurance company in the Caribbean.

Since its foundation in 1970, Life of Jamaica has gained the reputation of being a

pace setter, innovator and leader in the Jamaican life insurance industry. The tradition established by R. Danny Williams and his team still remains with Sagicor Life Jamaica today.

Part of the dream of R. Danny Williams, was the creation of a Caribbean Company. The laws, which existed at that time, made this impossible, a Caribbean Life Insurance Industry was not to be. Today, the former Life of Jamaica is now Sagicor Life Jamaica a part of a wider Caribbean conglomerate still with a large number of Jamaicans owning shares and still a major investor in the lives of Jamaican people. R. Danny Williams is Chairman of the Company's Board of Directors.

"I was just trying to make a difference."

The Hon. R. Danvers Williams, September 30, 2009



The initial complement of staff and field personnel at the formation of the company in June 1970.



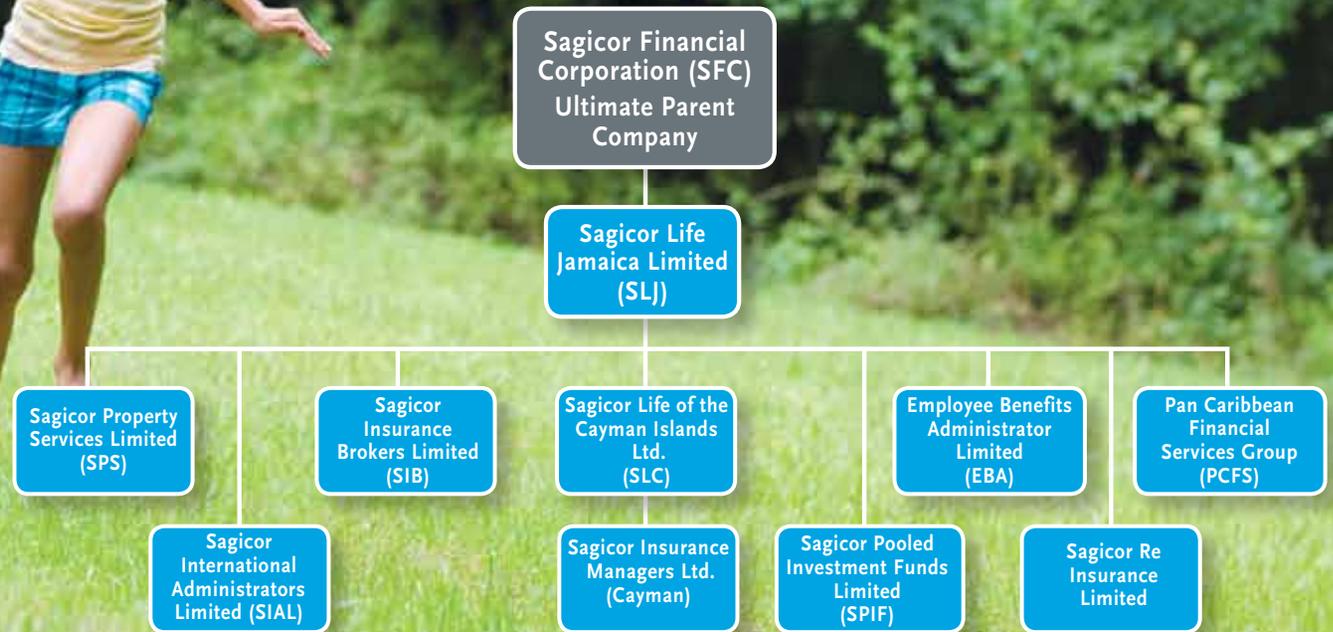
LOJ's FIRST POLICYHOLDER: City Architect, H. "Denny" Repole was a proud Jamaican when he received the first life insurance policy issued under the LOJ symbol on Wednesday, June 17, 1970. Making the presentation was Vice-President, Adrian Foreman, along with agent Colin Cooke (left) and Underwriter, George Chong.

Sagicor today

Following its inception in 1970 as the first Jamaican-owned life insurance company, Sagicor Life Jamaica Limited (formerly Life of Jamaica Limited) extended its offerings to include life insurance, health insurance, annuities, pension funds investments and administration, mortgages and property development. Through its subsidiaries, services are also provided in corporate and commercial banking, property &

casualty insurance, property management and real estate sales. The Sagicor Jamaica Group offers these solutions to meet the needs of customers in Jamaica and the Cayman Islands.

Sagicor Life Jamaica is the market leader in life and health insurance and pensions administration in Jamaica. The Sagicor Jamaica Group is a significant member of the Sagicor Financial Corporation Group.



STATEMENT OF THE CHAIRMAN & THE PRESIDENT

Our 2010 Performance

On behalf of The Board of Directors of Sagicor Life Jamaica Ltd (SLJ) we are pleased to share with you the 2010 performance of our Group of Companies. Despite a challenging economic environment, our Team of over 1,400 members of staff, sales representatives, and management of the Group delivered Net Profits of \$4.67 billion, an increase of 6% over the prior year and our tenth consecutive year of growth.

This would not have been possible without the confidence our customers have placed in Sagicor Group's ability to provide protection and build wealth. We sincerely value and respect their trust. In turn, we delivered over \$8.51 billion of benefits to our customers and their families in 2010, including \$2.12 billion in death and critical illness benefits, \$4.40 billion in health benefits and \$1.30 billion in annuity payments. In addition, our pension funds under management and policyholder investment funds outperformed all competitors in four of five asset classes.

The Group delivered Net Profits of \$4.67 billion and over \$8.51 billion of benefits to our customers



*Dr. The Hon. R.D. Williams
Chairman*

*Richard O. Byles
President & CEO*

Strong Balance Sheet

Fundamental to our obligation to deliver benefits to our clients is a strong balance sheet. In 2010 our assets grew by \$8 billion to \$143.16 billion. The capital of Sagicor Life Jamaica improved from \$19.86 billion to \$25.20 billion after paying our 8,312 shareholders a dividend totalling \$1.62 billion. Measured by risk-adjusted capital, SLJ's solvency continues to exceed that required by our regulators.

Sound Governance

We are pleased to report that your Board of Directors along with those of our subsidiary companies executed their duties with dedication and diligence, spending thousands of man hours in 2010 reviewing management performance, overseeing risk management and corporate governance matters and discussing the Group's strategic direction.

Improving Customer Service

We have more to do!

We understand the vital importance of customer satisfaction to the continued success of the Company and in 2011 we are determined to improve critical aspects of service to our customers. A number of initiatives are already underway and we are especially keen

to receive your feedback on how we are doing. We encourage you to send your e-mails to MyExperience@sagicor.com and we will ensure your comments, suggestions or concerns are addressed promptly.

Committed to Jamaica

Sagicor Life Jamaica is deeply committed to our Jamaican people and we continue to seek ways to contribute meaningfully to our communities in the areas of Sports, Education and Health. During 2010, we supported key health initiatives through the Group's Sigma Corporate Run event, which raised funds for Children with Disabilities. In addition, we supported Bustamante Hospital for Children through Shaggy's Make a Difference Foundation and Jamaica's Round Island Cycle event. For Sport, our sponsorship of the JTA/Sagicor National Primary All Age & Junior High Champs directly impacted 70 schools and 1,500 athletes. In Education, we awarded scholarships to 120 children at the GSAT and High School levels and adopted 12 schools. We answered the call to extend financial assistance to our security forces by providing food supplies during special operations in May 2010. In addition, our Company was moved

to support our Caribbean neighbour, Haiti, with a donation through the Jamaica Red Cross for earthquake relief efforts.

New Markets

While seeking out new segments in our existing markets and expanding products and services to existing customers, the Board of Directors is of the view that Sagicor Life Jamaica should strategically look towards new markets. Therefore on February 2, 2011, Sagicor Life Jamaica Limited and Capital and Advice Limited, S.A., an investment services company incorporated in Costa Rica, executed a joint venture agreement to explore the insurance businesses and insurance-related services in certain countries in the Central American Region. Under the terms of the agreement, Sagicor Life Jamaica will provide technical expertise, administrative services and operating systems to support the operations. Capital and Advice, with its experience in banking and other financial services, as well as commercial operations, will provide marketing know-how and local support to the joint venture.

New Members To The Board of Directors

During 2010, two independent directors joined The Sagicor Life Jamaica Board of Directors. Mrs. Jacqueline Coke-Lloyd joined in March 2010 and Mr. William Lucie-Smith became a member in September 2010. We welcome them both.

Looking Ahead

Our outlook on the Jamaica business environment in general is positive. We are likely to see growth in the economy, although the growth rate may be fairly low. With interest rates continuing to trend downwards and a stable exchange rate, the climate is ripe for new products and new investments. We look forward to the challenges that 2011 will bring and expect to go from strength to strength in service of our clients, our shareholders, our Team members and our nation. **Thank you for the privilege of serving you!**



Dr. The Hon. R.D. Williams
Chairman



Richard O. Byles
President & CEO

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FORTIETH ANNUAL GENERAL MEETING of the Company will be held on Tuesday, May 24, 2011 at 3:00 p.m. at the Sagicor Life Jamaica Auditorium, 28-48 Barbados Avenue, Kingston 5, for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2010.

To consider and if thought fit, to pass the following Resolution:

“THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2010 be and are hereby adopted.”

2. **To elect Directors.**

To consider, and if thought fit, to pass the following Resolution:

Resolution No. 2

Article 99 provides that one third of the Directors shall retire from

office at each Annual General Meeting. Directors Paul Hanworth and Marjorie Fyffe Campbell retire under this Article and being eligible, offer themselves for re-election.

- (i) THAT Director Paul Hanworth, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.
- (ii) THAT Director Marjorie Fyffe Campbell who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.

Article 98(f) of the Company's Articles of Incorporation provides that:

“The office of a Director shall be vacated if the Director attains the age of sixty-five years, provided that if a Director shall attain that age during his term of office, he shall be entitled to retain his position of Director until the next Annual General Meeting. Notwithstanding the foregoing, the Board at its absolute discretion may invite a former Director or

any other person who has attained the age of sixty-five years to be a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.”

Directors - Jeffrey Cobham and Richard Downer, having attained the age of sixty-five years during their term of office, have been invited by the Board of Directors to serve as Directors of the Company for a period of three (3) years from the date of this Annual General Meeting until the end of the Board of Directors' meeting prior to the Annual General meeting in 2014.

To consider, and if thought fit, to pass the following Resolutions:

- (iii) THAT Director Jeffrey Cobham having attained the age of sixty-five years during his term of office and notwithstanding Article 98(f) the Board of Directors has by invitation asked him to continue in office as Director for a period of three (3) years from the date of this Annual General Meeting until the end of the Board of Directors' meeting prior to the Annual General Meeting in 2014.

(iv) THAT Director Richard Downer having attained the age of sixty-five years during and notwithstanding Article 98(f) the Board of Directors has by invitation asked him to continue in office as Director for a period of three (3) years from the date of this Annual General Meeting until the end of the Board of Directors' meeting prior to the Annual General Meeting in 2014.

3. To fix the remuneration of the Directors.

Resolution No. 3

To consider and if thought fit, to pass the following Resolution: THAT the amount of \$17,355,833.33 included in the Audited Accounts of the Company for the year ended December 31, 2010 as remuneration for their services as Directors be and is hereby approved.

4. To Appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.

Resolution No. 4

THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

5. To ratify interim dividends and declare them final.

To consider and if thought fit, to pass the following Resolution:

Resolution No. 5

That the interim dividends of 21 cents paid on April 9, 2010 and 22 cents paid on October 14, 2010 be and are hereby ratified and declared final for 2010.

SPECIAL BUSINESS

6. That Director William Lucie-Smith was appointed by the Directors to the Board since the last Annual General Meeting to fill a casual vacancy retires and being eligible offers himself for re-election.

Resolution No. 6

To consider and if thought fit pass the following Resolution:

THAT Director William Lucie-Smith, who retires pursuant to Article 97 of the Articles of Incorporation and being eligible for re-election be and is hereby re-elected a Director of the Company.

REGISTERED OFFICE

28-48 Barbados Avenue
Kingston 5, Jamaica

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a member of the Company. Enclosed is a Proxy Form for your convenience which must be completed and lodged at the Company's Registered Office, at 28-48 Barbados Avenue, Kingston 5 not less than 48 hours prior to the time appointed for the meeting.

DATED THIS 8TH DAY
OF MARCH 2011
BY ORDER OF THE BOARD



Janice A.M. Grant Taffe
Corporate Secretary

DIRECTORS' REPORT

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2010. The Financial Statements reflect the consolidated results of Sagicor Life Jamaica Limited (SLJ) and its subsidiaries.

	2010 J\$000's	2009 J\$000's
Operating Results:		
Group Profit before tax	5,473,101	5,496,361
Taxation	(601,634)	(610,796)
Net Profit after tax	4,871,467	4,885,565
Attributable to:		
Stockholders of the Company	4,671,171	4,390,112
Minority Interest	200,296	495,453
Stockholders' Equity:		
Stockholders' equity brought forward	19,862,709	15,543,820
Share capital, opening	7,854,938	7,796,463
Shares issued	-	58,475
Share capital, ending	7,854,938	7,854,938
Reserves, opening	989,621	(1,319,255)
Net gains/losses recognised in equity	2,238,624	1,541,521
Value of employee services rendered	42,215	1,984
Disposal of Subsidiary	5,551	-
Transfer from retained earnings	571,181	765,371
Reserves, ending	3,847,192	989,621
Retained earnings, opening	11,018,150	9,066,612
Net profit	4,671,171	4,390,112
Negative goodwill	-	467,954
Transfers to reserves	(571,181)	(765,371)
SLJ dividends paid	(1,617,226)	(2,141,157)
Retained earnings, ending	13,500,914	11,018,150
Stockholders' equity carried forward	25,203,044	19,862,709

Directors

The Directors retiring at the Annual General Meeting by rotation, Paul Hanworth and Mrs. Marjorie Fyffe Campbell, and being eligible offer themselves for re-election. Directors, Jeffrey Cobham and Richard Downer having attained the age of sixty-five years during their term of office have been invited by the Board of Directors to serve as Directors of the Company for a period of three (3) years from the date of this Annual General Meeting until the end of the Board of Directors' meeting prior to the Annual General meeting in 2014.

Auditors

The retiring Auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office, will do so in accordance with the provisions of Section 154 of the Companies Act. A resolution authorizing the Directors to fix remuneration of the Auditors will be presented at the Annual General Meeting.

Dividends

Interim dividends of 21 cents per share and 22 cents per share were paid on April 9, 2010 and October 14, 2010 respectively.



Dr. the Hon. R.D. Williams
Chairman

25 February 2011

Do not go where the path may lead, go instead
where there is no path and leave a trail

Our Performance

GROUP 10-YEAR FINANCIAL STATISTICS

YEAR-END RESULTS TO DECEMBER 31, 2010

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Sales:											
Insurance Amounts											
Individual Life - Sums Assured	\$m	116,311	119,432	86,120	75,435	67,603	54,426	40,702	34,834	13,102	14,994
Group Life - Sums Assured	\$m	1,462	5,053	5,212	4,180	1,427	1,793	6,675	867	1,224	4,302
Total New Insurance Amount	\$m	117,773	124,485	91,332	79,615	69,030	56,219	47,377	35,701	14,326	19,296
New Annualised Premiums											
Individual Life	\$m	1,998	1,943	1,432	1,352	1,401	1,131	853	637	357	299
Group Life and Health	\$m	194	311	604	327	223	207	274	136	137	85
Group Health Single Premiums	\$m	356	-	1,447							
Annuities	\$m	1,279	1,302	810	831	605	387	417	213	188	250
Bulk Annuities Single Premiums	\$m	-	1,699	6,141							
Group Pensions	\$m	111	-	-	418	7	2	18	50	6	30
Total New Annualised Premiums	\$m	3,938	5,255	10,434	2,928	2,236	1,727	1,562	1,036	688	664

In Force:

Insurance Amount											
Individual Life - Sums Assured	\$m	666,096	622,513	527,376	442,844	378,018	321,222	260,354	166,357	125,509	120,804
Group Life - Sums Assured	\$m	468,407	571,731	424,576	376,715	348,574	283,115	186,740	86,482	55,179	55,862
Property and Casualty	\$m	19,584	134,787	118,864	100,081	73,413	62,388				
Total Insurance Amounts in Force	\$m	1,154,087	1,329,031	1,070,815	919,640	800,005	666,725	447,094	252,839	180,688	176,666
Number of Individual Life policies in force											
		364,725	354,795	335,931	322,884	307,365	294,178	271,577	264,731	229,154	237,823
Number of New Individual Life policies											
		51,741	52,624	47,547	43,081	42,685	36,107	33,014	21,881	15,787	14,480

Financial Position & Strength:

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Assets ₁	\$m	143,159	135,466	117,791	87,070	79,058	70,911	20,274	16,363	10,867	9,554
Pension Funds under Management ₂	\$m	64,569	55,336	46,709	50,705	41,825	35,991	26,473	20,026	14,408	12,155
Other Funds under Management	\$m	20,081	19,610	19,418	25,001	20,531	20,330				
Total Assets Under Management	\$m	227,809	210,412	183,918	162,776	141,414	127,232	46,747	36,389	25,275	21,709
Invested Assets	\$m	118,500	105,551	88,612	67,548	60,383	52,849	11,798	9,273	5,748	4,171
Policyholders' Funds (including Segregated Funds) ₁	\$m	42,735	42,047	35,290	20,893	18,042	17,357	11,763	10,534	7,904	3,588
Shareholders' Equity	\$m	25,203	19,863	15,544	15,507	14,412	11,652	6,151	3,840	1,360	513
Market Capitalization	\$m	25,650	25,575	21,001	29,985	32,863	36,649	28,744	9,831	4,472	4,919

Operating Results:

Total Revenue	\$m	25,657	27,873	28,391	16,964	14,769	12,123	7,050	5,603	4,039	5,673
Total Policyholder Benefits ₃	\$m	10,469	12,333	15,197	6,260	5,224	4,095	2,385	1,913	1,447	2,581
Total Commissions, Expenses, and Taxes	\$m	10,317	10,654	8,652	7,283	6,491	5,158	3,231	2,482	1,733	2,818
Net profit, attributable to Shareholders	\$m	4,671	4,390	3,928	2,957	2,572	2,449	1,434	1,209	858	232

Financial Ratios:

Return on average assets	%	4	4	4	4	4	7	10	13	14	4
Return on average shareholders' equity	%	21	25	25	20	20	27	29	47	92	66
Share price	\$	6.82	6.80	5.60	8.00	8.81	9.86	11.30	3.90	2.70	2.97
Earnings per share	\$	1.24	1.17	1.05	0.79	0.69	0.71	0.57	0.53	0.52	0.17
Price earnings ratio		5.49	5.81	5.33	10.13	10.76	13.89	19.82	7.36	5.19	17.47
Dividends per share	\$	0.43	0.57	0.44	0.30	0.27	0.20	0.10	0.16	-	-
Administration Expenses and Depreciation to Revenue	%	24 ₄	22 ₄	23 ₄	23	24	24	26	27	24	28
Commissions and Related Sales Expenses to net premium income	%	17 ₄	16 ₄	17 ₄	18	18	17	20	19	18	16

Footnotes: 1 - Includes Segregated Funds

2 - Includes Sagicor Pooled Funds and Self-Directed Funds

3 - Includes movement in Actuarial Liabilities

4 - These ratios reflect a 10% weighting for single premiums

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

There were many challenges in the year under review, but The Sagikor Life Jamaica Group of Companies continued a growth trend, producing improved financial results for the tenth consecutive year. The Group delivered consolidated profit for the year of \$4.87 billion, of which the Sagikor Life Jamaica Stockholders' portion was \$4.67 billion. This outcome was 6% better than the prior year and represents earnings per share of \$1.24 and a return on Stockholders' Equity of 21%. Total Comprehensive Income for the year 2010 was \$7.36 billion, 2% above the 2009 amount. Comprehensive Income includes net profit, unrealised gains on securities held as "Available-For-Sale" and foreign exchange translation amounts for foreign operations.

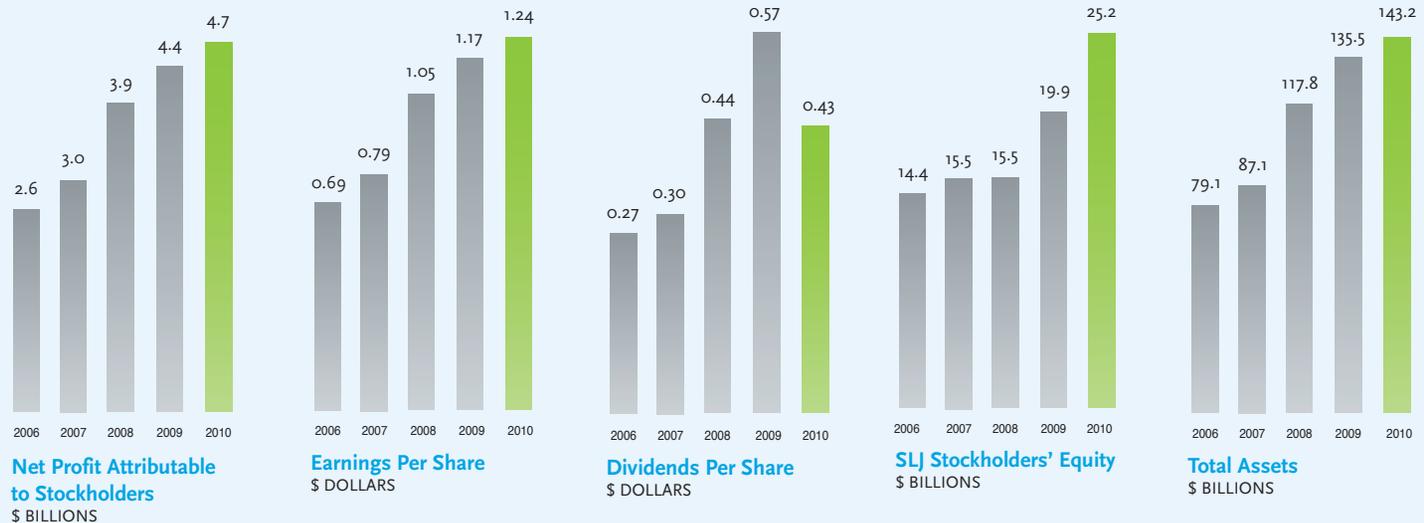
Financial performance highlights:

- Total revenue of \$25.66 billion; 8% below the prior year amount
- Net profit attributable to Stockholders of \$4.67 billion; 6% better than prior year

- Earnings Per Share (EPS) of \$1.24; up 6% over 2009
- Assets of the Group of \$143.16 billion; 6% more than prior year
- Total assets under management of \$227.81 billion; 8% more than prior year
- Growth in Stockholders' Equity of 27%; from \$19.86 billion to \$25.20 billion
- Return on Stockholders' Equity of 21%; compared to 25% for 2009
- Dividends per share of \$0.43 (\$1.62 billion), compared to \$0.57 in 2009 (\$2.14 billion)

The primary drivers of this performance were:

- Strong Revenues, especially from earned insurance premiums and gains realised from the sale of securities
- Administration cost efficiencies
- Strong new business in both the Employee Benefits and Individual Life lines.



The Macro-Economic Climate

The signing of the 27-month US\$1.3 billion Standby Agreement with the International Monetary Fund (IMF) and the Jamaica Debt Exchange (JDX) were the two significant events that impacted the Jamaican economy in 2010 and has provided economic stability.

Standard & Poor's upgraded Jamaica's rating from CCC to B- with a Stable outlook. MultiLateral grants received, in addition to IMF disbursements, all reflected positively on the country's stock of Net International Reserves, which stood at US\$2,171m in December 2010.

The JDX reduced the Government's interest costs by over \$40 billion and relieved cash flow requirements by extending the maturity of its bonds. This programme involved the retiring of 350 locally issued debt securities in exchange for 24 newly issued bonds of longer maturities and lower coupon rates. This, while being successful at improving the country's liquidity position and lowering the country's debt burden, also significantly reduced the earnings on fixed income securities. Initially, interest rates were cut by approximately 500 basis points as a result of the JDX, however, rates have continued to trend down, as evidenced by the 180-day Treasury Bill closing the year at 7%, down 932 basis points from December 2009.

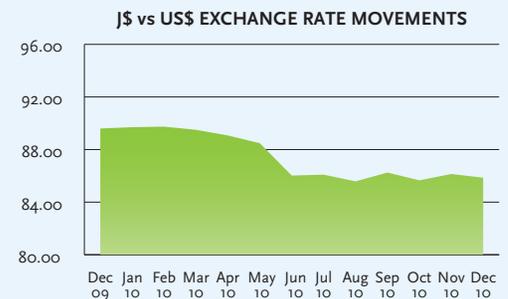
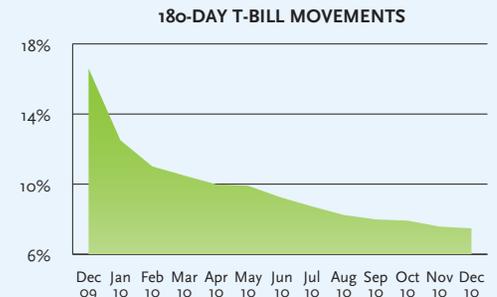
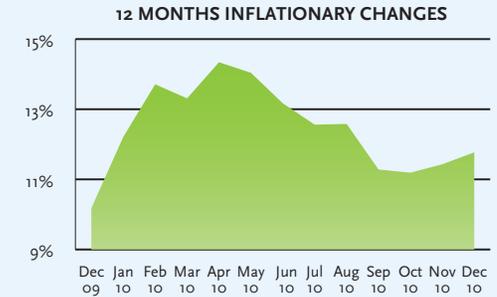
Jamaica received US\$850 million up to December 2010, having successfully met all the targets in the first three quarterly tests under the Agreement. Other multilaterals have provided an additional US\$833 million in loan flows. A mild recovery in the

country's main foreign currency sources remittance, tourism and bauxite – also helped to improve foreign currency supply. Investor confidence was boosted by the influx of US dollars as well as various financial and public sector reforms prescribed by the IMF. This influenced a 4.2% appreciation in the Jamaican dollar vis-à-vis the US dollar.

Weak consumer demand and the appreciation of the Jamaican dollar reduced inflation expectations up to September. Heavy rains, rising oil and commodity prices eroded this position and 2010 ended at 11.7% inflation. Consumer demand remained weak, reflecting the sluggish performance of the economy, which contracted by 1.3% for the first nine months of 2010.

Concerns regarding economic growth limited investments in the stock market despite a fall-off in both United States and Jamaican dollar interest rates. As a result, the Jamaica Stock Exchange Main Index rose by 2% compared to 4% in 2009. While the main board remained relatively quiet the Junior Stock Exchange welcomed 7 new listings, raising almost \$1 billion in new capital for these entities.

Key Economic Indicators	31 December 2010	12-Month Change
Consumer Price Index	168.1	11.77
180-Day Treasury Bill	7.48	932 Basis Points ▼
Net International Reserves	US\$2,171M	▲ US\$435M
J\$ vs. US\$	\$85.86	▼ 4.20%
JSE Main Index	85,220.82	2.30%



Total assets of the Group were \$143.16 billion compared to \$135.47 billion as at December 2009, an increase of 6%.

The Group's Operating Results

Consolidated Total Revenue of \$25.66 billion was 8% below that for 2009, principally due to the effect of 2009 revenue from discontinued operations – divestiture of a Cayman subsidiary, but also the impact of lower interest rates and unrealised exchange losses in 2010 and contributions from a large single premium contract in 2009. New insurance sales stayed strong across all lines of business and contributed to a healthy growth in Net Premium Revenues, when the effect of the large single premium contract in 2009 is excluded. Net Investment Income in the current year was affected by lower interest rates but at the same time benefited from significant realised capital gains. Unrealized foreign exchange (FX) losses from a strengthened J\$ and weaker Euro depressed the category “Fees, Commissions and Other Revenues”. At the same time, the Banking Group expanded its fee based revenue business.

Benefits paid to policyholders (net of reinsurance) in 2010 totalled \$8.51 billion, 13% less than the amount paid in 2009 of \$9.83 billion. This decline is a direct consequence of a Cayman subsidiary sale effective January 2010. With the P&C and Health claims relating to Sagicor General Insurance Cayman Ltd excluded, the 2010 consolidated benefits amount would reflect a 1.3%

increase over the prior year. Surrenders and living benefits in the Cayman Life Insurance portfolio were noticeably higher than in the prior year.

Net movement in Actuarial Liabilities was \$1.96 billion compared to \$2.5 billion in 2009. The 2009 liabilities were increased in anticipation of the JDX and they also reflect the large single premium business received in that year.

Administration expenses of \$6,230 million were 8% higher than in 2009, after the amount relating to discontinued operations is excluded. Adjusting for the foregoing, the effect of large single premium contracts and non-recurrent expense items, the normalised efficiency ratio of administrative expenses to total revenue was 24% as against 22% in the previous year. This negative change was significantly influenced by increased retirement benefit costs and increased GCT rates.

The consolidated net cash outflow of \$5.17 billion for the year is due principally to the Group adopting a strategic decision to invest its Insurance and Annuities funds in longer term securities to protect itself and its policyholders against a falling interest rate environment. This was mainly a consequence of the Jamaica Debt Exchange programme (JDX) where in February 2010, certain outstanding Government of Jamaica bonds were exchanged for new bonds with lower

coupons and longer terms. There were also net withdrawals from our Cayman policy-holders' investment funds.

Balance Sheet and Managed Funds

Total assets of the Group were \$143.16 billion compared to \$135.47 billion as at December 2009. This was a 6% increase and reflects the disposal of the Cayman subsidiary during 2010. Total assets under management as at December 2010, including pension fund assets managed on behalf of clients and unit trusts, amounted to \$227.81 billion, an 8% growth over prior year (December 2009: \$210.41 billion).

Stockholders' (Owners') Equity as at December 2010 was \$25.2 billion, compared to \$19.86 billion as at December 2009. This 27% increase was in part due to the growth in Retained Earnings and the improved fair values of securities held as Available-For-Sale, for which the after-tax unrealised gains are reflected as a component of Equity. The Sagicor Life Jamaica Limited (SLJ) Board of Directors declared dividends of \$1.62 billion to stockholders or a dividend per share of 43 cents during 2010. The amount distributed during the year to Stockholders represents a dividend payout ratio of 35% using the 2010 consolidated net profit allocated to stockholders. Market capitalisation at the year-end was \$25.65 billion, marginally higher than the amount at December 2009.

Capital Adequacy

The Jamaica Insurance Act and Regulations require life insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) of at least 150% (2009 – 135%). The MCCSR measures the ratio of available capital to required capital for insurance companies. SLJ showed a ratio of 203% at December 31, 2010, compared to the ratio for last year, which was 147%. The improvement came from realigning assets which support insurance and annuities liabilities, retaining more profits in the business and recognising the full fair values of investments in subsidiaries. The MCCSR ratio for Sagicor Life Cayman at the end of 2010 was 293%.

The capital adequacy of the PCFS Banking Group is managed in accordance with techniques based on guidelines developed by the Financial Services Commission (FSC), The Bank of Jamaica (BOJ), Basel 11 and the Risk Management and Compliance Unit. The table below summarises the solvency ratios of the regulated companies within the PCFS Group for the years 2010 and 2009. The regulated companies within the PCFS Group

are Pan Caribbean Financial Services Limited (PCFS), PanCaribbeanBank Limited (PCB) and Pan Caribbean Asset Management Limited (PCAM).

Discontinued Operations and Assets Held For Sale

The 2009 amounts refer to the sale to Bahamas First Holdings of the Group's interest in Sagicor General Insurance (Cayman) Ltd. effective, January 1, 2010. The sale was completed and recorded during June. The 2010 amount relates to the sale of a block of mortgages.

In February 2010 SLJ, through its wholly owned subsidiary, Sagicor Life of the Cayman Islands Ltd., signed a Sale and Purchase Agreement to sell its 75% interest in Sagicor General Insurance (Cayman) Ltd. to Bahamas First Holdings Limited, effective January 1, 2010. Concurrently, Sagicor Life of the Cayman Islands Ltd acquired all of the outstanding shares of Sagicor Insurance Managers Ltd, formerly the down-stream captives management subsidiary of Sagicor General Insurance Cayman Ltd.

Industry Ratings

Sagicor Life Jamaica Limited (SLJ) retained a rating of jmAAA on the Jamaica national scale, from Caribbean Information and Credit Rating Services Limited (CariCRIS), following a review in March 2010.

During July 2010, A. M. Best rating agency released updated ratings for SLJ which were lower than those previously held. The Financial Strength Rating (FSR) moved to “B++ (Good)” and the Insurers’ Credit Rating (ICR) to “BBB”. The outlook for these ratings was revised from negative to stable. A. M. Best cited challenges of the Jamaican economy as the main reason for the new ratings. Pan Caribbean Financial Services Limited (PCFS) also retained the assigned ratings from Caribbean Information and Credit Rating Services Limited (CariCRIS). These are: CariBBB- (Foreign Currency Rating) and CariBBB (Local Currency Rating) on the regional rating scale, and jmA+ on the Jamaica national scale.

Capital Adequacy - PCFS Group

	PCFS 2010	PCFS 2009	PCB 2010	PCB 2009	PCAM 2010	PCAM 2009
Actual capital base to risk weighted assets	47%	61%	32%	33%	0%*	77%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

*PCAM surrendered its operating licence in late 2009.

Divisional and Subsidiary Performance

The four primary business segments of the Sagicor Life Jamaica Group all performed creditably during 2010.

Divisional and Subsidiary Performance

Business Segment	2010 J\$M	2009 J\$M	2008 J\$M	2007 J\$M	2006 J\$M
Individual Lines	1,664	1,722	1,068	1,110	1,159
Employee Benefits	1,485	1,560	1,815	1,303	1,095
Investment Banking*	1,425	1,379	1,281	876	890
Other (including General Insurance)	297	225	378	132	(91)
Net Profit (before Minority Interest)	4,871	4,886	4,542	3,421	3,053

*Includes amortization charges for purchased intangibles.

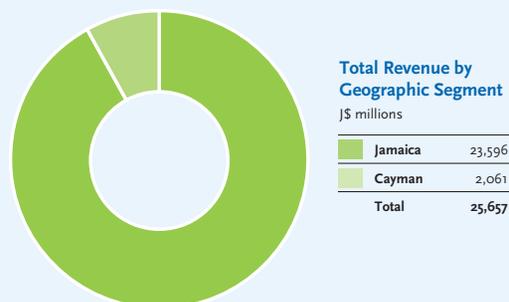
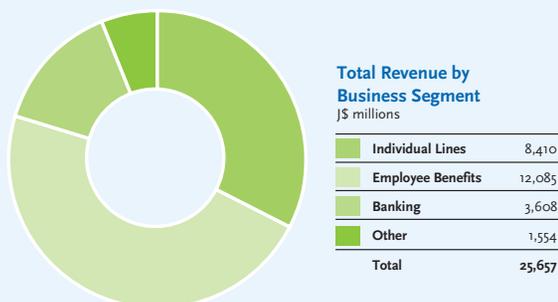


Table of Net Profit by Geographic Segment

	2010 J\$M	2009 J\$M	2008 J\$M	2007 J\$M	2006 J\$M
Jamaica	4,107	4,237	4,344	3,146	2,810
Cayman	764	649	198	275	243
Total	4,871	4,886	4,542	3,421	3,053

Individual Line Division

The Individual Line Division provides individual clients with Life & Health Insurance policies, Individual Pensions, Investments opportunities, Critical Illness Insurance and other insurance-related solutions through our wide range of products, and a large distribution network comprising of 459 Financial Advisors and Broker/ Agency Channels in Jamaica and Cayman.

The Division made a significant contribution to Profit of \$1.66 billion from Total Revenue of \$8.52 billion. There was a 21% growth in Revenue during the year. This performance was driven by excellent new business sales, a heightened focus on conservation and successful efforts to manage administrative and other costs.

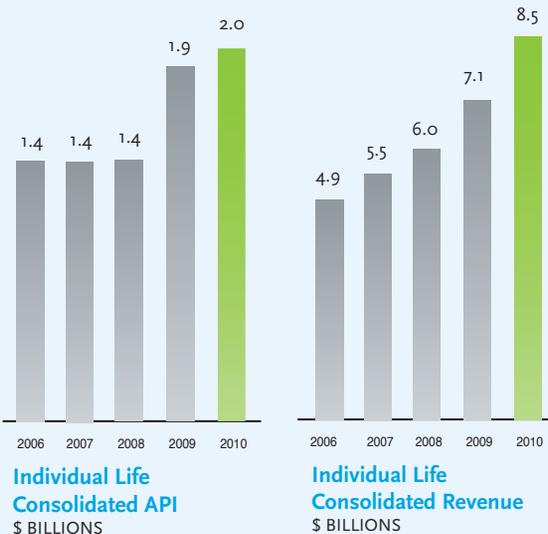
During 2010, The Individual Line Division implemented several initiatives to improve business processes, customer service and to deliver greater value to our customers.

In Jamaica 49,193 new policies were sold during 2010, compared to 50,378 in the prior year. Sagicor Life of the Cayman Islands sold 2,548 new policies over the same period, 13% more than prior year. The total number of new policies sold during 2010 was 51,741, compared to 52,624 in the previous year. The amount of new cases sold in Jamaica represented 53% of total cases sold by the entire industry. In 2010 the Division's in-force policies grew by 3%; this represents a total policy count of 364,725 in comparison to 354,795 in 2009. Our Jamaica Sales Team continues to lead the

Industry, setting another industry record of \$1.75 billion in New Annualized Premium Income (3% more than in 2009) and capturing market share of 49% versus target 42% in 2009. Sagicor Life of the Cayman Islands generated good new business during the year and also made an important contribution to profits. New Annualized Premium Income of US\$250.57 million was produced, an increase of 5% over the previous year amount of \$239.66 million.

The Individual Line Division paid \$2.23 billion in Insurance benefits, net of recoveries from reinsurance. This amount was 28% more than in 2009.

Among the competitive strengths of this Division is its wide product range and the ability to quickly bring innovative products to market. During 2010 three new products were launched in Jamaica.



The Employee Benefits Division achieved success in the acquisition of new business finishing the year with \$1.94 billion of New Annualised Premium or 162% of quota.

These were Ultra Life Line 21 (Critical Illness), Individual Health Line and The Premium Saver.

Our Executive Club Advisors (Top 30) contributed 17% of the New Annualized Premium Income for SLJ or \$297 million for 2010. Fifty-five of our advisors qualified for the prestigious Million Dollar Round Table, representing approximately 12% of the total sales team against a world benchmark of 5%.

In Jamaica, manpower inclusive of Managers moved from 447 in 2009 to 459 in 2010; this represented a 2% increase. The productivity per advisor increased from \$338,761 in 2009 to \$353,410 in 2010; this change represented a 4% increase in production per advisor.

Employee Benefits Division

The Employee Benefits Division provides group health, life and personal accident insurance to companies and institutions for their employees. The Division also provides pension funds administration services and annuity products to corporate clients. The Division focuses on building financial security programmes that balance the needs of both employer and employees. Sagicor Life Jamaica is the largest provider of these services in Jamaica. 2010 was a

challenging year for the entire financial sector and proved to be highly competitive in the areas of provision of annuity products and pension funds administration. The Employee Benefits Division, however, achieved success in the acquisition of new business, finishing the year with \$1.94 billion of New Annualised Premium or 162% of quota.

We continued to successfully leverage our expertise and capabilities to meet the needs of employers and members in a highly challenging business environment characterised by low growth. A significant part of this success resulted from the positive response by corporate clients to risk transfer annuity products. These products will continue to secure benefits for members while allowing employers to better manage the risks associated with providing these benefits.

On Revenues of \$12.13 billion, a profit contribution of \$1.49 billion was generated during 2010. Though there was good growth in Premium Income, when the effect of large single premiums in 2009 and Discontinued Operations is removed, overall revenue growth and profitability were lower than that of 2009. This result was primarily impacted by smaller single premium business than that generated in 2009 and reduced yields on invested securities.

The Employee Benefits Division implemented an imaging and electronic document workflow system for Health Claims and an upgraded Life and Health administration system, enabling us to respond quicker to customer queries and to improve the efficiency of our correspondence and claims audit procedures.

The Employee Benefits Division implemented two significant pieces of technology during 2010. The first being an imaging and electronic document workflow system for Health Claims and the other, an upgraded Life and Health administration system. The imaging and workflow system has allowed us to respond quicker to customer queries and to improve the efficiency of our correspondence and claims audit procedures. The system upgrades have put us in a position to move to the next level in claims administration.

Employee Benefits Administrator (EBA) Limited, the wholly-owned subsidiary which provides pension administration services to over 300 pension funds, focused on regulatory compliance and improving the customer experience in 2010.

- We continued our efforts with the various Trustee groups with the result that at least 70% of Appointed Trustees now have formal approval with respect to the Pension Act, while the majority of Pension Funds in the portfolio have either been approved or granted pre-approval status by the regulators. We

continue to work closely with the remaining clients to bring them into approved status with the regulators. We are also pleased to report that we have substantially met all regulatory Reporting Requirements.

- We increased the number of face-to-face interactions with Trustee Boards and increased the frequency of communication with our pension clients. In addition, we implemented the option of electronic funds transfer of all benefit payments, which has resulted in faster settlement of benefit payments and improved service to members.
- Development work was completed on the web interface which allows members real-time access to balances and information. Human Resource administrators are now able to carry out member transactions and generate reports

For 2011, the EBA will remain focused on being responsive to our customers, mainly by utilising technology to further enhance communication and cement relationships with them.

Investment Performance

The Sagicor Life Jamaica Investments Division manages the investments portfolios for all Group Companies except PCFS. By year-end 2010, the Division managed total assets of \$125.29 billion on behalf of individual policy holders, group life, health and pension clients, annuitants and shareholders. The returns on invested assets were relatively strong the challenging 2010 investment climate within which we had to operate.

Performance of funds

Sagicor Life General Funds

Sagicor Life Jamaica General Funds invested assets for 2010 totalled \$36.05 billion which generated income of approximately \$4.1 billion for the period (before dividends from subsidiaries). Given the lowered interest rates attached to fixed income instruments stemming from completion of the JDX programme, the maturity profile of the fund was realigned to include longer maturing securities geared at securing higher yields. The fund is heavily invested in Government of Jamaica (GOJ) fixed income securities which received a credit rating upgrade from Standard & Poor's to B- with a stable outlook. In addition to GOJ bonds, the fund invests mainly in other sovereign bonds, corporate bonds, real estate, equities, unit trusts, repurchase agreements, mortgages and policy loans. There was an attractive overall yield on invested assets.

Sagikor Life Cayman General Funds invests mainly in US corporate bonds, real estate, GOJ securities, sovereign regional bonds, international equities, US treasuries and equities, Invested assets amount to \$18.9 billion, which produced income of \$1.65 billion. The credit quality of the investment portfolio improved throughout 2010 while investments in higher rated US corporate bonds increased.

Segregated Policy Investment Funds

The SLJ Group's Segregated Policyholders' Funds is a diverse group of asset class investment portfolios with a total value of \$9.81 billion at year-end. The performance of these funds during 2010 relative to their benchmarks is shown in the tables.

These funds allow for diversification across asset classes, ranging from Equity and Real Estate Funds to J\$ Fixed Income and US and Cayman dollar-denominated investments, all of which have provided solid long-term returns for our policyholders over the past 29 years.

The Equity Fund returned 20% for 2010, the highest return amongst the segregated funds. This was due mainly to the strong growth of those stocks that comprise the majority of the portfolio. The Fixed Income Fund despite the lowered coupon rates returned 18% for the year as a result of bond prices being at or close to par post JDJ compared with lower prices impacted by the higher interest rate environment in December 2009.

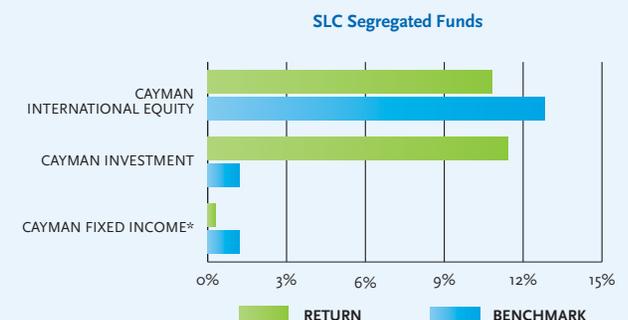
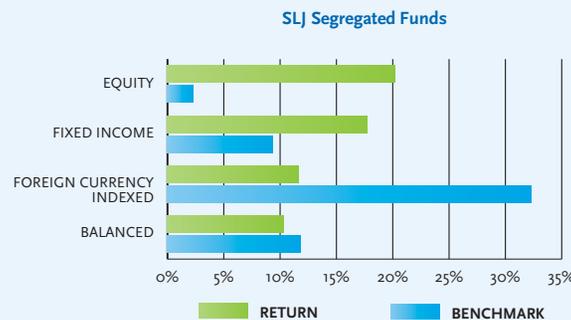
Sagikor Life Jamaica Segregated Funds

	Annual Return	Annual Benchmark Return	Benchmark
Equity	20.2%	2.3%	JSE Main Index
Fixed Income	17.7%	9.3%	Avg 180-Day Treasury Bill
Foreign Currency Indexed	11.6%	32.3%	Average GOJ Global Bond Yield
Balanced	10.3%	11.8%	Inflation

Sagikor Life Cayman Segregated Funds

	Annual Return	Annual Benchmark Return	Benchmark
Cayman International Equity	10.8%	12.8%	S&P 500 Index
Cayman Investment	11.4%	1.2%	US Inflation
Cayman Fixed Income *	0.3%	1.2%	US Inflation

* 9-month Fund and Benchmark Returns shown, as this fund was created in April 2010



Pension Funds

Total Pension Funds under management, consisting of nine pooled funds and nine self-directed funds, increased from \$55.33 billion in 2009 to \$64.57 billion in 2010. The Fixed-Income Fund, the Foreign Currency Fund, and the Diversified Fund were the best performing funds during 2010. The performance of these funds during 2010 relative to their benchmarks is as follows:

The general slowdown in the economy has resulted in an overall fall in demand for real estate, and this has negatively impacted property values. Strong rental income, however, continues to offset this, as occupancy of properties held in the Pooled Mortgage and Real Estate fund remains in excess of 85%.

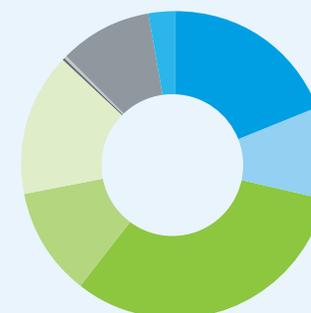
POOLED PENSION FUND RETURNS VS BENCHMARK



Pooled Pension Funds

	Annual Return	Annual Benchmark Return	Benchmark
Equity	18.1%	2.3%	JSE Main Index
Fixed Income	27.1%	31.7%	Avg 5-10 year GOJ Bond Yield
Foreign Currency Indexed	23.6%	32.3%	Average GOJ Global Bond Yield
Money Market	15.7%	9.3%	Avg 180-Day Treasury Bill
Mortgage & Real Estate	-13.5%	11.8%	Inflation
Diversified	22.0%	17.5%	Avg Asset Yields & Inflation
Consumer Price Index *	7.2%	7.3%	Inflation
Foreign Currency Money Market	9.8%	4.8%	365-day US Repo Rate
International Equity	14.5%	8.6%	S&P 500 Index plus devaluation

* 10-month Fund and Benchmark Returns shown, as this fund was created in March 2010

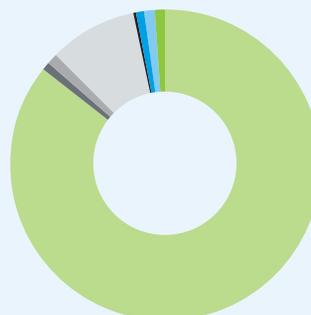


Pooled Pension Funds Under Management

CPI	2.6%
Equity	19.0%
Mortgage & Real Estate	9.8%
Fixed Income	31.9%
Foreign Currency	11.2%
Money Market	15.0%
International Equity	0.5%
FC Money Market	0.3%
Diversified Investment	9.7%

Shareholders' Funds

Shareholders' assets totalled \$25.2 billion for 2010, which represented a 27% increase over 2009. The fund was realigned to include more fixed rate longer maturing bonds geared at maximising the fund yield, in addition to incorporating more investment grade securities to improve the credit quality of the investment portfolio.



PORTFOLIO MIX OF SLJ GROUP INVESTED ASSETS

Bonds	85.0%
Policy Loans	0.7%
Mortgages	1.2%
Short-Term Loan Deposits	9.1%
Derivatives	0.3%
Real Estate	0.7%
Repo	1.9%
Equities	1.1%

Investment and Commercial Banking

Pan Caribbean Financial Services Limited (PanCaribbean), our 86%-owned banking subsidiary, delivered good results for 2010 - its 10th consecutive year of record profits. Net Profit of that Group rose 3% to \$1.52 billion (\$1.48 billion in 2009) in an environment where, with few exceptions, the financial industry reported lower net earnings for the year as a result of the JDX, currency revaluation and rising loan delinquencies in 2010.

PanCaribbean's earnings were driven primarily by:

- Net interest income up 5% to \$2,747 million;
- Earning assets up 15% to \$67,622 million;
- Fee and commission income up 21% to \$406 million;
- Trading income up 140% to \$555 million.

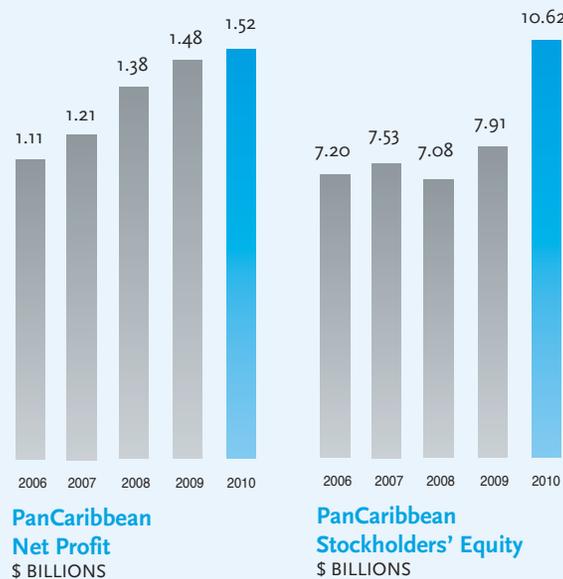
The strong growth in PanCaribbean's operating revenues was tempered by translation losses of \$136.1 million as the Jamaican Dollar revalued 4% against the US Dollar in 2010.

Expense management is always at the fore and non-interest expenses grew 6.7% compared to an inflation rate of 11.7% for 2010.

PanCaribbean's balance sheet grew 11% to \$72.65 billion as our core assets - investment securities - grew 24% to \$56.67 billion; loans grew 9.5% to \$9.48 billion. Assets growth was financed by

13% growth in repurchase agreements to \$49.62 billion along with deposit growth of 3% to \$9.02 billion. With \$10.63 billion in Stockholders' Equity, PanCaribbean reflects one of the strongest capitalised balance sheets in the local industry.

PanCaribbean's major strategic objective is to offer a complete menu of investment building and transactional services. In this regard, we continue to grow our commercial banking business, through PanCaribbeanBank, by offering excellent customer service to SME firms and individual clients, and we are pleased to have grown our customer count by 30%. PanCaribbean was also named the #1 stockbroker in 2010 as measured by value of stocks traded.



Operational Capabilities

The Group's operational capabilities include the mix of team members, financial advisors, brokers, health care providers, suppliers and all other entities along the supply and value chains. We carefully manage and synchronise the roles of the entities that contribute to the delivery of our offerings. For those internal, there are a number of ongoing programmes, including envisioning and training. Strong relationships are built with external partners to ensure the best value and convenience for our clients.

In addition to our people, internal systems, processes and structures are pivotal to the delivery of the promise. We cultivate a competitive environment that spurs innovation. We continuously seek to improve operations and leverage the best available technologies. Indeed, there are a high number of new initiatives each year and the most outstanding are recognised at the Annual Awards gala.

During 2010, there were several significant new initiatives which will have far-reaching positive implications for efficiency gains, productivity improvements and lifting the quality of customer service even higher. We are therefore pleased to share some of the initiatives implemented by SLJ.

They include:

- The expanded use of electronic document capture and work-flow across a number of departments.
- The operationalisation of a centralised world-class Contact Centre to service all customers from all lines of business.
- Implementation of a Customer Relationship Management (CRM) system, which is being used by customer service representatives and by our new Contact Centre.
- Expanded electronic communications with our customers through email, SMS messaging and our website.
- Set-up of a conservation unit to focus on customer retention and to provide yet another means to assist customers in meeting immediate financial needs.
- An aggressive programme to move the disbursement and receipt of funds to electronic channels.
- The replacement and upgrade of our telecommunications infrastructure from an analog PBX-based system to a cutting-edge and features-rich Internet Protocol Telephony system.
- Introduction of a new Information Technology Governance framework which focuses on the key decision domains and sets out the decision makers and those who must have an input. It also provides for better harmonisation of governance mechanisms with each other and with the company's performance goals.

Risk Management

The Sagicor Jamaica Group operates in a wide cross-section of financial services which exposes it to a variety of insurance, financial and operational risks. Risk exposure is core to the financial services business and is an inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return, in order to maximise stakeholder value and to minimise potential adverse effects on the Group's financial performance.

The Group utilises an Enterprise Risk Management framework which includes policies and procedures designed to identify, analyse, measure and control risks from all sources. This is supplemented with an organisational structure with delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers.

The Framework defines the Group's risk appetite through its policies and limits developed with Regulatory guidance as well as inputs from Board of Directors and Executive Management. These policies also provide guidance to the business units through the setting of boundaries and tolerances for various categories of key risks.

The risk management process is interactive as Executive management and business process owners participate in the identification and assessment of existing and emerging risks enterprise-wide. Top 20 risks are agreed upon during this process with responsibilities specifically assigned to the relevant executives for management and reporting. While the assessment

activity is conducted annually, there is ongoing monitoring and management of key risks to ensure that they remain relevant to the business strategies of the Group. The process provides for quarterly reporting to the Board of Directors and other Board committees on the management of financial risks as well as operational risks.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. These responsibilities are executed through various board, management committees and programmes including the following:

Board Audit Committee

The Board Audit Committee is a sub-committee of the Board comprising a majority of independent directors, and is responsible for:

- Overseeing how management monitors internal controls, compliance with the Group's risk management policies, and adequacy of the risk management framework to risks faced by the Group;
- Reviewing the Group's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements;
- Reviewing the internal audit function as well as the external auditor's independence, objectivity and effectiveness; and
- The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews

of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

Board Investment and Risk Committee

The Board Investment Committee comprises a majority of independent directors. As part of its Terms of Reference, the Committee:

- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

Asset/Liability Management Committee

The Group has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks, including interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regard to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and

- Monitors market interest rates and establishes the credited rate for various investment contracts.

Anti-Money Laundering (AML)

The Group has assigned responsibility for AML and anti-fraud policies to the Chief Financial Officer and to a designated department. The primary responsibilities of this officer include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing the required reports with Management, Board of Directors and Regulatory bodies.

Regulatory Compliance

The Board has assigned responsibility for monitoring regulatory compliance to the Legal and Corporate Services Department. This department is responsible for:

- Keeping abreast of laws and regulations affecting the business;
- Maintaining a catalogue of all required regulatory filings and monitoring the respective departments to ensure timely submissions; and
- Filing the required performance reports with management and the Board of Directors.

Business Continuity

Identified among the top 20 risks for the Sagikor Life Jamaica Group are inadequate business continuity and information technology recovery arrangements to support mission critical business functions. To manage and mitigate these risks the following strategies are in place:

1. A Corporate Business Continuity Plan (BCP)
2. An Information Technology Disaster Recovery Plan (IT DRP)

The Corporate Business Continuity Plan (BCP) was developed with input from all business units and approved by the Board of Directors. The BCP ensures the continuity of critical business functions in the event of business disruptions and helps to minimise the impact on employees, customers and other stakeholders, thus enabling the continued provision of certain critical services in the event of a disruption, crisis or emergency. The BCP seeks to address events such as natural disasters, loss of utilities, loss of services by external providers, organised &/or deliberate disruption and other organisational threats.

The Information Technology Disaster Recovery Plan (IT DRP) was developed in congruence with the BCP and encompasses the policies and procedures related to preparing for recovery or continuation of the technology and communications infrastructure after a disaster or emergency. Our IT infrastructure also includes a high level of redundancy and data security features.

Regular simulations are a part of our preparedness.

Enterprise Risk Management

The ERM process at Sagicor places strong emphasis on the continuous evaluation and assessment of the Top Twenty (20) risks faced by the Group, and ensures that these key risks are closely managed and monitored within established risk limits and risk tolerances. The ERM framework encompasses a full spectrum of risks as captured by the Sagicor Risk Taxonomy shown below:

1. FINANCIAL RISKS			
Credit Risks	Market Risks	Liquidity Risks	Insurance Risks
Concentration Settlement Default Sovereign/Country Reinsurance/Counterparty	Interest Rate Foreign Exchange Real Estate Fair Value Spread Equity	Cash Flow Capital Availability	Property Reinsurance Catastrophe Morbidity and Disability Longevity and Mortality Lapse and Surrender Product Design/Pricing Claims Liability Actuarial Estimation

11. OPERATIONAL RISKS			
Internal Fraud	External Fraud	Physical Assets/People	Employment Practices/Workplace Safety
Unauthorised Activity Theft and Fraud	Systems Security Theft and Fraud	Natural Events Man-Made Events	Employee Relations Diversity/Discrimination Human Resources Safe Environment
Clients, Products and Business Practices	Execution, Delivery and Process Management		Business Disruption/System Failures
Business or Market Practices Suitability, Disclosure, Fiduciary Selection, Sponsorship, Exposure Product Flaws Advisory Activities	Monitoring/Reporting Vendor/Suppliers Trade Counterparties Customer/Client Account Management Customer Intake and Documentation Transaction Capture		IT Infrastructure IT Strategy IT Access Systems Data Integrity/IT Availability Other Disruptions

111. BUSINESS RISKS			
Legal/Regulatory Risks	Strategic Risks		Reputational Risks
Litigation Compliance Regulatory Change	Outsourcing Business Model Resource Allocation	Business Portfolio Organisational Model Knowledge Capital Succession Planning Strategic Planning Competitor	Image and Brand Corporate Governance

Corporate Strategy

The JDX and other economic and social measures introduced during 2010 have proven to be successful in stabilising the Jamaican economy with prospects of at least marginal growth. The economic fundamentals are different but we believe the environment creates new opportunities for our Group and Jamaica as a country. In Cayman, the economy remains sluggish and will take more time to rebound. The Financial Services competitive arena in both of these markets remains strident. We at Sagicor must therefore exploit our advantages while managing risks and exposures.

In this regard, we have identified a number of strategic intents in order to remain a successful company and to meet future challenges.

- We must put the customer at the centre of our activity and thinking.
- We must keep our investment assets safe and ensure the income yield from them is greater than inflation.
- We must continue to grow our capital base, to reinvest in the business to support the new business we are writing.
- We must renew and refresh our product offerings to ensure relevance and attractiveness to the customer.
- We must not lose market share in our core lines of business.
- We must keep our brand Sagicor in top shape, well respected, well known and admired.

Conclusion

2010 had more than its fair share of challenges, most of which had to do with the precarious condition of the Jamaican economy and the very tentative recovery of the global economy. We are pleased that Sagicor Life Jamaica was able to emerge from this difficult environment stronger than ever with more capital, more liquidity, better operational controls and superior risk management procedures. All this would not have been possible without the commitment and expertise of our Executive Management, each team member of the Group, each financial advisor and all those persons who contribute to the delivery of the promise. We enter 2011 with much enthusiasm, bigger ambitions and justifiable confidence, all the ingredients to produce another great year.

My sincere gratitude to you all.



Richard O. Byles
President & Chief Executive Officer
25 February, 2011.

We Aim to Serve Our Customers Best

#1 Pension Fund Manager

#1 Stockbroker (PCFS)

#1 Life Insurance Company

#1 Health Coverage Provider

#1 Annuities Provider

To be worthy of trust requires earning it

Integrity

BOARD OF DIRECTORS



Dr. The Hon. R.D. Williams

Richard O. Byles

Prof. Sir Hilary Beckles

Marjorie Fyffe Campbell

Jeffrey Cobham

Richard Downer



William Lucie-Smith

Paul Facey

Paul Hanworth

Stephen Facey

Jacqueline Coke-Lloyd

Dr. Dodridge D. Miller

DR. THE HON. R.D. WILLIAMS OJ, CD, Hon. LLD, JP
Citizen of Jamaica / Director since 1969



Dr. the Hon. R. Danvers (Danny) Williams is the founder of Life of Jamaica Limited, now Sagicor Life Jamaica, serving as President & CEO on two separate occasions. He is the Chairman of the Corporate Governance & Ethics Committee and the H.R. & Compensation Committee, and sits on the Investments and Risk Committee.

He also serves on the Boards of a number of Sagicor Jamaica Group member companies.

In 1972 Dr. Williams was awarded the National Honour of Commander of the Order of Distinction (CD) and in 1993 was conferred with the Order of Jamaica (OJ) for voluntary service to his community. He served the Government of Jamaica for three years, from 1977 to 1980, as a Senator, Minister of State and Minister of Industry and Commerce respectively. In 2005 he received an honorary Doctorate of Laws (LLD) from the University of Technology. Dr. Williams currently serves on the boards of several major Jamaican companies, organizations and foundations. He is Director Emeritus of Jamaica Broilers Group Limited and Chairman of Jamaica College and the Jamaica College Foundation.

PAUL FACEY B.Sc., MBA
Citizen of Jamaica / Director since 2005



Mr. Paul Facey is the Vice President - Investments at Pan-Jamaican Investment Trust Limited. He has a wide range of experience in banking, investment, manufacturing, retail and distribution.

He holds a B.Sc. in Marketing and Management from the University of South Florida and an MBA in Finance from Florida International Business School.

RICHARD O. BYLES B.Sc., M.Sc.
Citizen of Jamaica / Director since 2004



Mr. Richard Byles is President and CEO of Sagicor Life Jamaica Limited.

Mr. Byles holds a Bachelor's degree in Economics from the University of the West Indies and a Master's in National Development from the

University of Bradford, England.

He is the Board Chairman of Pan Caribbean Financial Services Limited, Sagicor Life of the Cayman Islands Limited and Desnoes & Geddes Ltd., brewers of Red Stripe. He is also a director of Pan Jamaican Investment Trust Limited.

PAUL HANWORTH M.A., M.Sc., A.C.A., C.P.A.
Citizen of Great Britain / Director since July 2008



Mr. Paul Hanworth joined the Board of Directors in July 2008. He is the Chief Financial Officer at Pan-Jamaican Investment Trust Limited and an entrepreneur with over 30 years of international experience in

financial and strategic leadership.

Mr. Hanworth is a Chartered Public Accountant and Chartered Accountant who holds an MSc in Management from Hartford Graduate Center and a B.Sc (Hons) from Cambridge University.

PROF. SIR HILARY BECKLES B.A. (Hons.) PhD
Citizen of Barbados / Director since 2006



Professor Sir Hilary McD. Beckles earned his PhD from Hull University, United Kingdom and received an Honorary Doctorate of Letters from the same university in 2003. He is currently the Principal of the Cave Hill Campus of UWI, since

2002. He is a member of the Board of Directors of both Sagicor Financial Corporation (SFC) and Cable and Wireless (Barbados) Limited, and also serves on the editorial boards of several academic journals. Sir Hilary has published widely on Caribbean economic history, cricket history and culture, and higher education. He has lectured in Africa, Asia, Europe and the Americas.

STEPHEN B. FACEY B.A., M. Arch
Citizen of Jamaica / Director since 2005



Mr. Stephen B. Facey is the President and CEO of Pan-Jamaican Investment Trust Limited and Chairman of Jamaica Property Company Limited. He is a Director of Pan-Jamaican Investment Trust Limited, First Jamaica Investments Limited,

Hardware & Lumber Limited, and the Kingston Restoration Company Limited.

Mr. Facey holds a B.A. in Architecture from Rice University and a Masters in Architecture from the University of Pennsylvania.

He is the President of the New Kingston Civic Association.

BOARD OF DIRECTORS (CONT'D)

MARJORIE FYFFE CAMPBELL B.Sc. M.Sc.

Citizen of Jamaica / Director since 2003



Mrs. Marjorie Fyffe Campbell is a Management Executive with over twenty-two years' experience in Finance and Accounting at the Executive Management level. She is a graduate of the University of the West Indies with a B.Sc. and an M.Sc. in Accounting, and is a

Member of the Institute of Chartered Accountants of Jamaica. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica. Mrs. Fyffe Campbell is a part-time Lecturer in Financial and Management Accounting at the Mona School of Business of the University of the West Indies, where she is pursuing a Doctorate in Business Administration with an emphasis on corporate governance.

She is a member of the Board of Directors of Sagicor Financial Corporation (SFC) and Sagicor Property Services Limited.

JACQUELINE COKE-LLOYD

Citizen of Jamaica / Director since 2010



Mrs. Jacqueline Coke-Lloyd was appointed to the Board of Directors effective March 25, 2010. She is presently the Principal Director of Make Your Mark Consultants with over 25 years of expertise in General Management, Human Resource Management and Industrial

Relations. Mrs. Coke-Lloyd is the former CEO of Jamaica Employers' Federation (JEF) where she served for ten (10) years. She is a graduate of the University of Technology Jamaica and the International Training Centre of the International Labour Organization (ILO), Turin, Italy.

JEFFREY COBHAM B.A., Dip. Mgmt.

Citizen of Barbados / Director since 2003



Mr. Jeffrey Cobham sits on the Boards of Sagicor Property Services Limited, Sagicor Life of the Cayman Islands Ltd., Pan Caribbean Financial Services Limited, and several other companies.

He chairs the Audit Committee of Sagicor Life Jamaica Limited, Salada Foods Jamaica Limited and Pulse Investments Limited.

He is the Chancellor's representative to the UWI's Mona Campus Council and sits on its Finance and General Purposes, and Audit Committees.

WILLIAM LUCIE-SMITH

Citizen of Trinidad and Tobago / Director since 2010



Mr. William Lucie-Smith was appointed to the Board of Directors of Sagicor Life Jamaica effective September 14, 2010. He is a retired Senior Partner of Pricewaterhouse

Coopers, Trinidad & Tobago and a Director of Sagicor Financial Corporation since June 2005. He also serves as a Director of the Barbados-based Sagicor Life Inc., Sagicor USA, Sagicor at Lloyd's, and a number of other subsidiaries within the Group. He holds an MA from Oxford University and is a Chartered Accountant.

RICHARD DOWNER CD, FCA

Citizen of Jamaica / Director since September 2008



Mr. Richard Downer, a former Senior Partner of PricewaterhouseCoopers in Jamaica, currently chairs the Investment and Risk Committee. He is a director of Pan Caribbean Financial Services Limited, chairman of its Audit Committee and a director of PanCaribbeanBank. He is a member of the Rating Committee of CariCRIS Limited and a director of ICD Limited. In the public sector he

serves on the boards and audit committees of the National Education Trust, the Overseas Examination Commission and the Tourism Enhancement Fund.

He has served as Executive Director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and has advised the governments of sixteen other countries on privatisation. Mr. Downer also served on the board of the Bank of Jamaica and was Chairman of the Coffee Industry Board for eight years.

DR. DODRIDGE D. MILLER FCCA, MBA, LLM, HON. LLD.

Citizen of Barbados / Director since 2001



Dr. Dodridge Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation in July 2002. A citizen of Barbados, Mr. Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate and Commercial Law from the University of the

West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 25 years' experience in the banking, insurance and financial services industries. Prior to his appointment as Group President and Chief Executive Officer, he previously held the positions of Treasurer and Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr. Miller joined the Group in 1989. He is also the Chairman of Sagicor at Lloyd's, a Director of Sagicor Life Inc, Sagicor USA, Pan Caribbean Financial Services and a number of other subsidiaries within the Group.

CORPORATE GOVERNANCE

Overview

Corporate Governance Architecture

The Company is committed to high standards of corporate governance and the Board of Directors is responsible for the implementation of a sound Corporate Governance architecture in the Company and its subsidiaries (the Group). The Board sees the adherence to such standards and practices as central to improving shareholder value and building a climate of trust among the wider investing public.

By this commitment, the Board seeks to ensure that all business units operate within the regulatory framework and comply with the governance standards set out in its Corporate Governance Policy. The policy is influenced by applicable laws and regulations and international best practices. These standards of governance are managed by the Board through the sub-committees, Audit, Corporate Governance and Ethics, Investment & Risks, and Human Resource and Compensation Committees. During 2010 it continued the process of building out the governance framework through a number of initiatives, which included revising the charters of its sub-committees and strengthening the Enterprise Risk Management and Compliance functions on a company-wide basis.

The governance architecture is further strengthened on an individual level through the Code of Business Conduct and Ethics, which was established to guide the conduct of Directors, Management and Staff at all levels. At the commencement of each year, Directors and Staff are required to confirm compliance with the Code by signing a Disclosure

Certificate. The Code is founded in the moral, ethical and legal obligations owed by each constituent to the Company and to the standards of good governance.

The Corporate Governance Code is available on our website at

www.sagicorja.com

Board of Directors

Roles And Responsibilities

The Board directs the Company's risk assessment, human resource management, strategic planning and financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. The Board has adopted a formal charter that details its functions and responsibilities. The most significant responsibilities of the board are outlined below

- **Provide strategic leadership, guidance and oversight to the management of the company.**
- **Review management decisions and monitor business performance plans and strategies, risk assessment and compliance with legal requirements and corporate policies.**
- **Assess the quality of the financial and other reports to shareholders.**
- **Review the succession planning and compensation for Executives.**

The Board delegates certain functions to committees consisting of non-executive directors.

Board Expertise

	Gen Mgt	Int'l Bus	Finance	Strat Mgmt	Corp Law	Banking	Corp Fin M&A	Asset Mgmt	Insurance	HR Mgmt	Property	Other
Paul Facey	✓			✓		✓		✓				
Prof. Sir Hilary Beckles	✓											Education
Stephen Facey	✓			✓							✓	
Paul Hanworth	✓	✓	✓	✓		✓	✓		✓		✓	
Richard Downer	✓		✓	✓	✓	✓	✓					
Marjorie Fyffe Campbell	✓		✓	✓			✓				✓	Corp. Gov
Jeffrey Cobham	✓		✓	✓		✓				✓		
Hon. R D. Williams	✓			✓					✓			
Dodridge Miller	✓	✓	✓	✓	✓		✓	✓	✓			
Richard Byles	✓		✓	✓		✓	✓	✓	✓	✓		
Jacqueline Coke-Lloyd	✓			✓						✓		
William Lucie-Smith	✓		✓				✓					

Board Composition

As at December 2010 the Board of Directors is comprised of twelve (12) Members, the majority of whom are independent directors. An independent director is one who has no material relationship with the Company, that is to say, does not receive compensation for office nor is affiliated to the parent or its subsidiaries and associated companies. The Board, through its Corporate Governance and Ethics Committee, reviews the board composition and the directors' expertise annually to ensure that it has the appropriate functional skill sets to provide the leadership role in keeping with the Corporate Governance Code. During the year, the Board has been engaged in discussions with the Financial Services Commission with regards to the Composition of the Board, and is taking steps to ensure that the

independence criteria as set out in the Regulations under the Insurance Act, 2001 are met.

The roles of Chairman and Chief Executive Officer are separate, in keeping with international best practices.

Rotation and Re-election of Directors

The Company's Articles of Incorporation and the Companies Act of Jamaica both provide for the appointment of a Director by the Board to fill the vacancy on the Board.

At the end of the year, a 360-degree performance evaluation is carried out on each Director. Based on the results of this assessment, the Corporate Governance and Ethics Committee, which has oversight responsibility for the director nomination

and selection process, has considered the candidates who are standing for election or re-election at the 40th Annual General Meeting of the shareholders and has recommended to the shareholders, the directors to be re-elected.

Article 99 of the Company's Articles of Incorporation provides that at least one third of the Board shall retire by rotation each year. Director Paul Hanworth and Marjorie Fyffe Campbell will retire under this Article and have offered themselves for re-election.

Director William Lucie-Smith, who was appointed to fill a casual vacancy since the last Annual General Meeting, is also eligible for re-election and has offered himself for re-election.

Article 98 (f) of the Company's Articles of Incorporation provides that a Director shall retire from office at the Annual General Meeting following the attainment of age 65 unless the directors agree that he continues in office for a specified period of time and shall not be eligible for re-election. Two (2) directors will vacate office under this Article – they are Director Jeffrey Cobham and Director Richard Downer, both of whom have served the Board with distinction. The directors have recommended that they be invited to serve for a further period of three years each and will retire at the Annual General Meeting in 2014.

- consider and approve new product and business initiatives;
- receive reports on work being carried out by Board Sub-Committees and senior management; and consider and approve their recommendations as required;
- receive and consider various reports and presentations from the Appointed Actuary and Management on the performance of the lines of businesses and subsidiaries in the Group;
- approve new director appointments.

Board Committees

Twenty-Five (25) meetings of the board sub-committees were held.

The four (4) Committees of the Board, namely Audit, Corporate Governance and Ethics, Investment and Risk and Human Resource and Compensation, play an integral role in the governance process as they assist the Board in properly discharging its function by providing an opportunity for more in-depth discussions on specialist areas in which the Board would have delegated its responsibilities.

Board Operations

There were twelve (12) scheduled meetings of the Board of Directors during the year.

The principal business considered at these meetings included to:

- consider and approve the participation by the Company and its managed funds in the Government's JDX programme;
- review and approve unaudited interim and audited annual consolidated financial statements;
- approve interim and final dividend payments;

Directors Attendance: Board And Sub-Committee Meetings

	BOARD	Audit	Investment & Risk	Corporate Governance & Ethics	Human Resource & Compensation
Directors (Number of Meetings Attended)	Total Meetings held: 12	Total Meetings held: 7	Total Meetings held: 6	Total Meetings held: 7	Total Meetings held: 5
Dr. the Hon. R. D. Williams	12	NM	6	7	5
Dr. Dodridge Miller	9	NM	2	NM	1
Richard O. Byles	11	NM	NM	NM	NM
Stephen Facey	10	NM	6	6	NM
Paul Hanworth	10	5	5	NM	NM
Jeffrey Cobham	10	7	NM	7	NM
Marjorie Fyffe Campbell	10	6	NM	5	5
Richard Downer	11	7	5	NM	NM
Prof. Sir Hilary Beckles	7	NM	NM	NM	NM
Jacqueline Coke-Lloyd	7 (Apptd. Mar. 2010)	2 (Apptd. July, 2010)	NM	NM	3 (Appt. April 27, 2010)
Paul Facey	10	6	6	6	NM
William Lucie-Smith	2 (Apptd. Sept 14, 2010)	NM	NM	NM	NM

NM - Non Member

The Committee members are appointed by the Board of Directors immediately following the Annual General Meeting each year and hold office until the end of the next Annual General Meeting or until they cease to be directors.

During the year, the sub-committees adopted new Charters which were in line with the mandates as set out in the Corporate Governance Policy.

The level of participation of the directors, in Board and Committee meetings, is shown in the attendance schedule (page 36).

Corporate Governance and Ethics Committee

The Committee's mandate includes the following:

- develop and recommend to the Board, policies and procedures to establish and maintain best practice standards of corporate governance;
- manage the process for director succession, nomination and recommendation to shareholders for re-election as directors;
- establish and direct the process for assessing the performance of the Board, its committees and individual directors.

The Committee is comprised of a majority of independent and non executives directors with diverse areas of expertise including Corporate Governance.

The Committee held seven [7] meetings during 2010. The process for Director succession, nomination and recommendation to shareholders for election or re-election as Directors was managed during the period.

The committee was renamed (formerly Conduct Review Committee) and the charter revised and adopted. The composition of the Board sub-committees was also revised and the changes effected July 1, 2010. Other activities of the Committee:

- The Annual Performance Evaluation for 2009 was completed in May 2010.
- The Annual CEO's Appraisal is also a part of the committee's mandate. The process is carried out electronically through an external agency. The appraisal incorporates the 360-degree process with participation by directors, the CEO, and direct reports.
- The 2010 Director Training Programme included two half-day workshops and a session on Corporate Governance.
- Related party transactions were monitored and managed through the Finance and Corporate Services Departments and reports presented to the Committee.

- Fees for directors were reviewed in 2010 following the participation in a PricewaterhouseCoopers survey conducted among some of the major listed companies. Directors who are employees of the company are not paid Directors' fees.
- The company was awarded the runner-up trophy for the Corporate Governance Award by the Private Sector Organisation of Jamaica (PSO) at the Best Practice Awards Function in 2010.

Audit Committee

The Audit Committee has oversight responsibility for the audit and operational risks of the Company. This Committee is comprised of non-executive directors: Mr. Jeffrey Cobham (Chairman), Mr. Richard Downer, Mrs. Marjorie Fyffe Campbell, Mr. Paul Facey, Mr. Paul Hanworth and Mrs. Jacqueline Coke-Lloyd.

Seven [7] meetings were held during 2010 in relation to the following:

- Review the financial reports of the Company and its subsidiaries and disclosures to the shareholders and regulators;
- Review and assess the internal control processes;
- Review the activities of the internal and external auditors;

- Assess the main areas of enterprise risk management;
- Ensure the level of compliance with legal and regulatory requirements;
- Consider changes to the Charter for the committee;
- Adopt changes in accounting policy based on new IFRS guidelines.

Investment and Risk Committee

The committee's mandate is to consider and approve investments to be undertaken by the company and to assess the company's risk appetite as it relates to financial risks.

The Committee met 6 times to do the following:

- Review annually the investment policy;
- Approve major real estate transactions and other transactions;
- Consider and approve new operational activities regarding The Jewels Dunn's River Hotel (formerly Sandals Dunn's River Hotel);
- Approve new investment management system;
- Approve investment activities on behalf of the pension funds under management.

The members of the committee are: Mr. Richard Downer (Chairman), Mr. Stephen Facey, Dr. the Hon. R.D. Williams, Mr. Paul Facey, Mr. Paul Hanworth and Dr. Dodridge Miller.

Human Resource and Compensation Committee

The Committee met five [5] times during 2010 to consider and approve the annual and long-term incentive plan for executives and compensation due to staff.

The role of this Committee is to advise the Board with respect to:

- Compensation policies, programmes and plans;
- Human Resources policies and practices to attain the Company's strategic goals
- Management Succession plans for Executive Management; and
- The pension plans for employees.

The members are Dr. the Hon R. D. Williams (Chairman), Dr. Dodridge Miller, Mrs. Marjorie Fyffe Campbell and Mrs. Jacqueline Coke-Lloyd.

Board of Directors – Remuneration

Directors are paid on a retainer basis. The following table shows the total remuneration paid only to non-Executive Directors:-

Board:	Retainer Fees \$ p.a.
Chairman	\$2,200,000.00
Directors	\$1,400,000.00

Audit And Investment & Risk Committees:

Chairman	\$900,000.00
Directors	\$600,000.00

Corporate Governance & Ethics and Human Resources & Compensation Committees:

Chairman	\$600,000.00
Directors	\$400,000.00

CORPORATE DATA

Directors:

Dr. the Hon. R.D. Williams - Chairman
Richard O. Byles - President & CEO
Prof. Sir Hilary McDonald Beckles
Jeffrey C. Cobham
Marjorie Fyffe Campbell
Jacqueline Coke-Lloyd
Richard Downer
Paul A.B. Facey
Stephen B. Facey
Paul Hanworth
William Lucie-Smith
Dr. Dodridge D. Miller

Leadership Team:

Richard O. Byles	- President & CEO	Karl Williams	- Vice President, Human Resources
Errol D. McKenzie	- Executive Vice President, Employee Benefits Division	Kristine Bolt	- Vice President, Customer Experience and Productivity
Ivan B. O'B. Carter	- Executive Vice President, Finance & IT Divisions, and CFO	Tanya Miller	- Vice President, Group Marketing
Janice A.M. Grant Taffe	- Vice President/Legal Counsel, Corporate Secretary	Donovan H. Perkins	- President & CEO Pan Caribbean Financial Services Limited
Rohan D. Miller	- Executive Vice President & Chief Investment Officer	Philip Armstrong	- Deputy CEO Pan Caribbean Financial Services Limited
Mark Chisholm	- Vice President, Individual Line Division		
Willard Brown	- Vice President, Actuarial & Risk Management		

Corporate Secretary:

Janice A.M. Grant Taffe

Appointed Actuary:

Janet Sharp

Auditors:

PricewaterhouseCoopers

Bankers:

Bank of Nova Scotia (Jamaica) Limited
National Commercial Bank (Jamaica) Limited

Attorneys

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St. Andrew

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Territories of Operation

The Cayman Islands
Sagicor Life of The Cayman Islands Ltd.
P.O. Box 1087
Grand Cayman
Cayman Islands

We are Diverse in our Lines of Business

Our Group offers services in:

- Life and Health Insurance
- Pensions
- Investment Management
- Mortgages
- Retirement Planning
- Real Estate Services
- Commercial Banking

Together **E**veryone **A**chieves **M**ore

Our Team

LEADERSHIP TEAM

Richard O. Byles, B.Sc. M.Sc.
President & Chief Executive Officer

Rohan D. Miller, MBA, B.Sc. (Hons.),
Executive Vice President, Investments

Rohan joined the company in May 1993 as the Chief Investment Manager. His responsibilities include managing the investment portfolio, maintaining relationships with pension clients and developing the company's investment strategy and real estate properties.

Donovan H. Perkins, B.A. (Hons.), MBA
President & CEO
Pan Caribbean Financial Services Limited

Donovan has been CEO of PanCaribbean since 1993. Prior to joining PanCaribbean, he worked with Bank of America in Corporate Banking. Under his leadership, the company has grown through a series of mergers and acquisitions into a diversified financial services group today.

He previously served as Vice President of both the Jamaica Bankers Association and the Private Sector Organization of Jamaica.

Ivan B. O'B. Carter, MBA, FLMI,
Executive Vice President of Finance and Information Technology, and CFO

Ivan joined the company in July 2003 as Chief Financial Officer. He has responsibility for the accounting, financial reporting, the strategic financial management function and the use of technology. He is also responsible for the company's general insurance interests. Prior to this appointment, he served in many senior positions with the Sagicor Group rising to the post of Vice President, Finance and Assistant Treasurer of Sagicor Life Inc. He sits on the Board of Directors of a number of Sagicor Life Jamaica Group member companies.

Janice Grant Taffe, LLB
Vice President, Legal Counsel & Corporate Secretary

Janice is an Attorney-at-Law who joined the company in April 1989. Janice holds a Bachelor of Laws from UWI Cave Hill, a Certificate of Legal Education from the Norman Manley Law School and is the holder of certificates in Foreign Investment Negotiations from the Georgetown University in Washington and Euro-Money Loan Documentation.

She has served on several committees established to introduce legislation to promote commerce in Jamaica and is a member of the Jamaican Bar Association.

Willard Brown, FSA, B.Sc. (Hons.),
Vice President - Actuarial & Risk Management

Willard joined the company in August 1991 and has served the group in various capacities in Information Technology, Employee Benefits Division and Employee Benefits Administrator Ltd. His responsibilities include providing actuarial support for pension clients and setting pricing/reserving policy for the company's insurance portfolios.



Richard O. Byles

Rohan D. Miller

Donovan H. Perkins

Ivan B. O'B. Carter

Janice Grant Taffe

Willard Brown

Philip Armstrong, B.Sc.,
Deputy CEO
Pan Caribbean Financial Services Limited
Philip brings over 20 years of securities, derivatives and financial expertise gained from Wall Street and Knutsford Boulevard. He joined Manufacturers in 2002 from Citibank Jamaica, where he was Resident Vice President. Philip is the Acting Managing Director of PanCaribbeanBank Limited, and sits on our Asset, Liability, Credit & Investment Committee.

Mark Chisholm, MBA (Hons.), J.P.
Vice President, Individual Line
Mark joined the company in January 1989 in Premium Accounts. In April 2009 he was promoted to Vice President of the Individual Line Division with direct oversight for Insurance Operations and sales for both Jamaica and the Cayman Islands.

Kristine Bolt, B.Sc., M.Sc.
Vice President, Productivity & Customer Experience
Kristine joined Sagicor Life Jamaica in January 2009, having previously served in Pension Dept. from 1998 to 2001. She has responsibilities for our Contact Center and initiatives to deliver quality customer experience. She works across all divisions of the company to help streamline processes and improve operational efficiency.

Tanya Miller, B.Sc. (Hons.), MBA
Vice President – Group Marketing
Tanya joined the Sagicor Life Jamaica group in 2006 as head of PanCaribbean's Marketing Division and was promoted to her current role in 2009. She brings over 17 years' experience in strategic marketing gained from the tourism, agriculture and manufacturing industries. Tanya holds a Bachelor of Science degree in International Business and Management (Hons.) from Rochester Institute of Technology and an MBA in Marketing from the University of the West Indies.

Errol McKenzie, MBA, HIAA, FLMI, JP
Executive Vice President,
Employee Benefits
Errol joined the company in July 1975, and has served the company in various capacities in Investment, Internal Audit, and Employee Benefits Divisions. He has direct responsibility for the Group Insurance Business and Pension Services.

Karl Williams, B.Sc., Executive MBA,
Vice President, Human Resources
Karl joined the company in January 1992. He previously served as an Agent, Training Manager and Director of Agencies at Island Life Insurance Company. He held numerous management positions before rising to his current role as VP - Human Resources. He is the Chairman of the Insurance Association of Jamaica (IAJ) Human Resource Committee and a Past President of the Human Resource Management Association of Jamaica (HRMAJ).



Philip Armstrong

Mark Chisholm

Kristine Bolt

Tanya Miller

Errol McKenzie

Karl Williams

SUBSIDIARIES

SAGICOR PROPERTY SERVICES LIMITED

78 Hagley Park Road
Kingston 10
Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Mr. Courtney Bert
Assistant Vice President
(Appt'd January 17, 2011)

SAGICOR INSURANCE BROKERS LIMITED

28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Mr. Dave Hill
General Manager
(Appt'd January 1, 2011)

EMPLOYEE BENEFITS ADMINISTRATORS LIMITED

28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Mrs. Latoya Mayhew-Kerr
General Manager

SAGICOR POOLED INVESTMENT FUNDS LIMITED

28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730

SAGICOR RE INSURANCE LIMITED

C/o Sagicor Insurance Managers Ltd.
1st Floor Harbour Place
103 South Church Street,
George Town
Grand Cayman KY1-1102
Cayman Islands
Tel: (345) 949-7028
Fax: (354) 949-7457

SAGICOR INSURANCE MANAGERS LIMITED

1st Floor Harbour Place,
103 South Church Street,
George Town,
Grand Cayman KY1-1102,
Cayman Islands
Tel: (345) 815-0841
Fax: (345) 949-6297

Mr. James Rawcliffe
Vice President

SAGICOR INTERNATIONAL ADMINISTRATORS LIMITED

28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730

PAN CARIBBEAN FINANCIAL SERVICES LIMITED

The Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica WI
Tel: (876) 929-5583
Fax: (876) 926-4385

Mr. Donovan H. Perkins
President & CEO

SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.

P.O. Box 1087
Grand Cayman KY101192
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262

Mr. Michael Fraser
President & CEO

ASSOCIATED COMPANIES

LESTED DEVELOPMENTS LIMITED

28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730
(In liquidation)



Donovan H. Perkins

Courtney Bert

Latoya Mayhew-Kerr

Dave Hill

Michael Fraser

James Rawcliffe

VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS

- 1 **Brenda Lee Martin**
AVP, Investments
- 2 **Jacqueline Donaldson**
AVP, Human Resources
- 3 **Olivine Barnes**
AVP, Individual Line Sales and Distribution
- 4 **Horace Johnson**
AVP, Corporate Actuarial
- 5 **Jacqueline Somers King**
VP, Investments, Banking and Subsidiaries Accounting

- 6 **Christopher King**
AVP, Corporate Actuarial
- 7 **Lorna Jamieson Bond**
AVP, Management Accounting
- 8 **Nicola Leo Rhynie**
AVP, EBD Marketing
- 9 **Mark Clarke**
AVP, IT Local Services
- 10 **Gloria Goss**
VP, EBD Marketing

- 11 **Vendryes Braham**
AVP, Shared Services IT
- 12 **Carol Lawrence**
VP, EBD Group Insurance Services
- 13 **Corrine Bellamy**
AVP, EBA – Actuarial
- 14 **Angela Ching**
AVP, Shared Services IT
- 15 **Nadia Lewis**
AVP, EBD – Underwriting

- 16 **Megan Irvine**
AVP EBD Marketing
- 17 **Jacinth Kelly**
AVP, Corporate and Insurance Accounting
- 18 **Audrey Flowers Clarke**
AVP, Insurance Operations
- 19 **Vinnate Hall**
AVP, Internal Audit



BRANCH MANAGERS

Patrick Sinclair
Montego Bay Branch

Michael Lawe
Liguanea Branch

Roan Brown
Belmont Dukes
Branch

Donovan McCalla
New Kingston
Branch

Mark Lindsay
Holborn
Branch

Marston Thomas
Half Way Tree
Branch

Marvin Walters
Senators Branch

Trevor Barnes
Spanish Town Branch

Randolph McLean
Knutsford Branch



Dale Greaves-Smith
Mandeville Branch

Mavis Ferguson
Ocho Rios Branch

Pete Forrest
Corporate Circle
Branch

HUMAN RESOURCE MANAGEMENT

Sagikor is committed to recruiting, developing and retaining the best talent. We understand that our human capital is one of our most important assets, so every effort is made to provide the highest quality of work life and to invest in the development of our team members as they build their careers and improve their performance.

Staffing

Employee Engagement

Employee engagement continued to be at the forefront of our initiatives for 2010. During the year, multiple events were hosted to recognise and reward team members for their dedication and high performance, which also fostered bonding through social interaction.

Sagikor Life Jamaica Group Team Breakdown

The staff complement of Sagikor Life Jamaica Group at the end of December 2010 was 1,430.

Company	Admin. Staff	Sales Reps	Temporary Staff	Contractors	Total
Sagikor Life Jamaica Limited	460	457	88	32	1,037
Sagikor International Administrators (SIAL)	67	9	15	0	91
Pan Caribbean Financial Services	195	69	0	0	264
Employee Benefits Administrator Ltd.	29	0	7	1	37
Sagikor Property Services	26	16	3	0	45
Sagikor Life of the Cayman Islands Limited	6	25	0	0	31
Total	783	576	113	33	1,505

Team members showcasing their world cup colours



Some of these events included:

- 2010 SagiCup activities including the very successful ColourSplash competition where members dressed in the colours and exhibited the culture of the participating teams of World Cup 2010.
- 2010 Motivational Seminar, which included internationally renowned speakers Les Brown and Susan Taylor, boasted the greatest administrative staff involvement at any Motivational Seminar.
- The relaunch of our Sagikor Values as “the S.C.R.I.P.T.” and the corresponding recognition to persons who were living the values (SCRIPT).
- The inaugural STARS (“Showcasing Talent And Recognizing Staff”) Week included the Mr. and Ms. Sagikor Competition, Movie Night, Wellness Day and our Nautical-Themed Staff Party at Solaris Estate.

Service First

In 2010, we embarked on an initiative to improve exponentially our company’s customer service levels. This initiative, themed ‘Service First’, consists of a

‘series of interventions’ that will be implemented over a 3-year period. The first ‘intervention’ implemented was the FEELINGS Seminars – twelve-hour customer service training sessions in which team members were introduced to various techniques for providing quality customer service the first time, every time. The sessions were management supported but peer driven through facilitation by specially trained customer service ambassadors drawn from varying levels and divisions within the company.

Sagikor Success and Performance Management

2010 saw the introduction of Sagikor Success, the new group-wide talent management system. This year, the company focused on the system’s performance management capabilities and, thanks to Sagikor Success’s ability to allow for greater control of

HUMAN RESOURCE MANAGEMENT (CONT'D)

Variable	SLJ 2010 (%)	SLJ 2009 (%)	SLJ 2008 (%)	SLJ 2007 (%)	Norms Group 2009 (%)	% Change 2010
Job satisfaction	74.8	72.2	73.8	71.6	75.4	2.6
Organizational Commitment	83.0	75.2	78.6	76.8	77.6	7.8
Company Image	82.4	77.4	85.2	85.8	80.0	5
Communication	68.0	57.4	62.6	60.0	65.4	10.6
Corporate Values	62.0	52.6	58.6	62.6	69.4	9.4
Recognition	61.4	58.0	61.4	60.4	62.0	3.4
Employee Satisfaction	71.9	65.5	70.0	69.5	-	6.4

the performance measurement process. We are pleased that for the first time, 97% of all staff had completed the appraisal process as at January 31, 2011.

Among other things, Sagicor Success allows for:

- greater harmonization of talent management practices across the Sagicor Groups.
- increased control of talent management processes, such as performance measurement.
- reduced paper waste in talent management practices.
- easier analysis of performance measurement data.
- 24/7 access to select employee information from anywhere with Internet access and provide for proper alignment of department and individual goals to corporate objectives.

The various entities within the Sagicor Group will continue to work together in refining the system to ensure that it meets the company's, as well as our individual team member's needs. We look forward to its increased presence in our talent management practices.

Employee Satisfaction – LOMA Survey

The LOMA Employee Opinion Survey, which was conducted in February 2010 aimed at evaluating Employee Satisfaction within the company, showed a result of 71.9% satisfaction, a 6.4% improvement from the previous year and, notably, the highest satisfaction levels experienced by the company since the commencement of the survey in 2005.

Going Forward

During 2011, we will be pursuing actions to improve the quality of all team members, these include:

- implementing a Leadership Council programme which will enable us to better identify and develop potential leaders within the company;
- embarking on the next phase of the Service First initiative, the 'Buck-A-Day' campaign continuing the initiatives for empowerment of staff, all aimed at raising the standard and quality of customer service.
- introducing other functionalities of Sagicor Success to the team. These are: recruiting, career development and succession planning.

Employee of the Year

Individual Line Division

Underwriting Department

Wayne Thorpe

The performance rewarded by Wayne during 2010 clearly demonstrated his professionalism, dedication to service, tenacity of purpose, and commitment to the department and company goals. His extraordinary investment of time in meeting targets, planning and organisation, coupled with his will to win, are attributes which have aided immeasurably in his accomplishments.



Be the change you wish to see in the world

Our Community

GIVING BACK

Our Corporate Social Responsibility

Sagikor Life Jamaica continued to exhibit a commitment to corporate social responsibility evidenced by various programmes in 2010. We strongly believe that programmes built around health, education and sports are fundamental to the total-wellbeing and development of our children.

Adopt-A-School

Sagikor Nurse Doreen Gardener offers blood pressure screening to young Geovannie Case of Nannyville Basic School.



Health

In 2010, we extended our Adopt-A-School programme by adding a health component. Our Sagikor Health Mobile Units visited 12 adopted schools islandwide and administered a number of health screenings and treatments, including vision, weight, height and oxygen saturation tests. Approximately 900 basic school students directly benefited from this new initiative.



Adopt-A-School

(left to right) Sagikor Branch Manager (Holborn Branch) Mark Lindsay; Clifton Thomas, Sagikor Unit Manager (Holborn Branch); Principal of Nannyville Basic School Nicole Sterling; Sagikor Holborn Branch Coordinator Paula Sinclair, and Alysia White of Sagikor's Group Marketing dept with the students of Nannyville Basic School.



(Left to right) Angela Plunkett, Representative of Youth Reaching Youth (YRY); Pastor David Henry, YRY; Suzette Shaw-Reid, Public Relations Officer SLJ, and Pauline Ainsley, Estate Assistant SLJ - during the hand over of sewing machines donated by SLJ to the YRY charity effort from Sagikor Life. The Youth Reaching Youth programme trains young people to become youth leaders, and is an outreach initiative of the Swallowfield Chapel in Kingston.

Starters at the Sigma Corporate Run



This year we again partnered with our subsidiary company, Pan Caribbean Financial Services, for the very successful Sigma Corporate Run. The Sigma Corporate Run saw another record-breaking number of participants with 11,185 persons registered as compared to last year's 10,000 registrants, and raised over \$11 million.

Our team members also participated in a number of external health-related activities, in an effort to make individual contributions to the community. Some of the activities included Bustamante Heart Surgery Round Island Cycle, CUMI Come Run 5K, Jamaica Cancer Society Relay for Life and Grace 5K. All proceeds from these events were donated to health-related charities.

Some of the Sagicor Life Jamaica Team members at the Sigma Corporate Run.



Sports

We sustained our partnership of the Jamaica Teachers Association (JTA) National Primary, All Age and Junior High Schools Athletic Championships, a two-day track and field event held annually at the National Stadium. Our sponsorship of \$5 million directly impacted over 1,200 enthusiastic young athletes from all 14 parishes.

We also supported the JAAA by sponsoring the training camp held at the G.C. Foster College for forty athletes from various high schools and colleges ahead of the World Junior Championships in Moncton, Canada.

The Wolmer's Boys School also received support to assist their travel to the Penn Relays. The team went on to win the 4x100 metres and 4x400 metres events, ending the competition on a high note.



Jamaica's future athletes participate in the Sagicor sponsored JTA/Sagicor track meet held in May 2010.

Education

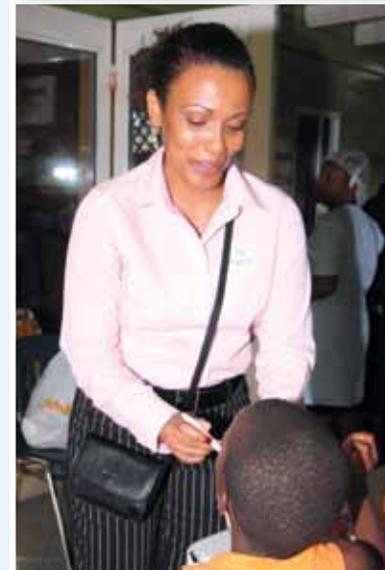
The objective of the Grade Six Achievement Test (GSAT) Scholarship awards programme is to recognise excellence among our nation's youth. This year, 16 students were awarded scholarships for outstanding performances in GSAT, including the Champion Boy and Girl from the JTA/SAGICOR Primary and Junior High Athletic Championships. Forty-eight students are presently on full scholarships across the island. In addition, 72 children of Sagicor team members received full scholarships for their achievements at the primary, secondary, junior high and high schools. We also assisted a number of children with a partial payment for college tuition, and fully sponsored one of our scholarship recipients who attended the University of the West Indies (UWI) for 3 years pursuing his studies in Actuarial Science.

Our upcoming Big Brother Mentorship Programme will further increase educational attainment among Jamaica's youth. The mentorship programme upholds that the potential of a child should not be limited due to a lack of financial and social support.

We answered the call to extend financial assistance to our security forces by providing food supplies during special operations in May 2010. Finally, our company was moved to support Caribbean neighbour, Haiti, with a donation through the Jamaica Red Cross for relief efforts.



(left to right) Sagicor's Production Club Chairman Arlene Lawrence, VP and Head of Individual Line Mark Chisholm, present exercise books and sporting equipment to Donna Reynolds, Administrator of Dare to Dare, while Sagicor's Senior Sales Clerk Olivia Campbell looks on.



Heather Mavour of Sagicor's Middle Manager's Forum (MMF), helps a four year old with his ice cream at the MMF treat at Jerusalem Dare to Care campus in Spanish Town. Jerusalem Dare to Care is one of the Mustard Seed Communities housing children living with HIV and Aids.

Haiti Handover

(L-R) President and CEO of Sagicor Life Jamaica Richard Byles presents President of Red Cross Jamaica, Dr. Jaslin Salmon and Director General Yvonne Clarke with Five Million Dollars to assist with relief and recovery efforts in Haiti. Sharing the momentous was Donovan Perkins, President and CEO of Pan Caribbean Financial Services Limited.

Opportunities multiply as they are seized

Accountability

SHAREHOLDER INFORMATION

Executive Annual and Long-Term Incentive Scheme

In 2010, Ordinary Shares were issued to Executives under the Executive Stock Option and Stock Grants Scheme in keeping with the company's Annual and Long-Term Incentive Scheme for Executives as follows:

No. of Stock Options	Exercise Price
779,243	5.52
265,000	4.20
Total 1,044,243	
No. of Stock Grants	
Total - 1,586,428	4.20

Dividends

An interim dividend of \$0.21 per share was declared by the Board of Directors on March 8, 2010 to shareholders registered on the books of the company as at the close of business on March 23, 2010 and paid on April 9, 2010.

On September 14, 2010 a further interim dividend of \$0.22 was declared to all shareholders registered as at September 29, 2010 and was paid on October 14, 2010.

The total dividend declared for the 2010 financial year was \$0.43 per share.

SLJ Share Purchase Plan

During the year 2010, 7,234,823 ordinary shares were acquired on behalf of the SLJ staff share purchase plan at a price of \$5.26 per share to 280 administrative staff and agents.

Analysis of Shareholding

Number of Shareholders by size of holding as at December 31, 2010

Size of Holding	Number of Shareholders		Percentage of Shareholders		Total Shares held		Percentage Shares held	
	2010	2009	2010	2009	2010	2009	2010	2009
1 - 10,000	6,321	6,351	70.46	70.22	19,902,306	20,014,500	0.53	0.53
10,001 – 25,000	1,168	1,190	13.02	13.16	20,324,546	20,628,897	0.54	0.55
25,001 – 50,000	627	632	6.99	6.99	24,055,946	24,166,198	0.64	0.64
50,001 – 100,000	359	371	4.00	4.1	27,381,082	28,828,665	0.73	0.77
100,001 – 500,000	349	347	3.89	3.84	78,466,358	77,761,914	2.09	2.07
500,001 – 1,000,000	57	62	0.64	0.69	42,708,541	46,031,791	1.13	1.22
1,000,001 & above	90	91	1.00	1	3,548,153,003	3,541,973,528	94.34	94.22
TOTAL	8,971	9,044	100%	100%	3,760,991,782	3,759,405,493	100	100

Number of Shareholders by Country of Residence and by Type

as at December 31, 2010

Country	Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%
Jamaica	380	95.48	7989	93.19	8,369	93.29
Barbados	4	1.01	18	0.21	22	0.24
Trinidad	3	0.75	8	0.09	11	0.12
Other Caribbean countries	8	2.01	33	0.39	41	0.46
United States	1	0.25	397	4.63	398	4.44
Canada	2	0.50	83	0.97	85	0.95
United Kingdom	0	0.00	37	0.43	37	0.41
Other	0	0.00	8	0.09	8	0.09
Total	398	100	8,573	100	8,971	100

Number of Shareholders by Country of Residence and by Type

as at December 31, 2009

Country	Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%
Jamaica	403	81.54	8037	93.21	8,440	93.32
Barbados	2	0	15	0.17	17	0.19
Trinidad	2	0.02	5	0.06	7	0.08
Other Caribbean countries	10	18.44	20	0.23	30	0.33
United States	1	0	400	4.64	401	4.43
Canada	2	0	83	0.96	85	0.94
United Kingdom	1	0	37	0.43	38	0.42
Other	-	-	26	0.3	26	0.29
Total	421	100	8,623	100	9,044	100

DISCLOSURE OF SHAREHOLDINGS

AS AT DECEMBER 31, 2010

SHAREHOLDINGS OF THE TWENTY LARGEST SHAREHOLDERS

AS AT DECEMBER 31, 2010

Total Issued Share Capital : 3,760,991,782

Total Authorized Share Capital : 13,598,336,700

SHAREHOLDER	NO. OF SHARES	% of shares owned
1. Sagicor Group (Sagicor Life Inc - 650,663,398) (LOJ Holdings Limited - 1,575,754,056)	2,226,417,454	60.00
2. First Jamaica Investments Ltd.	931,994,476	25.00
3. Ideal Portfolio Services Company Limited	37,086,958	0.99
4. National Insurance Fund	24,532,450	0.65
5. DONWIS Limited (- 6,285,680) (J.C.S.D. Reg - 13,272,860) (Connected person: Donovan Lewis - 3,100,000)	22,975,373	0.61
6. GraceKennedy & Company - Pension Scheme	22,319,685	0.59
7. Trading a/c SJIM 3119 (Scotia)	16,899,107	0.45
8. NEM Insurance Company Ja. LTD	16,729,484	0.44
9. NCB Insurance Co. Ltd (a/c WT 109)	15,105,751	0.40
10. PAM – JPS Employees’ Superannuation Fund	13,220,910	0.35
11. Mr. Richard Byles	12,504,423	0.34
12. Ravers Ltd	12,332,825	0.32
13. JCSD Trustee Services Ltd A/c#(76579-02)	12,200,458	0.30
14. Nem Insurance Company Limited	9,127,755	0.24
15. Mayberry West Indies	8,891,537	0.23
16. Capital & Credit Merchant Bank Ltd.	8,433,635	0.22
17. Jamaica National Building Society	8,023,479	0.21
18. National Commercial Bank Property A/C	7,772,121	0.20
19. JPS Superannuation Fund	7,503,272	0.19
20. LOJ PIF Equity Fund	6,552,899	0.17

SHAREHOLDINGS OF DIRECTORS

DIRECTORS/CONNECTED PERSONS	No. OF SHARES
1. Dr. Dodridge Miller	25,089
2. Mr. Richard Byles • Jacinth Byles (connected persons)	12,504,423
3. Dr. the Hon. R.D. Williams Ravers Ltd (connected persons)	NIL 12,332,825
4. Mr. Jeffrey Cobham	25,000
5. Mrs. Marjorie Fyffe Campbell	25,000
7. Mr. Paul Facey • Proban Ltd (connected persons)	119,600 1,704,295
8. Mr. Stephen Facey	237,270
9. Prof. Hilary McDonald Beckles	NIL
10. Mr. Paul Hanworth	25,000
11. Mr. Richard Downer	25,000
12. Mrs. Jacqueline D. Coke-Lloyd	25,000
13. Mr. William Lucie-Smith	NIL

SHAREHOLDINGS OF THE MANAGEMENT TEAM

EXECUTIVE MANAGEMENT/ CONNECTED PERSONS	NO. OF SHARES
1. Mr. Richard Byles • Jacinth Byles (connected person)	12,504,423
2. Mr. Errol McKenzie • Annette McKenzie (connected person)	2,390,824
3. Mr. Ivan Carter	854,954
4. Mrs. Janice A.M. Grant Taffe • Joseph Taffe (connected persons)	1,021,610
5. Mr. Rohan Miller	32,857
6. Mr. Mark Chisholm • Te-Anne Chisholm (connected persons) • Sharo Anne Chisholm • Jonel Chisholm	214,388
7. Karl Williams	10,000

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Wise Financial Thinking for Life

ACTUARY'S REPORT

APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the policy actuarial liabilities of Sagicor Life Jamaica Limited for the consolidated balance sheet, at December 31, 2010, and the change in the consolidated statement of operations, for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of the Sagicor Life Jamaica Limited business was conducted using the Policy Premium Method assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Actuarial Regulations, 2001. The valuation has been carried out in accordance with the International Financial Reporting Standard 4, Insurance Contracts and the results satisfy the liability adequacy tests as required by this standard. The valuation also complies with the Caribbean Actuarial Association's Practice Standards for Long-term Insurance Business (APS2). I did not perform the valuation for the liabilities of Sagicor Re Insurance Limited, a fully-owned property and casualty insurance subsidiary of Sagicor Life Jamaica Limited. I have performed the valuation of Sagicor Life of the Cayman Islands Ltd., a fully-owned subsidiary of Sagicor Life Jamaica Limited.

In my opinion, the amount of policy actuarial liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

Directors
Dr. the Hon. R.D. Williams O.J.,C.D.
Chairman
Richard O. Byles
President & CEO
Sir Hilary Beckles
Marjorie Fyffe-Campbell
Jeffrey C. Cobham
Jacqueline D. Coke-Lloyd
Richard Downer
Paul A.B. Facey
Stephen B. Facey
Paul R. Hanworth
William Lucie-Smith
Dr. Dodridge D. Miller
Janice A.M. Grant-Taffe
Corporate Secretary

Sagicor Life Jamaica Limited
28 - 48 Barbados Avenue
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www.sagicorja.com

JANET SHARP, FSA, MAAA, CERA
APPOINTED ACTUARY FOR SAGICOR LIFE JAMAICA LIMITED
25 FEBRUARY 2011

To the Members of
Sagicor Life Jamaica limited

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Sagicor Life Jamaica Limited and its subsidiaries, and the accompanying financial statements of Sagicor Life Jamaica Limited standing alone set out on pages 62 to 155 which comprise the consolidated and company financial position as of 31 December 2010 and the consolidated and company income statements, statements of comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatements.

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 controls 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 controls. 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.

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

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 accompanying financial statements give a true and fair view of the financial position of the Group and the company as of 31 December 2010, and of the financial performance and cash flows of the group and company for the year then ended, so far as concern the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
25 February 2011
Kingston, Jamaica

Consolidated Financial Position

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	Restated 2009 \$'000	Restated 2008 \$'000
ASSETS:				
Cash resources	6	2,891,408	4,490,318	3,583,864
Cash reserve at Bank of Jamaica	7	456,476	413,744	182,062
Financial investments	8	97,832,409	71,140,200	57,308,352
Securities purchased under resale agreements	9	2,191,587	6,456,558	4,448,058
Derivative financial instruments	10	290,777	155,374	2,957,306
Loans & leases, after allowance for credit losses	11	9,502,652	8,688,299	8,446,692
Investment properties	12	853,869	1,041,338	326,175
Investment in associated company	13	2,725	2,725	2,725
Property, plant and equipment	14	1,470,277	1,261,720	1,821,064
Retirement benefit assets	15	190,593	316,535	206,190
Reinsurance contracts	16	184,291	191,438	2,574,249
Pledged assets	17	8,117,235	18,221,416	18,079,991
Intangible assets	18	4,512,310	5,070,512	5,291,788
Deferred income taxes	19	112,383	826,072	636,485
Taxation recoverable		1,323,027	1,133,205	700,333
Other assets	20	2,669,446	3,105,438	4,665,384
Segregated funds' assets	21	9,809,444	8,516,279	6,560,697
		142,410,909	131,031,171	117,791,415
Assets classified as held for sale and discontinued operations	22	747,944	4,435,246	-
TOTAL ASSETS		143,158,853	135,466,417	117,791,415

Consolidated Financial Position (Cont'd)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	Restated 2009 \$'000	Restated 2008 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES:				
Stockholders' Equity Attributable				
Stockholders' of the Company				
Share capital	25	7,854,938	7,854,938	7,796,463
Stock options reserve	27	105,498	63,283	61,299
Investment and fair value reserves	28	833,083	(1,555,355)	(2,698,772)
Currency translation reserve	29	1,135,147	1,282,756	926,712
Other reserves	30	1,773,464	1,198,937	391,506
Retained earnings		13,500,914	11,018,150	9,066,612
		25,203,044	19,862,709	15,543,820
Non-controlling Interests		1,528,892	1,469,261	4,045,061
Total Equity		26,731,936	21,331,970	19,588,881
Liabilities				
Securities sold under repurchase agreements		48,377,528	42,036,038	39,957,153
Due to banks and other financial institutions	32	9,284,052	10,406,121	5,888,277
Customer deposits and other accounts	33	9,016,902	8,782,312	7,419,989
Structured products	34	484,428	473,266	1,087,540
Derivative financial instruments	10	158,360	200,706	2,703,316
Redeemable preference shares	35	616,000	1,271,319	1,271,190
Provisions	36	200,000	93,248	218,402
Taxation payable		222,593	43,152	153,763
Deferred income taxes	19	716,281	372,856	418,647
Retirement benefit obligations	15	665,782	500,407	430,422
Other liabilities	37	3,949,540	4,409,612	3,363,695
Policyholders' Funds				
Segregated funds' liabilities	21	9,809,444	8,516,279	6,560,697
Insurance contracts liabilities	38	20,306,980	18,699,137	15,418,023
Investment contracts liabilities	39	10,329,332	12,880,479	8,891,676
Other policy liabilities	40	2,289,695	1,951,116	4,419,744
		42,735,451	42,047,011	35,290,140
		116,426,917	110,636,048	98,202,534
Liabilities directly associated with assets classified as held for sale and discontinued operations		-	3,498,399	-
Total Liabilities		116,426,917	114,134,447	98,202,534
TOTAL EQUITY AND LIABILITIES		143,158,853	135,466,417	117,791,415

Approved for issue by the Board of Directors on 25 February 2011 and signed on its behalf by:


Hon. R. D. Williams, O.J. Chairman


Richard Byles Director

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Revenue:			
Gross premium revenue		16,648,590	21,276,019
Insurance premium ceded to reinsurers		(638,295)	(3,060,077)
Net premium revenue	42	16,010,295	18,215,942
Investment income	43	12,514,891	13,278,332
Impairment charge	44	(45,079)	(127,263)
Interest expense	45	(4,594,544)	(6,470,320)
Net investment income		7,875,268	6,680,749
Fee income -			
Administration	46	1,110,235	850,083
Other	46	313,391	247,306
		1,423,626	1,097,389
Other operating income		347,833	1,878,446
		25,657,022	27,872,526
Benefits:			
Insurance benefits incurred		8,713,438	10,312,960
Insurance benefits reinsured		(199,675)	(483,913)
Net insurance benefits	47	8,513,763	9,829,047
Net movement in actuarial liabilities	38(d)	1,955,076	2,503,597
Expenses:			
Provision for credit losses	11	41,079	89,832
Finance costs	48	137,861	194,015
Administration expenses	49	2,854,330	2,691,646
Salaries, pension contributions and other staff benefits	50(a)	3,160,755	3,395,984
Commission and sales expenses	50(b)	2,749,862	2,863,767
Depreciation	14	173,894	194,950
Amortisation of intangible assets	18	290,063	339,338
Premium taxes	51/62(ii)	307,238	273,989
		9,715,082	10,043,521
		20,183,921	22,376,165
Profit before Taxation		5,473,101	5,496,361
Taxation	51	(601,634)	(610,796)
NET PROFIT		4,871,467	4,885,565
Net Profit for the year from continuing operations		4,871,467	5,280,718
Net Loss for the year from discontinued operations		-	(395,153)
		4,871,467	4,885,565
Attributable to:			
- Profit for the year from continuing operations		4,671,171	4,687,267
- Loss for the year from discontinued operations		-	(297,155)
Stockholders of the parent company (total)		4,671,171	4,390,112
- Profit for the year from continuing operations		200,296	593,451
- Loss for the year from discontinued operations		-	(97,998)
Non-Controlling Interests (total)		200,296	495,453
		4,871,467	4,885,565
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic	52	1.24	1.17
Fully diluted	52	1.24	1.16

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
Net profit for the year	4,871,467	4,885,565
Other comprehensive income:		
Available-for-sale investments:		
Unrealised gains on available-for-sale investments	2,475,761	1,856,639
Gains/(losses) reclassified and reported in profit	152,983	(297,618)
	2,628,744	1,559,021
Owner occupied properties:		
Unrealised gains on owner occupied properties	16,497	21,586
Cash flow hedge:		
Unrealised losses on cash flow hedge	-	(197,597)
(Gains)/losses reclassified and reported in profit	(12,610)	48,301
	(12,610)	(149,296)
Retranslation of foreign operations	(147,609)	396,680
Negative goodwill from the purchase of shares in subsidiary	-	467,954
Total income recognised directly in stockholders' equity, net of tax	2,485,022	2,295,945
Total Comprehensive Income for the year, net of tax	7,356,489	7,181,510
Total Comprehensive Income attributable to:		
Equity owners of the stockholders of the company:		
Total comprehensive income for the year from continuing operations	6,909,795	6,652,960
Total comprehensive income for the year from discontinued operations	-	(253,373)
	6,909,795	6,399,587
Non-controlling Interests:		
Total comprehensive income for the year from continuing operations	446,694	865,513
Total comprehensive income for the year from discontinued operations	-	(83,590)
	446,694	781,923
	7,356,489	7,181,510

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

Note	Attributable to owners of the parent								Grand Total	
	Share Capital	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Owners' Total	Non-controlling Interests		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 31 December 2008	7,796,463	61,299	(2,698,772)	926,712	391,506	9,066,612	15,543,820	4,045,061	19,588,881	
Total comprehensive income for the year, as	-	-	1,185,477	356,044	-	4,858,066	6,399,587	781,923	7,181,510	
Transfer to special investment reserve	-	-	-	-	(80,191)	80,191	-	-	-	
Transfer to retained earnings	2(t)	-	-	-	854,851	(854,851)	-	-	-	
Transfer to retained earnings reserves	2(t)	-	(42,060)	-	-	42,060	-	-	-	
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	32,771	(32,771)	-	-	-	
Employee share option scheme – value of services provided		-	21,825	-	-	-	21,825	4,050	25,875	
Employee stock grants and options exercised		28,817	(19,841)	-	-	-	8,976	-	8,976	
Disposal of equity by the non-controlling interests		-	-	-	-	-	-	(3,033,825)	(3,033,825)	
Dividends paid to non-controlling interests		-	-	-	-	-	-	(327,948)	(327,948)	
Dividends paid to owners	31	-	-	-	-	(2,141,157)	(2,141,157)	-	(2,141,157)	
Issue of ordinary shares		29,658	-	-	-	-	29,658	-	29,658	
Balance at 31 December 2009		7,854,938	63,283	(1,555,355)	1,282,756	1,198,937	11,018,150	19,862,709	1,469,261	21,331,970

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2009	7,854,938	63,283	(1,555,355)	1,282,756	1,198,937	11,018,150	19,862,709	1,469,261	21,331,970
Total comprehensive income for the period	-	-	2,386,233	(147,609)	-	4,671,171	6,909,795	446,694	7,356,489
Transfer to special investment reserve	-	-	-	-	21,486	(21,486)	-	-	-
Transfer to capital redemption reserve	26	-	-	-	559,305	(559,305)	-	-	-
Transfer from retained earnings	2(t)	-	-	-	16,225	(16,225)	-	-	-
Transfer to retained earnings reserves	2(t)	-	(3,346)	-	-	3,346	-	-	-
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	(22,489)	22,489	-	-	-
Employee share option scheme - value of services provided	-	45,311	-	-	-	-	45,311	159	45,470
Employee stock grants and options exercised	-	(3,096)	-	-	-	-	(3,096)	-	(3,096)
Disposal of subsidiary	-	-	5,551	-	-	-	5,551	(325,270)	(319,719)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(85,002)	(85,002)
Dividends paid to owners	31	-	-	-	-	(1,617,226)	(1,617,226)	-	(1,617,226)
Dilution of interest in subsidiary	-	-	-	-	-	-	-	23,050	23,050
Balance at 31 December 2010	7,854,938	105,498	833,083	1,135,147	1,773,464	13,500,914	25,203,044	1,528,892	26,731,936

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

Note	Other Reserves				Total
	Capital redemption reserve	Special investment reserve	Loan loss reserve	Retained earnings reserve	
	\$'000	\$'000	\$'000	\$'000	
Balance at 31 December 2008	2,675	207,628	(22,398)	203,601	391,506
Transfer from retained earnings	2(t)	-	-	854,851	854,851
Transfer from special investment reserve	2(t)	-	(80,191)	-	(80,191)
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	32,771	32,771
Balance at 31 December 2009	2,675	127,437	10,373	1,058,452	1,198,937
Transfer to capital redemption reserve	26	559,305	-	-	559,305
Transfer from retained earnings		-	-	16,225	16,225
Transfer to special investment reserve	2(t)	-	21,486	-	21,486
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	(22,489)	(22,489)
Balance at 31 December 2010	561,980	148,923	(12,116)	1,074,677	1,773,464

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Investment and Fair Value Reserves			
	Available-for-sale fair value reserves	Owner-occupied-properties fair value reserves	Cash flow hedges fair value reserves	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2008	(3,251,896)	447,456	105,668	(2,698,772)
Net gains recycled to revenue on disposal and maturity of available-for-sale securities	(297,618)	-	-	(297,618)
Net unrealised gains on available-for-sale securities	1,426,155	-	-	1,426,155
Net unrealised losses on cash flow hedges	-	-	(97,966)	(97,966)
Net unrealised gains on revaluation of owner-occupied properties	-	21,586	-	21,586
Deferred tax on unrealised security gains	130,828	-	-	130,828
Fair value adjustments in equities	54,734	-	-	54,734
Currency translation	(52,242)	-	-	(52,242)
Total comprehensive income for the year	1,261,857	21,586	(97,966)	1,185,477
Transfer to retained earnings reserve	(42,060)	-	-	(42,060)
Balance at 31 December 2009	(2,032,099)	469,042	7,702	(1,555,355)
Net losses recycled to revenue on disposal and maturity of available-for-sale securities	152,983	-	-	152,983
Net unrealised gains on available-for-sale securities	3,200,471	-	-	3,200,471
Net unrealised losses on cash flow hedges	-	-	(10,744)	(10,744)
Net unrealised gains on revaluation of owner-occupied properties	-	16,497	-	16,497
Deferred tax on unrealised security gains	(889,109)	-	-	(889,109)
Fair value adjustments in equities	(46,982)	-	-	(46,982)
Currency translation	(36,883)	-	-	(36,883)
Total comprehensive income for the year	2,380,480	16,497	(10,744)	2,386,233
Transfer from retained earnings	15,733	-	-	15,733
Transfer to retained earnings reserve	(19,079)	-	-	(19,079)
Disposal of subsidiary	5,551	-	-	5,551
Balance at 31 December 2010	350,586	485,539	(3,042)	833,083

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Net profit		4,871,467	4,885,565
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Depreciation	14	173,892	194,950
Interest income	43	(10,738,819)	(12,504,752)
Interest expense and finance costs	45	4,732,405	6,664,335
Income tax expense	51	916,996	884,785
Gain on disposal of investments		(1,374,111)	(355,509)
Loss on disposal of subsidiary		519	-
Fair value gains on trading securities		-	(5,080)
Fair value losses on derivative financial instruments		-	2,984
Impairment charge on investments, loans and other assets		106,072	223,875
Share based compensation		69,911	34,119
Losses/(gains) on revaluation of investment properties	12	3,000	(16,858)
Amortisation of hedging reserve		(18,915)	-
(Gains)/losses on disposal of property, plant and equipment		(1,628)	5
Amortisation of intangible assets	18	290,063	339,338
(Decrease)/increase in policyholders' funds		(3,753,247)	4,201,255
Net movement in actuarial liabilities	38(d)	1,955,076	2,503,595
Retirement benefit obligations		291,317	(33,551)
Effect of exchange gain on foreign balances		(1,221,123)	(485,420)
		<u>(8,568,592)</u>	<u>1,648,071</u>
Changes in other operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		(78,710)	(214,029)
Securities sold under repurchase agreements		9,053,235	172,324
Structured products and derivatives		(31,185)	(541,878)
Stock grants		9,874	-
Due from/(to) related parties		379,489	65,367
Other assets, net		333,308	558,917
Customer deposits and other accounts		1,333,686	603,165
Other liabilities, net		(735,153)	3,707,035
		<u>10,264,544</u>	<u>4,350,901</u>
Net investment purchases:			
Proceeds on sale of investment securities		41,004,968	12,568,639
Purchase of investment properties	12	(4,235)	(28,737)
Proceeds on sale of investment properties		144,003	-
Purchase of investment securities		(53,620,173)	(22,602,593)
Loans		(1,775,662)	397,786
Lease receivables		9,546	24,181
		<u>(14,241,553)</u>	<u>(9,640,724)</u>
		<u>(7,674,134)</u>	<u>1,243,813</u>
Interest received		10,724,115	11,848,069
Interest paid		(5,192,408)	(6,380,578)
Income tax paid		(884,280)	(843,666)
Net cash (used in)/provided by operating activities		<u>(3,026,707)</u>	<u>5,867,638</u>

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Cash Flows (Cont'd)

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities		<u>(3,026,707)</u>	<u>5,867,638</u>
Cash Flows from Investing Activities			
Acquisitions, net of cash	61	(19,065)	(2,461,087)
Proceeds from disposal of subsidiary, net of cash	60	935,479	-
Purchase of property, plant and equipment	14	(335,101)	(202,954)
Proceeds from sale of property, plant and equipment		1,770	6,734
Purchase of intangible assets	18	(109,956)	(29,092)
Net cash provided by/(used in) investing activities		<u>473,127</u>	<u>(2,686,399)</u>
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,617,226)	(2,141,157)
Dividends paid to non-controlling interests		(85,002)	(327,948)
Redemption of preference shares		(651,472)	-
Dilution of shares		9,908	-
Issue of ordinary shares to non-controlling interests		-	58,475
Net cash used in financing activities		<u>(2,343,792)</u>	<u>(2,410,630)</u>
Effect of exchange rate on cash and cash equivalents		(268,403)	724,931
(Decrease)/increase in net cash and cash equivalents		(4,897,372)	770,609
Cash and cash equivalents at beginning of year		11,043,291	9,547,751
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	<u>5,877,516</u>	<u>11,043,291</u>

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Company Statement of Financial Position

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	Restated 2009 \$'000	Restated 2008 \$'000
ASSETS:				
Cash resources	6	368,974	544,079	269,379
Financial investments	8	33,976,236	27,912,725	22,922,310
Securities purchased under resale agreements	9	1,585,906	3,413,950	1,392,577
Lease receivables	11	1,767	2,081	4,819
Investment properties	12	490,305	665,000	326,175
Investment in associated company	13	2,725	2,725	2,725
Property, plant and equipment	14	1,250,162	1,012,727	1,254,883
Retirement benefit assets	15	184,482	249,033	184,482
Reinsurance contracts	16	44,022	53,612	57,848
Intangible assets	18	2,435,456	2,489,595	2,607,774
Other assets	20	3,082,359	3,625,352	2,941,025
Investment in subsidiaries	24	12,927,631	9,145,964	6,071,365
Taxation recoverable		248,738	521,123	415,036
Segregated funds' assets	21	9,321,013	8,014,361	6,295,831
		65,919,776	57,652,327	44,746,229
Assets classified as held for sale	22	747,944	-	-
Total Assets		66,667,720	57,652,327	44,746,229

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Company Statement of Financial Position (Cont'd)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	Restated 2009 \$'000	Restated 2008 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES				
Stockholders' Equity				
Share capital	25	7,854,938	7,854,938	7,796,463
Capital redemption reserve	26	2,675	2,675	2,675
Share options reserve	27	78,489	37,274	35,166
Investment and fair value reserves	28	6,660,444	1,970,123	(457,450)
Special investment reserve	30	173,839	157,614	141,576
Retained earnings		9,872,956	8,346,861	7,126,576
		24,643,341	18,369,485	14,645,006
Liabilities				
Due to banks and other financial institutions	32	702,525	2,086,027	1,493,635
Provisions	36	-	93,248	218,402
Taxation payable		70,596	10,782	96,816
Deferred income taxes	19	228,036	39,534	230,932
Retirement benefit obligations	15	610,491	454,684	397,849
Other liabilities	37	3,294,386	4,888,729	1,911,500
Policyholders' funds				
Segregated funds' liabilities	21	9,321,013	8,014,361	6,295,831
Insurance contracts liabilities	38	18,765,934	17,105,667	13,779,921
Investment contracts liabilities	39	7,291,876	5,043,777	4,389,509
Other policy liabilities	40	1,739,522	1,546,033	1,286,828
		37,118,345	31,709,838	25,752,089
Total Liabilities		42,024,379	39,282,842	30,101,223
Total Stockholders' Equity and Liabilities		66,667,720	57,652,327	44,746,229

Approved for issue by the Board of Directors on 25 February 2011 and signed on its behalf by:


 Hon. R. D. Williams, O.J. Chairman


 Richard Byles Director

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Company Income Statement

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Revenue:			
Gross premium revenue		15,321,826	15,597,567
Insurance premium ceded to reinsurers		(296,625)	(160,355)
Net premium revenue	42	15,025,201	15,437,212
Investment income	43	4,517,311	3,838,241
Impairment charge	44	(4,253)	(34,132)
Interest expense	45	(675,323)	(674,014)
		3,837,735	3,130,095
Fee income -			
Administration	46	834,380	595,057
Other	46	119,409	90,950
		953,789	686,007
Other operating income		220,569	891,250
		20,037,294	20,144,564
Benefits:			
Insurance benefits incurred		8,122,946	8,072,133
Insurance benefits reinsured		(120,329)	(72,615)
Net insurance benefits	47	8,002,617	7,999,518
Net movement in actuarial liabilities	38(b)	1,940,721	2,545,882
Expenses:			
Administration expenses	49	1,877,418	1,682,885
Salaries, pension contributions and other staff benefits	50(a)	1,919,137	1,698,897
Commission and sales expenses	50(b)	2,435,934	2,236,926
Depreciation	14	116,129	102,247
Amortisation of intangible assets	18	139,173	139,152
Premium taxes	51/62(ii)	307,238	273,989
		6,795,029	6,134,096
		16,738,367	16,679,496
Profit before Taxation		3,298,927	3,465,068
Taxation	51	(158,461)	(129,648)
NET PROFIT		3,140,466	3,335,420

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Company Statement of Comprehensive Income

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	Restated 2009 \$'000
Net profit for the year	3,140,466	3,335,420
Other comprehensive income:		
Available-for-sale investments:		
Unrealised gains on available-for-sale investments	254,581	728,757
Gains/(losses) reclassified and reported in profit	678,662	(34,160)
	<u>933,243</u>	<u>694,597</u>
Owner occupied properties	16,497	-
Unrealised gains in fair value of investment in subsidiaries	3,759,661	1,775,036
Total income recognised directly in stockholders' equity, net of tax	<u>4,709,401</u>	<u>2,469,633</u>
Total Comprehensive Income for the year, net of tax	<u>7,849,867</u>	<u>5,805,053</u>

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital reserve	Share option reserve	Investment and fair value reserves	Special Investment Reserve	Retained earnings	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2008, as previously stated		7,796,463	2,675	35,166	(1,399,316)	141,576	7,126,576	13,703,140
Restatement	62(i)	-	-	-	941,866	-	-	941,866
Balance at 31 December 2008, as restated		7,796,463	2,675	35,166	(457,450)	141,576	7,126,576	14,645,006
Total comprehensive income for the year, as restated		-	-	-	2,469,633	-	3,335,420	5,805,053
Transfer to special investment reserves		-	-	-	-	16,038	(16,038)	-
Transfer to retained earnings	2(t)	-	-	-	(42,060)	-	42,060	-
Employee share option scheme – value of services provided		-	-	21,949	-	-	-	21,949
Employee share grants and options exercised		28,817	-	(19,841)	-	-	-	8,976
Dividends paid to owners	31	-	-	-	-	-	(2,141,157)	(2,141,157)
Issue of ordinary shares		29,658	-	-	-	-	-	29,658
Restated balance at 31 December 2009		7,854,938	2,675	37,274	1,970,123	157,614	8,346,861	18,369,485
Total comprehensive income for the year		-	-	-	4,709,401	-	3,140,466	7,849,867
Transfer to special investment reserves		-	-	-	-	16,225	(16,225)	-
Transfer to retained earnings	2(t)	-	-	-	(19,080)	-	19,080	-
Employee share option scheme – value of services provided		-	-	44,311	-	-	-	44,311
Employee share grants and options exercised		-	-	(3,096)	-	-	-	(3,096)
Dividends paid to owners	31	-	-	-	-	-	(1,617,226)	(1,617,226)
Balance at 31 December 2010		7,854,938	2,675	78,489	6,660,444	173,839	9,872,956	24,643,341

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Company Statement of Cash Flows

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Net profit		3,140,466	3,335,420
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Depreciation	14	116,129	102,247
Interest income	43	(3,397,079)	(3,351,983)
Interest expense	45	675,323	674,014
Income tax expense	51	465,699	403,637
Gain on disposal of investments		(726,002)	(59,717)
Impairment charge		4,254	34,132
Share based compensation		55,600	30,949
Losses on revaluation of investment properties	12	3,000	1,011
(Gains)/losses on disposal of property, plant and equipment		(1,628)	516
Amortisation of intangible assets	18	139,173	139,152
Increase in policyholders' funds		2,272,829	663,960
Net movement in actuarial liabilities	38(d)	1,940,721	2,545,882
Retirement benefit obligations		220,354	(7,712)
Effect of exchange losses/(gains) on foreign balances		346,595	(423,118)
		<u>2,114,968</u>	<u>752,970</u>
Changes in other operating assets and liabilities:			
Due from/(to) related companies		396,510	(958,684)
Reinsurance contracts		9,610	4,236
Share based compensation		9,874	-
Other assets, net		215,735	(101,845)
Other liabilities, net		(1,190,136)	2,036,166
		<u>(558,407)</u>	<u>979,873</u>
Net investment purchases:			
Purchase of investment properties	12	(1,308)	(8,847)
Securities sold under resale agreement		-	(4,201)
Purchase of investment securities		(25,746,816)	(9,093,023)
Proceeds from the sale of investment securities		21,184,243	5,535,992
Proceeds on sale of investment property		144	-
Lease receivables		525	2,364
		<u>(4,563,212)</u>	<u>(3,567,715)</u>
		<u>(3,006,651)</u>	<u>(1,834,872)</u>
Interest received		2,885,286	3,130,509
Interest paid		(763,436)	(619,564)
Income tax paid		(724,108)	(395,763)
Net cash provided by operating activities		<u>1,531,557</u>	<u>3,615,730</u>

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Company Statement of Cash Flows (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities		<u>1,531,557</u>	<u>3,615,730</u>
Cash Flows from Investing Activities			
Acquisitions, net of cash	24	(22,006)	(1,299,563)
Purchase of property, plant and equipment	14	(242,209)	(123,691)
Proceeds from sale of property, plant and equipment		1,770	5,872
Purchase of intangible assets	18	(85,034)	(20,973)
Net cash used in investing activities		<u>(347,479)</u>	<u>(1,438,355)</u>
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,617,226)	(2,127,397)
Loan from fellow subsidiary		(1,820,919)	1,786,558
Issue of ordinary shares		-	58,475
Net cash used in financing activities		<u>(3,438,145)</u>	<u>(282,364)</u>
Effect of exchange rate on cash and cash equivalents		(63,208)	107,807
(Decrease)/increase in cash and cash equivalents		(2,254,067)	1,895,011
Cash and cash equivalents at beginning of year		4,286,930	2,284,112
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	<u>1,969,655</u>	<u>4,286,930</u>

The accompanying notes on pages 72 - 155 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

- (a) Sagicor Life Jamaica Limited (SLJ, the company) is incorporated and domiciled in Jamaica. It is 41.9% (2009 – 41.90%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (Sagicor), which is incorporated and domiciled in Barbados. Sagicor has an overall interest of 59.20% (2009 - 59.20%) in Sagicor Life Jamaica Limited. The other significant shareholder in Sagicor Life Jamaica Limited is First Jamaica Investments Limited with a 24.46% holding (2009 - 24.44%).

The main activities of the company include the provision of life and health insurance, pension administration, investment services, pension and retirement products. The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

The company is registered to conduct business under the Insurance Act, 2001.

The company is listed on the Jamaica Stock Exchange.

- (b) The company, its subsidiaries and associate all have co-terminous year ends. The company's subsidiaries and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Incorporated In	Holding
Sagicor Life of the Cayman Islands Ltd. and its subsidiary –	Life insurance	Grand Cayman	100%
Sagicor Insurance Managers Ltd	Captives management	Grand Cayman	100%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	100%
Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
Sagicor Pooled Investment Funds Limited	Pension fund management (Note 1(c))	Jamaica	100%
Sagicor Re Insurance Limited	Property and casualty insurance (captive)	Grand Cayman	100%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
Sagicor International Administrators Limited	Group Insurance Administration	Jamaica	100%
Health Corporation of Jamaica Limited	Health management services (dormant)	Jamaica	100%

1. Identification and Activities (Continued)

- (b) (Continued)

Subsidiaries	Principal Activities	Incorporated In	Holding
Pan Caribbean Financial Services Limited (PCFS) and its subsidiaries:	Investment banking	Jamaica	85.85%
PanCaribbeanBank Limited (PCB)	Commercial banking	Jamaica	85.85%
Pan Caribbean Asset Management Limited (PCAM)	Unit trust management	Jamaica	85.85%
Manufacturers Investments Limited (MIL)	Investment management services	Jamaica	85.85%
Pan Caribbean Investments Limited (PCIL)	Inactive	Jamaica	85.85%
Pan Caribbean Securities Limited (PCSL)	Inactive	Jamaica	85.85%

Effective 1 January 2010, the Group disposed of its 75.2% interest in Sagicor General Insurance (Cayman) Ltd., a property and casualty and health insurance provider which is incorporated in Grand Cayman. Through the agreement, the Group simultaneously purchased the downstream subsidiary of Sagicor General Insurance (Cayman) Ltd., Sagicor Insurance Managers Ltd (see Notes 22 and 60 for details).

- (c) Sagicor Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of pension funds. At 30 September 2010, the audited assets totalled \$45,106,575,000 (2009 - \$40,374,790,000). At 31 December 2010, the unaudited assets totalled \$46,139,412,000 (2009 - \$41,372,712,000).
- (d) The company also operates a number of self-directed pension funds on behalf of clients. At 31 December 2010, the unaudited assets totalled \$18,437,949,000 (2009 - \$14,709,905,000).

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) which include International Accounting Standards (IAS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property, certain property, plant and equipment, and financial assets and liabilities at fair value through profit or loss.

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 Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, amendments and interpretations to published standards effective 1 January 2010 that are relevant to the Group's operations

- **IAS 1 (Amendment), 'Presentation of financial statements'**. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this amendment did not have any impact on the Group's financial statements.
- **IAS 19 (Amendment), 'Employee benefits'** (effective from 1 July 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost, if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from the measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

The amended standard has also deleted guidance stating that IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised.

This amendment did not have any significant impact on the Group's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards amendments and interpretations to published standards effective 1 January 2010 that are relevant to the Group's operations (continued)

- **IAS 36 (Amendment), 'Impairment of assets'** (effective from 1 January 2010). The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). This amendment did not have any significant impact on the Group's financial statements.
- **IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'** (effective from 1 July 2009). Clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:
 - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. This amendment did not have any significant impact on the Group's financial statements.

- **IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions'** (effective from 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. These amendments do not have a material impact on the Group financial statements.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards amendments and interpretations to published standards effective 1 January 2010 that are relevant to the Group's operations (continued)

- **IFRS 3 (Amendment), 'Business combinations'**. This amendment clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

As it relates to the measurement of non-controlling interests, the amendment also clarifies that the choice of measuring noncontrolling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of noncontrolling interest are measured at fair value unless another measurement basis is required by IFRS.

The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

The Group and the company will apply the amendments to IFRS 3 from the date IFRS 3 (revised) was adopted. The Group had no significant impact from adoption of this amendment.

- **IFRS 5, 'Non-current assets held for sale and discontinued operations'**. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The adoption of this amendment has no impact on the Group's financial statements.
- **IAS 7 (Amendment), 'Statement of Cash Flows'**: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment has no impact on the Group's financial statements.
- **IFRS 8 (Amendment), 'Operating Segments'** (effective from 1 January 2010). The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendments have no impact on segment assets and liabilities reported in the Group's financial statements.
- **IFRIC 17, 'Distribution of non-cash assets to owners'** (effective from 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5, 'Non-current assets held for sale and discontinued operations', has also been amended to require that assets are classified as held for distribution in their present condition and the distribution is highly probable. There has been no impact on the Group and the company's financial statements in the current year as there are no planned distributions of non-cash assets to shareholders.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the year end date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 1 (Amendment), 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 January 2011). The amendment is a part of the IASB's annual improvements project published in 2010 and clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is not expected to have a significant impact on the Group's financial statements.
- **IAS 12 (Amendment), 'Income taxes'** (effective for annual periods beginning on or after 1 January 2012). The amendment requires an entity to measure deferred taxes relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. For assets measured using the fair value model in IAS 40, 'Investment properties', it is often difficult and subjective to assess whether recovery will be through use or through sale. The adoption of this amendment is not expected to have a significant impact on the Group's financial statements.
- **IAS 24 (Amendment), 'Related party disclosures'** (effective for annual periods beginning on or after 1 January 2011). Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the company will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information and determine its impact.
- **IAS 32 (Amendment), 'Financial instruments: Presentation - Classification of rights issues'** (effective for annual periods beginning on or after 1 February 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors', and earlier application is permitted. The amendment is not expected to have an impact on the Group's financial statements.
- **IFRS 7 (Amendment), 'Financial instruments'** (effective from 1 January 2011). This amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments were also made to quantitative and credit risk disclosures. The adoption of this amendment will result in changes in the presentation of credit risk disclosures in the Group's financial statements.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **IFRS 9, 'Financial instruments'** part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2013) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Financial liabilities: Entities with financial liabilities designated as fair value through profit or loss recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments'**, (effective for annual periods beginning on or after 1 July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, however, this interpretation is not expected to have any impact on the Group or the company's financial statements

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'**. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates may include intangible assets (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the company trades in foreign currency.

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- short term deposits,
- other liquid securities with maturities of three months or less from the acquisition date,
- bank overdrafts which are repayable on demand; and
- other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

(f) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial asset at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in consolidated statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. Where fair value cannot be measured reliably they are measured at cost less impairment.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Investments in subsidiaries are stated in the company's financial statements initially at cost. They are subsequently measured at fair value.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Investment property

Property held for long-term rental yields that is not occupied by the companies within the Group is classified as investment property.

Investment property comprises freehold land and building and is carried at fair value, representing open market value determined annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes the cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

(h) Securities purchased/sold under agreements to resell/repurchase

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(i) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(j) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as commitments off the statement of financial position.

(k) Impairment of assets

(i) Assets carried at amortised cost

The Group assesses at each year end date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt with in a non-distributable loan loss reserve as an adjustment to retained earnings.

(ii) Assets classified as available-for-sale

The Group assesses at each year end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from stockholders' equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(iii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

(iv) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(l) Offsetting financial instruments

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

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(m) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the income statement.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings		2.5%
Leasehold improvements	Period of lease, not to exceed ten years	
Computer equipment		20 - 33 $\frac{1}{3}$ %
Furniture		10%
Other equipment		15%
Motor vehicles		20%
Leased assets	Shorter of period of lease or useful life of asset	

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(n) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates.

2. Summary of Significant Accounting Policies (Continued)

(o) Intangible assets

(i) Goodwill (continued)

Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

At each year end date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post-acquisition losses is taken to income during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.

(ii) Contractual customer relationships – rights to receive investment management fees

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered.

The asset represents the Group's contractual right to benefit from providing asset management services and is amortised on a straight line basis over the period in which the Group expects to recognise the related revenue. The costs of securing the right to provide asset management services do not include transaction costs relating to the origination of the investment contract.

(iii) Contractual customer relationships acquired as part of a business combination

The accounting policy in respect of intangible assets arising from insurance contracts acquired in a business combination and portfolio transfer is also described in Note (2 (x)).

(iv) Trademarks and licences

Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(v) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefits

(i) Pension obligations

The company and its subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the year end date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses, past service costs and any unrecognised assets. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year in accordance with IAS 19. The pension obligation is measured as the present value of the estimated future cash outflows using estimated discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the income statement if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the income statement over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the income statement in the period to which they relate.

(ii) Other post-retirement obligations

The Group also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified actuaries.

(iii) Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefits (continued)

(iv) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each year end date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital.

Employees, agents and sales managers of the company are also eligible to purchase shares in the company under a share purchase plan.

(v) Productivity bonus plan

The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to non-executive administrative staff based on a formula that takes into consideration the profit attributable to the company's stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary separation. Benefits falling due more than twelve months after the year end date are discounted to present value.

(q) Segregated funds

The Group manages a number of segregated funds on behalf of policyholders. The investment returns on these unitised funds accrue directly to the policyholders, with the Group assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Group. Income earned from fund management fees is included in other income in the consolidated income statement. Investments held in segregated funds are carried at their fair values. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(r) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(i) Share issuance cost

Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Mandatorily redeemable preference shares are classified as liabilities (Note 2(u)).

(iii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's stockholders.

Dividends for the year that are declared after the year end date are dealt with in the subsequent events note.

(s) Special investment reserve

Unrealised gains on investment properties are recorded in the income statement under IFRS. Regulatory reserve requirements are met through the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at 10%.

(ii) Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

(t) Transfers to retained earnings

Unrealised gain on quoted equities is recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.

(ii) Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

2. Summary of Significant Accounting Policies (Continued)

(u) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently 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 interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

(v) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through profit or loss (Note 2(ff)). The non-derivative elements are stated at amortised cost using the effective interest method.

(w) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method.

(x) Insurance and investment contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk as defined above.

(ii) Recognition and measurement

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.1) Short-term insurance contracts

These contracts are casualty, property and short-duration life and health insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (Continued)

(ii) Recognition and measurement (continued)

(1.1) Short-term insurance contracts (continued)

Short duration life and health insurance contracts protect the Group's customers from the consequences of events (such as sickness, death and disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For most of these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the year end date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include claims settlement costs and arise from events that have occurred up to the year end date even if they have not yet been reported to the Group. Significant delays may be experienced in the notification and settlement of certain types of claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year end date. Provision for certain claims is therefore discounted using rates having regard to the returns generated by the assets supporting the liabilities. Liabilities for unpaid claims are estimated using case reserves, statistical analyses for the claims incurred but not reported and a provision for unallocated loss adjustment expenses.

(1.2) Long-term traditional insurance contracts -

These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature (1.3) as the amount of additional benefits is not paid at the discretion of the Group.

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, persistency rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the income statement.

Maturities and annuities are accounted for when due.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.2) Long-term traditional insurance contract (continued)

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

(1.3) Long-term insurance contracts without fixed terms and without discretionary participation features (DPF) –

A DPF is a contractual right to receive, as a supplement to the guaranteed benefit, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
 - The performance of a specified pool of contracts or specified type of contract; and
 - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - The profit or loss of the company, fund or other entity that issues the contract.

These contracts include interest-sensitive and unit-linked universal life type policies which are classified as insurance liabilities.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred during the period are charged as expenses in the income statement.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

- (1.3) Long-term traditional insurance contract without fixed terms and with discretionary participation features (DPF) (continued)

Investment contracts without discretionary participatory feature (DPF) –

The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at fair value through the profit or loss.

Valuation techniques are used to establish the fair value at inception and each reporting date.

- (1.4) Investment contracts without discretionary participatory feature (DPF)

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the year end date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

- (iii) Amounts on deposit and deposit administration funds

These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. The company earns administration and investment fees on the management of these funds.

- (iv) Liability adequacy test

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

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

- (vi) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

- (vii) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(y) Provisions

If there is objective Provisions are recognised when the Group has a present 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition

(i) Premium income

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fee income

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(iii) Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(iii) Interest income (continued)

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(aa) Interest expense

Interest expense is recognised in the income statement on an accrual basis using the effective yield method.

Amounts paid under contracts with principally financial risk are recorded directly to the statement of financial position as an adjustment. The interest credited to these funds is recorded as an interest expense.

(bb) Commissions

Commissions are expensed over the policy year on the same basis as earned premiums.

(cc) Taxation

Taxation expense in the income statement comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the income statement except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at year end date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(dd) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the company or its subsidiaries act in a fiduciary capacity such as nominee, trustee or agent.

(ee) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investments, securities purchased under resale agreement, other assets, and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 53.

(ff) Derivative financial instruments and hedging activities

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in stockholders' equity, in the fair value reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income.

2. Summary of Significant Accounting Policies (Continued)

(gg) Discontinued operations

The Group presents discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (a) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated income statement.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Insurance

(a) The ultimate liability arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

(b) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by \$1,750,772,000 (2009 - \$1,525,658,000).

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(i) Insurance (continued)

(b) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets (continued)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Where the average future investment returns decrease by 0.5% for ten years from management's estimates, the insurance liability would increase by \$8,016,905,000 (2009 - \$5,561,153,000).

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Where the actual lapse experience differs by 200% or by 50% of expected lapse experience the liability would increase by \$1,412,280,000 (2009 - \$2,927,830,000).

(ii) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

If the expected return on plan assets were to change by 1% the net expense would change by \$101,148,000 for the Group and \$92,635,000 for the company. If the discount rate changed by 1% then the expense would change by \$137,010,000 for the Group and \$104,730,000 for the company.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(iii) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilisation of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisers to assist management in determining the recognition and measurement of these assets.

(iv) Estimated impairment of intangible assets

Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Group as a whole.

Other intangible assets

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

(v) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

Notes to the Financial Statements (Continued)

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5. Segmental Financial Information

Management has determined the operating segment based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into five primary business segments:

- Individual Lines Services - This includes provision of life insurance, health and annuity services to individuals.
- Employee Benefits Services – This includes group and creditor life, personal accident, group annuities, pension funds investment and administration services and the administration of trust accounts.
- General Insurance Services – This includes property and casualty insurance.
- Banking and Asset Management – This includes development, commercial and merchant banking, and asset management.
- Other Services – This comprises property management, captives management and stockholders' funds.

For the current year, a significant portion of the general insurance services segment was been disposed of. The results of this segment are now included in 'Other Services'.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations and business development loans.

5. Segmental Financial Information (Continued)

	The Group 2010					
	Individual Lines Services	Employee Benefits Services	Banking and Asset Management Services	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	8,409,613	12,085,552	3,608,088	1,553,769	-	25,657,022
Revenue from other segments	105,866	41,929	103,592	(10,796)	(240,591)	-
Total revenue	8,515,479	12,127,481	3,711,680	1,542,973	(240,591)	25,657,022
Benefits and expenses	(6,205,706)	(8,529,832)	(1,501,685)	(1,332,422)	249,866	(17,319,789)
Change in actuarial liabilities	(226,342)	(1,728,734)	-	-	-	(1,955,076)
Depreciation	(78,020)	(33,210)	(45,323)	(17,341)	-	(173,894)
Amortization of purchased intangibles	-	(107,462)	(99,007)	-	-	(206,469)
Amortization of software	(7,981)	(9,362)	(51,622)	(14,629)	-	(83,594)
Premium taxes	(255,577)	(51,661)	-	-	-	(307,238)
Finance costs	-	-	(137,861)	(18,703)	18,703	(137,861)
Profit before tax	1,741,853	1,667,220	1,876,182	159,878	27,968	5,473,101
Taxation	(77,677)	(181,904)	(451,147)	109,094	-	(601,634)
Net profit	1,664,176	1,485,316	1,425,035	268,972	27,968	4,871,467
Segment assets - Intangible assets	1,311,935	1,512,958	1,615,222	72,195	-	4,512,310
Other assets	35,837,210	27,248,965	71,836,827	8,382,809	(4,964,969)	138,340,842
Unallocated assets - Investments in associates (Note 13) Deferred income taxes (Note 19) Retirement benefit assets (Note 15)	37,149,145	28,761,923	73,452,049	8,455,004	(4,964,969)	142,853,152
Segment liabilities	26,569,578	23,423,124	61,590,324	8,508,507	(5,046,679)	115,044,854
Unallocated liabilities - Deferred income taxes (Note 19) Retirement benefit obligations (Note 15)	-	-	-	-	-	2,725
Other segment items - Capital expenditure (Note 14)	-	-	-	-	-	112,383
	-	-	-	-	-	190,593
	-	-	-	-	-	143,158,853
	-	-	-	-	-	716,281
	-	-	-	-	-	665,782
	-	-	-	-	-	116,426,917
	-	-	-	-	-	335,101

Notes to the Financial Statements (Continued)

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5. Segmental Financial Information (Continued)

	The Company			
	2010			
	Individual Lines Services	Employee Benefit Services	Other Services	Total
	\$'000	\$'000	\$'000	\$'000
Revenues	6,965,088	12,054,084	1,018,122	20,037,294
Benefits and expenses	(5,217,560)	(8,481,172)	(536,374)	(14,235,106)
Depreciation	(70,619)	(33,210)	(12,300)	(116,129)
Change in actuarial liabilities	(213,300)	(1,727,421)	-	(1,940,721)
Amortisation of purchased intangible	-	(107,462)	-	(107,462)
Amortisation of software	(7,792)	(9,362)	(14,557)	(31,711)
Premium taxes	(255,577)	(51,661)	-	(307,238)
Profit before taxation	1,200,240	1,643,796	454,891	3,298,927
Taxation	(77,677)	(181,753)	100,969	(158,461)
Net profit	1,122,563	1,462,043	555,860	3,140,466
Segment assets -				
Intangible assets	884,460	1,512,958	38,038	2,435,456
Other assets	16,944,289	27,025,924	7,147,213	51,117,426
	17,828,749	28,538,882	7,185,251	53,552,882
Unallocated assets -				
Retirement benefit assets (Note 15)				184,482
Investments in associates (Note 13)				2,725
Investment in subsidiaries (Note 24)				12,927,631
				66,667,720
Segment liabilities	14,625,296	23,311,603	3,248,953	41,185,852
Unallocated liabilities -				
Deferred income taxes (Note 19)				228,036
Retirement benefit obligations (Note 15)				610,491
				42,024,379
Capital expenditure (Note 14)				242,209

5. Segmental Financial Information (Continued)

	The Company			
	2009			
	Individual Lines Services	Employee Benefit Services	Other Services	Total
	\$'000	\$'000	\$'000	\$'000
Revenues	5,765,344	13,145,174	1,234,046	20,144,564
Benefits and expenses	(4,312,029)	(8,424,420)	(881,777)	(13,618,226)
Depreciation	(56,326)	(31,516)	(14,405)	(102,247)
Change in actuarial liabilities	70,599	(2,616,481)	-	(2,545,882)
Amortisation of purchased intangible	-	(108,009)	-	(108,009)
Amortisation of software	(6,136)	(8,785)	(16,222)	(31,143)
Premium taxes	(222,106)	(51,883)	-	(273,989)
Profit before taxation	1,239,346	1,904,080	321,642	3,465,068
Taxation	(58,138)	(136,212)	64,702	(129,648)
Net profit	1,181,208	1,767,868	386,344	3,335,420
Segment assets -				
Intangible assets	859,832	1,597,070	32,693	2,489,595
Other assets	14,683,213	24,594,794	6,487,003	45,765,010
	15,543,045	26,191,864	6,519,696	48,254,605
Unallocated assets -				
Retirement benefit assets (Note 15)				249,033
Investments in associates (Note 13)				2,725
Investment in subsidiaries (Note 24)				9,145,964
				57,652,327
Segment liabilities	12,316,766	21,376,625	5,095,233	38,788,624
Unallocated liabilities -				
Deferred income taxes (Note 19)				39,534
Retirement benefit obligations (Note 15)				454,684
				39,282,842
Capital expenditure (Note 14)				123,691

Segment assets consist primarily of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes and retirement benefits assets.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and banking operations. They exclude items such as taxation, retirement benefit liabilities and business development loans.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

6. Cash Resources

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balances with banks payable on demand	2,789,071	4,410,433	368,870	543,969
Cash in hand	102,337	79,885	104	110
	<u>2,891,408</u>	<u>4,490,318</u>	<u>368,974</u>	<u>544,079</u>
Short term deposits	468,118	1,402,051	143,555	544,648
Securities purchased under resale agreements (Note 9)	1,867,989	6,256,426	1,581,720	3,393,647
Financial investments (Note 8)	2,237,005	247,961	-	-
	<u>7,464,520</u>	<u>12,396,756</u>	<u>2,094,249</u>	<u>4,482,374</u>

The amounts of \$468,118,000 and \$143,555,000 (2009: \$1,402,049,000 and \$544,648,000) represent deposits with original maturity of less than 90 days out of the total Group and company short-term deposits of \$1,349,245,000 and \$160,097,000 (2009: \$1,418,598,000 and \$561,197,000) respectively.

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash resources	7,464,520	12,396,756	2,094,249	4,482,374
Short term loans (Note 32)	(365,035)	-	-	-
Items in course of payment (Note 37)	(85,465)	(672,762)	-	-
Repurchase agreements with other financial institutions	(1,011,910)	(485,259)	-	-
Bank overdrafts (Note 32)	(124,594)	(195,444)	(124,594)	(195,444)
	<u>5,877,516</u>	<u>11,043,291</u>	<u>1,969,655</u>	<u>4,286,930</u>

7. Cash Reserves at Bank of Jamaica

A prescribed minimum of 26% (2009 - 28%) of deposit liabilities is required to be maintained by the banking subsidiary in liquid assets, of which 12% (2009 - 14%) must be maintained as cash reserve with the Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 9% (2009 - 11%). Cash reserves are not available for investment, lending or other use by the Group.

8. Financial Investments

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short term deposits	1,349,245	1,418,598	160,097	561,197
Financial assets at fair value through profit or loss				
Government of Jamaica securities	42,365	-	-	-
Corporate bonds	4,419	-	-	-
Interest receivable	1,105	-	-	-
	<u>47,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available-for-sale debt securities				
Government of Jamaica securities	48,010,300	38,881,066	706,252	2,122,697
Foreign governments	5,088,091	4,268,461	2,395,404	1,479,843
Corporate bonds	16,387,628	14,283,758	778,359	1,511,903
Credit Linked notes	1,850,281	1,337,198	-	-
Quoted shares	1,247,377	1,993,797	358,498	1,165,143
Unquoted shares	77,436	74,275	-	-
Unit trusts	28,220	25,790	28,220	25,790
Interest receivable	1,336,828	1,709,561	82,986	127,300
	<u>74,026,161</u>	<u>62,573,906</u>	<u>4,349,719</u>	<u>6,432,676</u>
Loans and receivables				
Government of Jamaica securities	23,797,805	19,195,613	22,011,176	17,131,264
Foreign governments	63,545	64,995	-	-
Corporate debentures	-	17	-	17
Mortgage loans	1,452,176	2,132,114	1,428,964	2,095,656
Promissory notes	1,740,615	861,854	4,629,136	861,854
Loans	-	-	4,260	4,260
Policy loans	799,180	806,073	332,701	333,919
Interest receivable	986,316	562,754	1,060,183	491,882
	<u>28,839,637</u>	<u>23,623,420</u>	<u>29,466,420</u>	<u>20,918,852</u>
Held to maturity investments				
Credit Linked notes	1,686,712	1,745,692	-	-
	<u>105,949,644</u>	<u>89,361,616</u>	<u>33,976,236</u>	<u>27,912,725</u>
Less Pledged assets (Note 17)	(8,117,235)	(18,221,416)	-	-
Total Financial Investments	<u>97,832,409</u>	<u>71,140,200</u>	<u>33,976,236</u>	<u>27,912,725</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

8. Financial Investments (Continued)

Included in financial investments are the following amounts which are pledged as collateral:

- Government of Jamaica Local Registered Stocks with a carrying value of \$9,761,000 (2009 - \$8,082,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited.
- Government of Jamaica Local Registered Stocks with a carrying value of \$90,000,000 (2009 - \$273,054,000) which have been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.
- One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd., has Government of Jamaica Global bonds with a carrying value of US\$9,741,250, Government of Trinidad and Tobago International bonds with a carrying value of US\$1,621,021, Government of Bahamas bonds with a carrying value of \$7,824,810 and International Corporate bonds with a carrying value of US\$20,508,953 pledged as security for margin loans of US\$14,213,205 with JP Morgan.
- One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd., has Government of Jamaica Global bonds with a carrying value of US\$7,946,828, International Municipal bonds with a carrying value of US\$2,000,100, International Corporate bonds with a carrying value of US\$7,778,443, Equities with a carrying value of US\$1,661,082 and Mutual Funds Equities with a carrying value of US\$1,421,700 pledged as security for margin loans of US\$14,165,071 with Oppenheimer.
- One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd., has International bonds with a carrying value of US\$8,897,630, Government of Trinidad and Tobago bonds with a carrying value of US\$5,474,000, Government of Bahamas bonds with a carrying value of US\$511,241, International Corporate bonds with a carrying value of US\$47,797,083, International Municipal bonds with a carrying value of US\$20,137,561 and Equities with a carrying value of US\$5,002,180 pledged as security for margin loans of US\$50,100,375 with Smith Barney.
- One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd. has Government of Trinidad and Tobago bonds with a carrying value of US\$1,996,000 (2009 - US\$1,467,700), Government of Barbados bonds with a carrying value of US\$257,500 (2009 - US\$251,250) and International Corporate bonds with a carrying value of US\$11,634,120 as security pledged with Credit Suisse NY to secure a US\$8,058,000 (2009 - US\$8,064,444) loan facility.

8. Financial Investments (Continued)

Included in financial investments are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Debt securities with an original maturity of less than 90 days (Note 6)	2,237,005	247,961	-	-

Reclassification of Financial Investments

In the financial year ended 31 December 2008, the Group and the company reclassified certain investments from available-for-sale to loans and receivables in accordance with the amendment to IAS 39.

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica securities	6,074,663	6,335,084	11,496,413	9,808,552
Other securities	63,545	57,243	64,995	53,447
	6,138,208	6,392,327	11,561,408	9,861,999

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica securities	4,288,035	4,546,596	9,306,619	8,273,468

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cumulative net fair value loss at beginning of year	(3,285,589)	(4,323,095)	(2,070,638)	(3,391,690)
Net fair value gains for the year	1,880,739	1,378,574	931,497	1,320,029
Disposals	1,019,083	1,349	905,774	1,349
Effect of exchange rate changes	94,772	(342,417)	65,288	(326)
Cumulative net fair value loss at year end	(290,995)	(3,285,589)	(168,079)	(2,070,638)

There was no reclassification of financial assets during the year.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

9. Securities Purchased Under Resale Agreements

The Group and the company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligation.

As at 31 December 2010, the Group held \$2,386,480,000 (2009 - \$8,139,641,000) of securities, mainly representing Government of Jamaica domestic debt securities, as collateral for reverse repurchase agreements.

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Securities purchased under resale agreements				
Principal	2,181,465	6,428,318	1,581,720	3,397,848
Interest receivable	10,122	28,240	4,186	16,102
	<u>2,191,587</u>	<u>6,456,558</u>	<u>1,585,906</u>	<u>3,413,950</u>

Included in securities purchased under agreements to resell are the following amounts, which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Securities purchased under agreements to resell with an original maturity of less than 90 days (Note 6)	<u>1,867,989</u>	<u>6,256,426</u>	<u>1,581,720</u>	<u>3,393,647</u>

10. Derivative Financial Instruments and Hedging Activity

Derivatives are carried at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The fair values are set out below:

	The Group	
	2010 \$'000	2009 \$'000
Derivatives - Assets		
Currency forwards	6,050	-
Foreign currency put option	-	7,103
Foreign exchange collar option	25,508	-
Equity indexed options	44,586	72,985
Interest rate swaps	214,633	75,286
	<u>290,777</u>	<u>155,374</u>
Derivatives - Liabilities		
Exchange traded funds – short sale	113,774	127,721
Equity indexed options	44,586	72,985
	<u>158,360</u>	<u>200,706</u>

- (i) Currency forward
Currency forwards represent commitments to buy and sell foreign currencies on a net basis at future dates at specified prices. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The currency forward contracts are settled on a net basis. The contract expires in January 2011.
- (ii) Exchange traded funds – short sale
During the prior year, a subsidiary of the Group entered into transactions to sell euro currencies that were borrowed from a broker. The subsidiary benefits if there is a decline in the asset price between the sale and repurchase date. The contract expires in January 2011.
- (iii) OTC currency put options
Foreign currency put options are contractual agreements under which the seller grants the purchaser the right but not the obligation to sell at a set date, a specified amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange risk.

During the prior year, a subsidiary of the Group had entered into a currency put option to sell a notional amount of EUR3,850,000. The contract expired in January 2010.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

10. Derivative Financial Instruments and Hedging Activity (Continued)

(iv) Equity indexed options

These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers (Note 34). The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

(v) During the year, a subsidiary of the Group entered a collar to sell a call option and buy a put option; the notional amount was £963,000 and will be settled on a net basis. The contract expires on various settlement dates. The final settlement date is December 2012.

(vi) Hedging activity – cash flow hedge

Interest rate swap

The cash flow hedge was used to protect against exposures to variability in future interest cash flow on a floating rate available-for-sale bond.

The notional principal amount of the outstanding interest rate swap contract is US\$20M. The fixed interest rate is 10.201% and the floating rate is based on USD-LIBOR-BBA.

The amounts and timing of future cash flows, representing both principal and interest flows are based on their contractual terms. The critical terms of the interest rate swap had been negotiated to match the terms of the available-for-sale bond. Both the interest rate swap and the floating rate available-for-sale bond mature in 2015. The interest rate swap is settled on a net basis.

During the year, the subsidiary discontinued hedge accounting as the hedge relationship was no longer effective arising from the Jamaica Debt Exchange programme. Hedge accounting was therefore ceased from 1 January 2010. Consequently, effective 1 January 2010, changes in fair value of the interest rate swap are now recognised in net trading income in the income statement. The amount recognised in current year is \$92,900,000, net of deferred taxation.

The hedge accounting gains and losses up to 31 December 2009 will be transferred to income statement as interest income is recognised on the floating rate available-for-sale bond. Accordingly, \$12,600,000, net of deferred taxation, was reclassified from the fair value reserve to net trading income in the current year.

The maximum exposure to credit risk at the year end date is the fair value of the derivative assets in the statement of financial position.

11. Loans and Leases, after Allowance for Credit Losses

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Gross loans	9,586,043	8,725,034	-	-
Less: Allowance for credit losses	(194,897)	(160,461)	-	-
	9,391,146	8,564,573	-	-
Loan interest receivable	89,173	89,037	-	-
	9,480,319	8,653,610	-	-
Lease receivables	22,333	34,689	1,767	2,081
	9,502,652	8,688,299	1,767	2,081

The movement in the allowance for credit losses determined under the requirements of IFRS is as follows:

	Loans		Leases	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Total non-performing loans/leases	334,457	205,724	36,314	32,385
Balance at beginning of year	160,461	115,178	16,976	-
Movement during the year -				
Charged against profit during the year	119,149	72,856	1,934	16,976
Recoveries of bad debts	(80,004)	-	-	-
Charged in the income statement	39,145	72,856	1,934	16,976
Write-offs	(698)	(36,303)	-	-
Currency revaluation adjustment	(4,011)	8,730	-	-
Balance at end of year	194,897	160,461	18,910	16,976

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

11. Loans and Leases, after Allowance for Credit Losses (Continued)

Lease receivables:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross investment in finance leases -				
Not later than one year	16,581	24,553	1,199	1,727
Later than one year and not later than five years	43,020	47,447	-	-
Less: Unearned income	(18,976)	(21,829)	-	(3)
Net investment in finance leases	<u>40,625</u>	<u>50,171</u>	<u>1,199</u>	<u>1,724</u>
Net investment in finance leases -				
Not later than one year	16,529	23,791	1,199	1,724
Later than one year and not later than five years	24,096	26,380	-	-
	40,625	50,171	1,199	1,724
Less: Provision for credit losses	(18,910)	(16,976)	-	-
Interest receivable	618	1,494	568	357
	<u>22,333</u>	<u>34,689</u>	<u>1,767</u>	<u>2,081</u>

12. Investment Properties

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At beginning of year	1,041,338	326,175	665,000	326,175
Acquired during the year	5,733	28,738	2,805	8,848
Transferred from/(to) property, plant and equipment (Note 14)	(95,000)	635,934	(95,000)	297,355
Transferred from real estate developed for resale (Note 20)	-	33,633	-	33,633
Disposed during the year	(79,500)	-	(79,500)	-
Fair value gains/(losses)	(3,000)	16,858	(3,000)	(1,011)
Foreign exchange loss	(15,702)	-	-	-
At end of year	<u>853,869</u>	<u>1,041,338</u>	<u>490,305</u>	<u>665,000</u>

The properties as at 31 December 2010 were valued at current market value by Charterland Limited, Allison Pitter and Company Limited and Clinton Cunningham & Associates, qualified Property appraisers and valuers.

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rental income	16,485	31,644	9,301	12,163
Direct operating expenses	(28,390)	(16,370)	(19,999)	(11,310)

13. Investment in Associated Companies

(a) Name of Company	Principal Activity	Equity Capital held by Company
St. Andrew Developers Limited	Real estate development (dormant)	33¼%
Lested Development Limited	Real estate development (dormant)	35.10%

The companies are incorporated and resident in Jamaica and are unlisted.

(b) The investments in associated companies is represented as follows:

	The Group and the Company	
	2010 \$'000	2009 \$'000
Shares, at cost	2	2
Share of post acquisition reserves	(2,501)	(2,501)
Loans and current accounts	5,224	5,224
	<u>2,725</u>	<u>2,725</u>

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

14. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements	Freehold Land & buildings	Furniture & Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation -					
At 1 January 2009	219,080	1,224,372	984,531	109,523	2,537,506
Additions	77,616	-	115,789	9,549	202,954
Transferred from real estate developed for resale (Note 20)	-	9,575	-	-	9,575
Transferred to investment properties (Note 12)	-	(647,093)	-	-	(647,093)
Revaluation adjustments	-	14,733	-	-	14,733
Disposals	-	-	(941)	(10,985)	(11,926)
Translation adjustment	-	35,089	23,043	1,974	60,106
At 31 December 2009	296,696	636,676	1,122,422	110,061	2,165,855
Additions	65,844	30,858	227,192	11,207	335,101
Transferred from investment properties (Note 12)	-	95,000	-	-	95,000
Revaluation adjustments	-	10,500	-	-	10,500
Disposal of subsidiary	-	-	(201,243)	(18,554)	(219,797)
Disposals	-	-	(810)	(2,643)	(3,453)
Translation adjustment	(1,259)	-	(10,124)	(808)	(12,191)
At 31 December 2010	361,281	773,034	1,137,437	99,263	2,371,015
Accumulated Depreciation -					
At 1 January 2009	73,038	3,210	594,841	45,354	716,443
Charges for the year	24,846	14,711	130,323	25,070	194,950
Relieved on transfers to investment properties	-	(11,159)	-	-	(11,159)
Relieved on revalued assets	-	(6,852)	-	-	(6,852)
Relieved on disposals	-	-	(692)	(4,505)	(5,197)
Translation adjustment	16	90	15,182	662	15,950
At 31 December 2009	97,900	-	739,654	66,581	904,135
Charges for the year	33,927	6,994	119,574	13,399	173,894
Relieved on revalued assets	-	(5,997)	-	-	(5,997)
Relieved on disposal of subsidiary	-	-	(151,226)	(8,913)	(160,139)
Relieved on disposals	-	-	(668)	(2,643)	(3,311)
Translation adjustment	(104)	-	(7,352)	(388)	(7,844)
At 31 December 2010	131,723	997	699,982	68,036	900,738
Net Book Value -					
31 December 2009	198,796	636,676	382,768	43,480	1,261,720
31 December 2010	229,558	772,037	437,455	31,227	1,470,277

14. Property, Plant and Equipment (Continued)

	The Company				
	Leasehold Buildings & Improvements	Freehold Land & buildings	Furniture & Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation -					
At 1 January 2009	117,699	915,457	474,170	78,308	1,585,634
Additions	45,223	-	78,468	8,982	132,673
Transferred from real estate developed for resale (Note 20)	-	9,575	-	-	9,575
Transferred to investment properties (Note 12)	-	(303,091)	-	-	(303,091)
Revaluation adjustments	-	14,733	-	-	14,733
Disposals	-	-	(742)	(7,108)	(7,850)
At 31 December 2009	162,922	636,674	551,896	80,182	1,431,674
Additions	12,208	30,858	198,140	1,003	242,209
Transferred from investment properties (Note 12)	-	95,000	-	-	95,000
Revaluation adjustments	-	10,500	-	-	10,500
Disposals	-	-	(806)	-	(806)
At 31 December 2010	175,130	773,032	749,230	81,185	1,778,577
Accumulated Depreciation -					
At 1 January 2009	36,645	3,210	262,816	28,080	330,751
Charge for the year	14,400	9,378	57,587	20,882	102,247
Relieved on revalued assets	-	(6,852)	-	-	(6,852)
Relieved on transfers to investment properties	-	(5,736)	-	-	(5,736)
Relieved on disposals	-	-	(493)	(970)	(1,463)
At 31 December 2009	51,045	-	319,910	47,992	418,947
Charge for the year	18,404	6,994	78,529	12,202	116,129
Relieved on revalued assets	-	(5,997)	-	-	(5,997)
Relieved on disposals	-	-	(664)	-	(664)
At 31 December 2010	69,449	997	397,775	60,194	528,415
Net Book Value -					
31 December 2009	111,877	636,674	231,986	32,190	1,012,727
31 December 2010	105,681	772,035	351,455	20,991	1,250,162

Notes to the Financial Statements (Continued)

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14. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, certain owner-occupied properties were independently revalued during 2010 by professional real estate valuers. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to \$16,497,000 (2009 - \$21,585,000), has been credited to investment and fair value reserves.

If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	2010	2009
	\$'000	\$'000
Cost	390,005	27,296
Accumulated depreciation	(21,250)	(12,156)
Net book value	<u>368,755</u>	<u>15,140</u>
Carrying value of revalued assets	<u>772,037</u>	<u>636,676</u>

15. Retirement Benefits

(a) Pension schemes

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Retirement benefit assets -				
Pension scheme	190,593	316,535	184,482	249,033
Retirement benefit obligations -				
Pension scheme	39,666	-	39,666	-
Other post-retirement benefits	626,116	500,407	570,825	454,684
	<u>665,782</u>	<u>500,407</u>	<u>610,491</u>	<u>454,684</u>

Pension schemes comprised the following -

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Retirement benefit assets	(190,593)	(316,535)	(184,482)	(249,033)
Retirement benefit obligations	39,666	-	39,666	-
	<u>(150,927)</u>	<u>(316,535)</u>	<u>(144,816)</u>	<u>(249,033)</u>

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The Group operates the following pension plans:

- (i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and a defined benefit plan for eligible administrative staff. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2009) was 103%.
- (ii) Sagicor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.
- (iii) Pan Caribbean Financial Services Limited has established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2007) was 96%.

The amounts recognised in the statement of financial position are determined as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	5,414,652	4,230,160	4,934,920	3,963,942
Fair value of plan assets	(5,475,024)	(4,604,618)	(5,018,878)	(4,270,898)
	(60,372)	(374,458)	(83,958)	(306,956)
Unrecognised actuarial gains/(losses)	(188,911)	37,735	(60,858)	57,923
Limitation of asset due to uncertainty of future benefits	98,356	20,188	-	-
Asset in the statement of financial position, net	<u>(150,927)</u>	<u>(316,535)</u>	<u>(144,816)</u>	<u>(249,033)</u>

The Pooled Investment Fund Limited, which manages the Group's pension plan, has assets including property occupied by the Group, with a market value of approximately \$1,313,000,000 (2009 - \$1,313,000,000)

Notes to the Financial Statements (Continued)

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15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current service cost	212,977	168,484	199,329	152,273
Interest cost	492,844	513,399	453,580	480,375
Expected return on plan assets	(430,927)	(490,260)	(395,145)	(452,174)
Change in unrecognised asset	78,168	(130,595)	-	(106,074)
Net actuarial losses recognised in year	-	1,444	-	-
Total, included in staff costs (Note 50(a))	<u>353,062</u>	<u>62,472</u>	<u>257,764</u>	<u>74,400</u>

The actual return on plan assets was \$712,036,000 (2009 – negative \$666,845,000) and \$630,068,000 (2009 – negative \$626,376,000) for the Group and company, respectively.

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
At 1 January	4,604,618	3,843,280	4,270,898	3,596,304
Member contribution	212,210	201,085	187,394	176,966
Employer's contribution	187,454	172,817	153,547	138,951
Benefits paid	(151,493)	(218,889)	(142,321)	(212,738)
Expected return on assets	430,927	490,260	395,145	452,174
Actuarial gains	191,308	116,065	154,215	119,241
At 31 December	<u>5,475,024</u>	<u>4,604,618</u>	<u>5,018,878</u>	<u>4,270,898</u>

Movement in the asset recognised in the statement of financial position:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
At 1 January	(316,535)	(206,190)	(249,033)	(184,482)
Total expense - as above	353,062	62,472	257,764	74,400
Contributions paid	<u>(187,454)</u>	<u>(172,817)</u>	<u>(153,547)</u>	<u>(138,951)</u>
At 31 December	<u>(150,927)</u>	<u>(316,535)</u>	<u>(144,816)</u>	<u>(249,033)</u>

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Company	
	2010	2009
Discount rate - J\$ benefits	11.00%	16.00%
Discount rate - US\$ Indexed benefits	8.00%	9.00%
Inflation	7.00%	9.00%
Investment fees	1.00%	1.00%
Administrative fees	1.00%	1.00%
Expected return on plan assets	10.00%	10.00%
Future salary increases	8.50%	12.00%
Future pension increases	2.00%	3.50%
Average expected remaining working lives (years)	<u>11</u>	<u>8</u>

Pension plan assets are comprised as follows:

	The Company			
	2010	%	2009	%
	\$'000		\$'000	
Acquired from Blue Cross Jamaica Limited	416,390	8	416,390	10
Equities	1,160,282	23	994,518	23
Mortgages and real estate	1,055,560	21	688,512	16
Money market fund	507,958	10	612,011	14
Fixed income fund	826,343	16	765,014	18
Foreign exchange	<u>1,048,383</u>	<u>21</u>	<u>765,014</u>	<u>18</u>
	5,014,916	99	4,241,459	99
Reimbursement - Annuity	3,962	1	-	-
Late deposit	-	-	29,439	1
	<u>5,018,878</u>	<u>100</u>	<u>4,270,898</u>	<u>100</u>

The pension plan assets acquired from Blue Cross Jamaica Limited are as follows:

	2010	2009
	\$'000	\$'000
Equities	49,513	49,513
GOJ Bonds/LRS	187,318	187,318
Repurchase agreements	124,862	124,862
Corporate bonds	23,688	23,688
Preference shares	10	10
Leased assets	5,941	5,941
Net current assets	<u>25,058</u>	<u>25,058</u>
	<u>416,390</u>	<u>416,390</u>

The expected Group and company contributions to post-employment plans for the year ending 31 December 2011 are \$195,561,000 and \$159,991,000 respectively.

The expected return on plan assets is based on market expectation of inflation plus a margin for real returns on a balanced portfolio.

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(expressed in Jamaican dollars unless otherwise indicated)

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

	The Group				
	Pensions				
	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Present value of defined benefit obligation	5,414,652	4,230,160	3,787,130	3,636,653	3,060,802
Fair value of plan assets	(5,475,024)	(4,604,618)	(3,843,280)	(3,617,191)	(3,042,437)
Fund status	(60,372)	(374,458)	(56,150)	19,462	18,365
Actuarial (gains)/losses on plan liabilities	417,954	(221,049)	(560,421)	38,739	344,500
Actuarial (gains)/losses on plan assets	(191,308)	(116,065)	700,008	36,179	(33,699)

	The Company				
	Pensions				
	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Present value of defined benefit obligation	4,934,920	3,963,942	3,563,974	3,455,049	2,913,319
Fair value of plan assets	(5,018,878)	(4,270,898)	(3,596,304)	(3,386,043)	(2,874,515)
Fund status	(83,958)	(306,956)	(32,330)	69,006	38,804
Actuarial (gains)/losses on plan liabilities	272,996	(196,908)	(551,196)	42,654	344,464
Actuarial (gains)/losses on plan assets	(154,215)	(119,241)	643,401	50,513	(38,063)

(b) Other post-employment benefits

In addition to pension benefits, the Group offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 10.5% (2009 – 14.5%) per year.

15. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

The amounts recognised in the statement of financial position are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	1,030,289	680,187	949,565	643,538
Fair value of plan assets	(100,397)	(91,270)	(100,397)	(91,270)
Unrecognised actuarial losses	(303,776)	(88,510)	(278,343)	(97,584)
Liability in the statement of financial position	626,116	500,407	570,825	454,684

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current service cost	44,326	5,556	39,973	(801)
Expected return on plan assets	(9,127)	(7,536)	(9,127)	(7,536)
Interest cost	110,723	86,857	104,864	80,430
Net actuarial losses	3,510	1,973	4,154	1,611
Total included in staff costs (Note 50(a))	149,432	86,850	139,864	73,704

Movements in the amounts recognised in the statement of financial position:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Liability at beginning of year	500,407	430,442	454,684	397,849
Total expense, as above	149,432	86,850	139,864	73,704
Contributions paid	(23,723)	(16,885)	(23,723)	(16,869)
Liability at end of year	626,116	500,407	570,825	454,684

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

15. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

The effects of a 1% increase/decrease in the medical inflation rate assumption would result as follows:

	Medical inflation decrease by 1% \$'000	Medical inflation increase by 1% \$'000
Revised Service Cost	33,254	51,552
Revised Interest Cost	84,112	114,226
Revised Accumulated Post-employment Benefit obligation	<u>755,570</u>	<u>1,049,885</u>

	The Group				
	Health and Life				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
As at 31 December					
Present value of defined benefit obligation	1,067,967	717,861	588,965	475,029	482,730
Fair value of plan assets	(100,397)	(91,270)	(83,734)	(74,101)	(64,890)
Fund status	<u>967,570</u>	<u>626,591</u>	<u>505,231</u>	<u>400,928</u>	<u>417,840</u>
Actuarial (gains)/losses on plan liabilities	<u>218,776</u>	<u>15,674</u>	<u>(206,774)</u>	<u>56,360</u>	<u>129,501</u>

	The Company				
	Health and Life				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
As at 31 December					
Present value of defined benefit obligation	987,243	681,216	548,801	433,278	458,905
Fair value of plan assets	(100,397)	(91,270)	(83,734)	(74,101)	(64,890)
Fund status	<u>886,846</u>	<u>589,946</u>	<u>465,067</u>	<u>359,177</u>	<u>394,015</u>
Actuarial (gains)/losses on plan liabilities	<u>184,913</u>	<u>31,977</u>	<u>(192,447)</u>	<u>39,631</u>	<u>121,438</u>

16. Reinsurance Contracts

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Claims recoverable from reinsurers	89,369	137,412	44,022	53,612
Unearned premiums ceded to reinsurers	61,339	54,026	-	-
Reinsurers share of insurance liabilities	33,583	-	-	-
	<u>184,291</u>	<u>191,438</u>	<u>44,022</u>	<u>53,612</u>

The reinsurers' share of actuarial liabilities represents balances which are short-term and expected to be settled within one year.

17. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with The Bank of Jamaica and the Financial Services Commission.

	The Group			
	Asset		Related Liability	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance with regulators	96,345	335,955	-	-
Investment securities and securities sold under repurchase agreements	62,740,208	64,817,908	49,823,770	51,463,461
	<u>62,836,553</u>	<u>65,153,863</u>	<u>49,823,770</u>	<u>51,463,461</u>

	The Company			
	Asset		Related Liability	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance with regulators	90,000	273,054	-	-
Investment securities	-	6,427,996	-	1,374,431
	<u>90,000</u>	<u>6,701,050</u>	<u>-</u>	<u>1,374,431</u>

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment securities	<u>8,117,235</u>	<u>18,221,416</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (Continued)

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18. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -					
At 1 January 2009	2,118,317	3,727,301	498,822	560,388	6,904,828
Additions	-	-	-	29,092	29,092
Acquired on acquisition	601	-	-	-	601
Exchange adjustment	62,140	35,043	2,884	7,820	107,887
At 31 December 2009	2,181,058	3,762,344	501,706	597,300	7,042,408
Additions	-	-	-	109,956	109,956
Acquired on acquisition (Note 61)	26,493	-	-	-	26,493
Disposal of subsidiary	(164,045)	(347,845)	(28,273)	(76,303)	(616,466)
Exchange adjustment	(19,673)	-	-	(2,118)	(21,791)
At 31 December 2010	2,023,833	3,414,499	473,433	628,835	6,540,600
Amortisation -					
At 1 January 2009	-	759,461	498,822	354,757	1,613,040
Amortisation charge	-	240,720	-	98,618	339,338
Exchange adjustment	-	11,536	2,884	5,098	19,518
At 31 December 2009	-	1,011,717	501,706	458,473	1,971,896
Amortisation charge	-	206,469	-	83,594	290,063
Relieved on disposal of subsidiary	-	(142,235)	(28,273)	(62,224)	(232,732)
Exchange adjustment	-	-	-	(937)	(937)
At 31 December 2010	-	1,075,951	473,433	478,906	2,028,290
Net Book Value -					
31 December 2009	2,181,058	2,750,627	-	138,827	5,070,512
31 December 2010	2,023,833	2,338,548	-	149,929	4,512,310

18. Intangible Assets (Continued)

The allocation of goodwill to the Group's and the company's CGUs is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Sagicor Life Jamaica Employee Benefits Division	530,126	530,126	530,126	530,126
Sagicor Life Jamaica Individual Life Division	855,191	855,191	855,191	855,191
PanCaribbean Financial Services Limited	186,066	186,066	-	-
Sagicor Life of the Cayman Islands Ltd. - Individual Life Division	425,957	445,630	-	-
Sagicor Insurance Managers Ltd.	26,493	-	-	-
Sagicor General Insurance (Cayman) Ltd.	-	164,045	-	-
	<u>2,023,833</u>	<u>2,181,058</u>	<u>1,385,317</u>	<u>1,385,317</u>

For the year ended 31 December 2010, management tested goodwill allocated to Sagicor Life Jamaica Individual Life Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Ltd., Sagicor Insurance Managers Ltd. and Pan Caribbean Financial Services Limited for impairment.

The recoverable amounts of Sagicor Life Jamaica Individual Life Division, Sagicor Life Jamaica Employee Benefits Division and Sagicor Life of the Cayman Islands Ltd. CGUs are determined on the Capitalised Earnings Approach. These calculations use projected sustainable earnings based on financial budgets approved by management covering a three year period. Sustainable earnings beyond the three year period are extrapolated using estimated earnings multiples stated below.

The recoverable amounts of the non-life CGUs, Pan Caribbean Financial Services Limited and Sagicor Insurance Managers Ltd., are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

There was no impairment of any of the Group's CGUs.

Key assumptions used for the impairment calculations are as follows:

	Earnings Multiple	Earnings Growth Rate	Capital Expenditure to EBT	Discount Rate
Sagicor Life Jamaica Individual Life Division	5.0	-	-	-
Sagicor Life Jamaica Employee Benefits Division	4.5	-	-	-
Sagicor Life of the Cayman Islands Ltd	7.2	-	-	-
Pan Caribbean Financial Services Limited	-	9.00%	9.00%	23.2%
Sagicor Insurance Managers Ltd.	-	4.30%	-	14.10%

Notes to the Financial Statements (Continued)

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18. Intangible Assets (Continued)

	The Company			
	Goodwill	Contractual Customer Relationship	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
Cost -				
At 1 January 2009	1,385,317	1,428,973	163,275	2,977,565
Additions	-	-	20,973	20,973
At 31 December 2009	1,385,317	1,428,973	184,248	2,998,538
Additions	-	-	85,034	85,034
At 31 December 2010	1,385,317	1,428,973	269,282	3,083,572
Amortisation -				
At 1 January 2009	-	261,604	108,187	369,791
Amortisation charge	-	107,458	31,694	139,152
At 31 December 2009	-	369,062	139,881	508,943
Amortisation charge	-	107,462	31,711	139,173
At 31 December 2010	-	476,524	171,592	648,116
Net Book Value -				
31 December 2009	1,385,317	1,059,911	44,367	2,489,595
31 December 2010	1,385,317	952,449	97,690	2,435,456

Amortisation charges of \$290,063,000 (2009 - \$339,338,000) and \$139,173,000 (2009 - \$139,152,000) have been included in expenses for the Group and the company respectively. Customer relationships are amortised over 10 - 20 years and computer software are being amortised over 3-10 years.

19. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

- (a) 15% for the company; and
- (b) 33½% for PanCaribbean Financial Services Limited and Sagicor Property Services Limited.

The subsidiaries incorporated in Grand Cayman operate under a zero tax regime.

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	(112,383)	(826,072)	(73,394)	(258,851)
Deferred income tax liabilities	716,281	372,856	301,430	298,385
	<u>603,898</u>	<u>(453,216)</u>	<u>228,036</u>	<u>39,534</u>

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January	(453,216)	(217,838)	39,534	230,932
Charged/(credited) to the income statement (Note 51(b))	54,938	(35,540)	45,096	(25,647)
Tax charge/(credit) to components in other comprehensive income (Note 51(c))	1,002,176	(199,838)	143,406	(165,751)
Balance as at 31 December	<u>603,898</u>	<u>(453,216)</u>	<u>228,036</u>	<u>39,534</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

19. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets -				
Property, plant and equipment	(1,574)	(2,934)	-	-
Investment securities - available-for-sale	(22,345)	(706,528)	(22,345)	(165,751)
Pensions and other post-retirement benefits	(59,432)	(80,233)	(43,038)	(68,203)
Interest payable	(438)	(13,609)	(438)	(13,609)
Tax losses unused	(12,391)	(3,259)	-	-
Other	(16,203)	(19,509)	(7,573)	(11,288)
	<u>(112,383)</u>	<u>(826,072)</u>	<u>(73,394)</u>	<u>(258,851)</u>
Deferred income tax liabilities -				
Property, plant and equipment	56,189	47,599	55,323	41,283
Trading securities	307	-	-	-
Interest rate swap	77,849	25,095	-	-
Investment securities - available-for-sale	317,995	-	-	-
Impairment losses on loans	17,087	23,759	-	-
Interest receivable	172,286	92,182	172,280	92,173
Pensions and other post-retirement benefits	-	56,647	-	37,355
Unrealised gains on investment properties	73,827	127,574	73,827	127,574
Other	741	-	-	-
	<u>716,281</u>	<u>372,856</u>	<u>301,430</u>	<u>298,385</u>
Deferred income tax liability/(asset)	<u>603,898</u>	<u>(453,216)</u>	<u>228,036</u>	<u>39,534</u>

19. Deferred Income Taxes (continued)

The deferred income tax charged/(credited) to the income statement comprises the following temporary differences:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	9,950	(38,404)	14,040	(29,324)
Trading securities	307	(12,807)	-	-
Interest rate swap	52,754	-	-	-
Pensions and other post-retirement benefits	(35,846)	(27,361)	(12,190)	(38,245)
Impairment losses on loans	(6,672)	8,427	-	-
Unrealised gains on investment properties	(53,747)	26,950	(53,747)	26,950
Interest receivable	80,104	26,344	80,107	26,355
Interest payable	13,171	(7,768)	13,171	(8,159)
Tax losses unused	(9,132)	(2,861)	-	-
Other	4,049	(8,060)	3,715	(3,224)
	<u>54,938</u>	<u>(35,540)</u>	<u>45,096</u>	<u>(25,647)</u>

The amounts shown in the statement of financial position include the following:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be settled after more than 12 months	83,351	789,695	65,383	233,954
Deferred tax liabilities to be recovered after more than 12 months	<u>130,016</u>	<u>231,820</u>	<u>129,150</u>	<u>206,212</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

20. Other Assets

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Due from sales representatives	458,602	368,345	399,959	292,738
Real estate developed for resale -				
Opening balance	448,335	500,283	448,335	500,283
Cost of sales	(7,238)	(24,907)	(7,238)	(24,907)
Transferred to investment properties (Note 12)	-	(33,633)	-	(33,633)
Transferred to property, plant and equipment (Note 14)	-	(9,575)	-	(9,575)
Additions during the year	361	16,167	361	16,167
	441,458	448,335	441,458	448,335
Premiums due and unpaid	1,244,588	1,232,972	1,176,641	1,142,071
Due from related parties (Note 23)	167,415	510,901	948,514	1,305,203
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	61,776	72,395	61,776	72,395
Prepayments	197,244	254,884	172,371	175,372
Customer settlements accounts	24,416	63,713	-	-
Other receivables	302,865	177,177	110,558	193,457
	2,898,364	3,128,722	3,311,277	3,629,571
Provision against doubtful receivables	(228,918)	(23,284)	(228,918)	(4,219)
	<u>2,669,446</u>	<u>3,105,438</u>	<u>3,082,359</u>	<u>3,625,352</u>

Real estate developed for sale relates to the construction of residential and commercial complexes.

21. Segregated Funds

(a) The Group and the company manage accounts totaling \$9,809,444,000 (2009 - \$8,516,279,000) and \$9,321,013,000 (2009 - \$8,014,361,000), respectively on behalf of certain life insurance policyholders under the Balance Fund, Sagicor Equity Fund, Sagicor Fixed Income Fund, Sagicor US Fund, Capital Growth Fund, Sagicor Money Market Fund and Sagicor Real Estate Fund. The assets are the property of the policyholders who share all rewards and risks of the performance of the Funds.

(b) Net assets of the Segregated Funds

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Corporate debentures	1,730,181	746,504	1,639,478	712,619
Government securities	3,862,773	3,407,367	3,862,773	3,271,674
Government securities purchased under resale agreements and short-term loans	601,985	1,627,837	524,055	1,502,172
Investment properties	1,632,416	1,292,243	1,632,416	1,292,243
Quoted equities	1,331,871	949,191	1,073,404	770,109
Unit trusts	339,932	141,055	336,851	141,055
Other assets	310,286	352,082	252,036	324,489
	<u>9,809,444</u>	<u>8,516,279</u>	<u>9,321,013</u>	<u>8,014,361</u>

(c) Income by type on Segregated Funds' Investments

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Corporate debentures	156,529	97,986	138,364	97,543
Government securities	767,237	655,952	760,474	622,023
Government securities purchased under resale agreements and short-term loans	69,671	188,163	67,113	181,539
Investment properties	(23,690)	157,636	(23,690)	157,636
Quoted equities	245,243	176,108	223,618	132,046
Unit trusts	246,878	111,435	247,731	111,435
	<u>1,461,868</u>	<u>1,387,280</u>	<u>1,413,610</u>	<u>1,302,222</u>

Notes to the Financial Statements (Continued)

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23. Related Party Balances and Transactions (Continued)

(b) The above balances include the following transactions with related parties and companies

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Parent company -				
Investment income	61,012	62,800	61,012	62,800
Shared services fees	<u>117,313</u>	<u>149,583</u>	<u>117,313</u>	<u>122,115</u>
Fellow subsidiaries -				
Administration fee income	-	-	30,295	28,682
Management fee income	-	-	140,998	114,003
Shared services fees	<u>-</u>	<u>-</u>	<u>149,253</u>	<u>124,757</u>
Segregated funds -				
Investment management fee income	<u>165,355</u>	<u>142,918</u>	<u>157,938</u>	<u>135,910</u>

23. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Pooled Investment Fund -				
Lease rental expense	236,163	208,745	222,377	199,571
Management fee income	513,377	351,874	513,377	351,874
Administration fee income	<u>241,137</u>	<u>151,461</u>	<u>174</u>	<u>-</u>
Directors and key management personnel -				
Interest expense	<u>5,720</u>	<u>6,811</u>	<u>-</u>	<u>-</u>
Other related parties -				
Interest and other income earned	<u>-</u>	<u>-</u>	<u>251,556</u>	<u>132,190</u>
Key management compensation -				
Salaries and other short term benefits	405,260	415,845	275,729	241,275
Share based payments	79,786	34,119	65,475	30,949
Contributions to pensions and insurance schemes	<u>22,168</u>	<u>21,151</u>	<u>15,940</u>	<u>15,585</u>
	<u>507,214</u>	<u>471,115</u>	<u>357,144</u>	<u>287,809</u>
Directors' emoluments -				
Fees	34,267	21,022	17,336	10,291
Other expenses	2,470	2,346	2,470	1,902
Management remuneration (included above)	<u>75,987</u>	<u>65,273</u>	<u>75,987</u>	<u>65,273</u>
	<u>112,724</u>	<u>88,641</u>	<u>95,793</u>	<u>77,466</u>

Notes to the Financial Statements (Continued)

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24. Investment in Subsidiaries

	The Company	
	2010 \$'000	Restated 2009 \$'000
Balance as at 1 January	9,145,964	6,071,365
Acquired during the year	22,006	1,299,563
	9,167,970	7,370,928
Fair value adjustment	3,759,661	1,775,036
	<u>12,927,631</u>	<u>9,145,964</u>
Investments were made in the following subsidiaries during the year:		
	2010 \$'000	2009 \$'000
Pan Caribbean Financial Services Limited	-	1,294,569
Sagicor International Administrators Limited	6	4,994
Sagicor Insurance Managers Ltd.	22,000	-
	<u>22,006</u>	<u>1,299,563</u>

25. Share Capital

	The Group and The Company	
	2010 \$'000	2009 \$'000
Authorised:		
13,598,340,000 (2009 – 13,598,340,000)		
Ordinary shares		
Issued and fully paid:		
3,760,992,000 (2009 – 3,760,992,000)		
Ordinary shares at no par	<u>7,854,938</u>	<u>7,854,938</u>

26. Capital Redemption Reserve

This represents the capital redemption reserve fund arising on the redemption of preference shares. The 2010 movement relates to the redemption of preference shares by one of the company's subsidiaries, PCFS, of at a value of \$651,472,000; Sagicor Life Jamaica Limited's share being \$559,305,000.

27. Stock Options Reserve

Long-term Incentive plan

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

In January 2007, the company introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the company stock at a pre-specified price at some future date, once a pre-determined performance objective is met. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Life Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Under the previous Stock Option plan, options were granted on December 31, of each year. The strike price was the closing bid price on the grant date. The number of stock options in each stock option award was calculated based on a percentage of applicable salary divided by the strike price. Options were exercisable beginning one year from the date of grant and had a contractual term of six years from the date of grant.

Details of the share options outstanding are as follows:

	The Company			
	2010		2009	
	Options (thousands)	Weighted Average exercise price in \$ per share	Options (thousands)	Weighted Average exercise price in \$ per share
At beginning of year	26,540	8.04	16,195	7.42
Granted - 2007	-	-	16,841	7.92
- 2008	-	-	9,655	7.92
- 2009	20,563	4.20	-	-
Expired	(5,142)	9.20	(13,169)	7.98
Exercised	(1,044)	5.19	(2,982)	3.90
At end of year	<u>40,917</u>	<u>6.23</u>	<u>26,540</u>	<u>8.04</u>
Exercisable at the end of the period	<u>20,040</u>	<u>7.30</u>	<u>14,536</u>	<u>8.94</u>

Notes to the Financial Statements (Continued)

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27. Stock Options Reserve (Continued)

Stock options outstanding at the end of the year for the company have the following expiry date and exercise price:

	2010 \$'000	2009 \$'000
2010	-	2,190
2011	3,250	2,579
2012	2,473	2,970
2014	9,525	11,361
2015	6,231	7,440
2016	19,438	-
	<u>40,917</u>	<u>26,540</u>

For options outstanding at the end of the year for the company, exercise prices range from \$4.20 to \$9.86 (2009 - \$7.92 to \$11.30). The remaining contractual terms range from 1 to 6 years (2009 - 1 to 5 years).

The weighted average share price for options exercised during the year was \$5.19 (2009 - \$5.87) and the company's share of the cost of these options was \$1,984,000 (2009 - \$14,861,000).

The stock option reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options at the year end, determined using the Black-Scholes valuation model was \$78,489,000. The significant inputs into the model were share prices ranging from \$4.20 (for 2009 grants) to \$9.86 (for 2005 grants) at the grant date, dividend yield of 8.38%, standard deviation of the expected share price returns of 39%, option life disclosed above, and annual risk free interest rate of 9.40%. The expected volatility is based on statistical analysis of daily share prices over three years.

The Group and the company recognized cumulative expenses of \$105,498,000 and \$78,489,000 (2009 - \$63,283,000 and \$37,274,000) and share options expense of which \$43,497,000 and \$42,334,000 (2009 - \$22,462,000 and \$19,292,000) was recognized in the income statement of the Group and the company, respectively.

The company also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Life Jamaica Limited shares at 75% of the closing bid price on December 31, each year. During the year, the Staff Share Purchase Plan Trust purchased 6,000,000 shares over the Stock Exchange for a total value of \$40,066,000. The company's portion of the cost was \$10,501,000.

27. Stock Options Reserve (Continued)

One of the company's subsidiaries, Pan Caribbean Financial Services Limited (PCFS), offers stock options to employees who have completed the minimum eligibility period of employment. Options are conditional on the employee completing a minimum service period of one year (the eligibility period). Options are forfeited if the employee leaves PCFS before the options vest. Options were granted as follows:

- (i) 1,200,000 stock options on 1 March 2006. These options expired on 28 February 2010. The exercise price for the options was \$19.29. These options vest over four years - 25% each anniversary date of the grant. 150,000 stock units have been taken up to date. 1,050,000 of the stock units were vested and were forfeited during the year.
- (ii) 600,000 stock options on 1 March 2007. These options expire on 28 February 2011. The exercise price for the options is \$21.75. These options vest over four years - 25% each anniversary date of the grant. Contracts for 300,000 of these stocks units were forfeited during 2009.
- (iii) 4,074,246 stock options on 1 April 2007. These options expire on 31 March 2014. The exercise price for the options is \$18.00. These options vest over four years - 25% each anniversary date of the grant. Contracts for 302,177 of these stocks units were forfeited during the year.
- (iv) 3,100,273 stock options on 1 April 2008. These options expire on 31 March 2015. The exercise price for the options is \$20.50. These options vest over four years - 25% each anniversary date of the grant. Contracts for 335,358 of these stock units were forfeited during the year.
- (v) 5,785,288 stock options on 1 April 2009. These options expire on 31 March 2016. The exercise price for the options is \$12.20. These options vest over four years - 25% each anniversary date of the grant. 192,327 stock units have been taken up to date. Contracts for 412,132 of these stock units were forfeited during the year.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

27. Stock Options Reserve (Continued)

Details of the stock options outstanding are as follows:

	PCFS			
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
	2010	2010	2009	2009
	'000	\$	'000	\$
Balance at beginning of year	4,799	18.53	5,457	18.91
Granted	8,886	15.10	-	-
Exercised	(192)	12.20	-	-
Lapsed/forfeited	(2,100)	17.91	(658)	21.82
	<u>11,393</u>	<u>16.01</u>	<u>4,799</u>	<u>18.53</u>
Exercisable at the end of the year	<u>4,410</u>	<u>17.77</u>	<u>2,312</u>	<u>18.66</u>

For options outstanding at the end of the year for PCFS, the exercise price ranges from \$12.20 to \$21.75 (2009 - \$18.00 to \$21.75). The weighted average remaining contractual term is three years (2009 - three years).

Options for 192,377 (2009 - Nil) stock units were exercised during the year. The weighted average stock unit price at the date of exercise for options exercised during the year was \$12.20 (2009 - \$Nil).

28. Investment and Fair Value Reserves

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities, the revaluation of property, plant and equipment, an adjustment for gains or losses on investments in subsidiaries, an adjustment for equity investments deemed impaired and an adjustment for gains or losses on available-for-sale securities which have matured or have been disposed. An analysis of the investment and fair value reserves is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Cash flow hedges reserves	(3,042)	7,702	-	-
Owner-occupied properties	485,538	469,042	403,053	386,556
Unrealised gains on investments in subsidiaries	-	-	6,476,563	2,716,903
Unrealised gains/(losses) on available-for-sale securities	350,587	(2,032,098)	(219,172)	(1,133,336)
	<u>833,083</u>	<u>(1,555,355)</u>	<u>6,660,444</u>	<u>1,970,123</u>

29. Currency Translation Reserve

This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries with functional currencies other than the Jamaican dollar.

30. Other Reserves

(a) Special Investment Reserve

This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(s)).

(b) Loan Loss Reserve

This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

31. Dividends Declared

	The Group and The Company	
	2010	2009
	\$'000	\$'000
First interim dividends - 21 cents per share (2009 - 25 cents per share)	789,808	938,655
Second interim dividends - 22 cents per share (2009 - 32 cents per share)	827,418	1,202,502
	<u>1,617,226</u>	<u>2,141,157</u>

The dividends paid for 2010 and 2009 represented a dividend per stock unit of \$0.43 and \$0.57 respectively.

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32. Due to Banks and Other Financial Institutions

	Currency	%	The Group		The Company	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Long Term Loans -						
Pan Caribbean Financial Services Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayable over varying periods from 24 to 96 months	J\$	various	72,829	92,930	-	-
Repayable over varying periods from 48 to 96 months	US\$	various	10,770	25,041	-	-
European Investment Bank (EIB) -						
Repayable in 7 equal annual installments commencing on 5 December 2008 and ending in 2014	J\$	various	371,657	463,687	-	-
Repayable in 7 equal annual installments commencing on 5 December 2008 and ending in 2014	US\$	various	77,243	58,414	-	-
The National Export-Import Bank of Jamaica Limited -						
Repayable in 42 monthly installments commencing May 2009 and ending October 2012	J\$	9	6,077	9,393	-	-
PanCaribbeanBank Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayment over varying periods from 6 months to 108 months	J\$	7-10	232,595	285,602	-	-
Repayment over varying periods from 6 months to 108 months	US\$	5.35	37,306	291,210	-	-
The National Export-Import Bank of Jamaica Limited -						
Repayable over varying periods	J\$	9	-	6,510	-	-
Balance c/f			<u>808,477</u>	<u>1,232,787</u>	<u>-</u>	<u>-</u>

32. Due to Banks and Other Financial Institutions (Continued)

	Currency	%	The Group		The Company	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance b/f			808,477	1,232,787	-	-
Long Term Loans (continued) -						
Sagicor Life Jamaica Limited:						
National Housing Trust NHT-						
Repayment in 22 quarterly installments commencing 31st March 2011	J\$	8	20,509	9,716	20,509	9,716
Repayment in 13 quarterly installments commencing 31 March 2011	J\$	8	702	884	702	884
Repayment in 20 quarterly installments commencing 31 March 2011	J\$	8	99	115	99	115
Repayment over 12 years commencing 31 January 2010	J\$	0.75-5	556,621	505,437	556,621	505,437
Sagicor Life of the Cayman Islands Ltd:						
Credit Suisse						
Repayable in 1 installment on 21 February 2011	US\$	7.25	689,773	720,380	-	-
Short Term Loans -						
Pan Caribbean Financial Services Limited:						
Oppenheimer & Co. Inc.						
Repayable in 1 instalment on 16 February 2010	US\$	0.75	-	45,061	-	-
Sagicor Barbados						
Repayable in 1 instalment on 25 January 2010	US\$	8	-	223,369	-	-
Citibank N.A.						
Repayable in 1 instalment on 3 January 2011	J\$	3.5	365,035	-	-	-
Balance c/f			<u>2,441,216</u>	<u>2,737,749</u>	<u>577,931</u>	<u>516,152</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

32. Due to Banks and Other Financial Institutions (Continued)

	Currency	%	The Group		The Company	
			2010	2009	2010	2009
			\$'000	\$'000	\$'000	\$'000
Balance b/f			2,441,216	2,737,749	577,931	516,152
Short Term Loans (continued) -						
Sagicor Life Jamaica Limited:						
JP Morgan		0.74				
Repayable on demand	US\$	-1.03	-	693,980	-	693,980
Oppenheimer & Co. Inc.						
Repayable on demand	US\$	2.25	-	680,451	-	680,451
Sagicor Life of the Cayman Islands Ltd:						
JP Morgan		0.73				
Repayable on demand	US\$	-0.85	1,216,665	2,053,698	-	-
Oppenheimer & Co. Inc.		2.0 -				
Repayable on demand	US\$	2.25	1,212,933	1,934,198	-	-
Smith Barney		1.106-				
Repayable on demand	US\$	4.25	4,288,644	2,110,601	-	-
Bank Overdraft -						
Sagicor Life Jamaica Limited:						
National Commercial Bank Jamaica Limited			124,594	195,444	124,594	195,444
			<u>9,284,052</u>	<u>10,406,121</u>	<u>702,525</u>	<u>2,086,027</u>

32. Due to Banks and Other Financial Institutions (Continued)

(a) Development Bank of Jamaica Limited (DBJ)

The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve J\$ financing to Pan Caribbean Financial Services Limited (PCFS) and PanCaribbeanBank Limited (PCB) for on-lending to farmers, other agricultural projects and development projects on such terms and conditions as DBJ may stipulate.

Funds disbursed to PCFS and PCB bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ.

(b) European Investment Bank (EIB)

Pan Caribbean Financial Services Limited has three facilities with the EIB.

Facility # 1

The EIB has established in favour of PCFS, credit in the amount of €1,000,000 for the financing of projects through equity participation in small and medium sized enterprises (the beneficiary).

PCFS shall repay the loan in respect of amounts disbursed under each allocation. The amount repayable is the Euro equivalent of one half of the net amount of dividends received by PCFS in respect of the corresponding equity participation during the preceding calendar year.

The outstanding balance of the loan after the payments made to 31 March 2010 shall be discharged in full by the payment of the adjusted loan balance by five equal annual installments beginning on 31 March 2011. Repayment may either be in Euro or one or more currencies of the member states of the European Economic Community and shall be calculated as the Euro equivalent of the Jamaican dollar liability using exchange rates between the Euro and the selected currencies prevailing on the thirtieth day before the date of payment. In the event of a liquidation of the beneficiary, the outstanding balance of the loan in respect of the equity participation shall be discharged by EIB.

This facility was settled during the year.

Facility # 2

(i) A facility was established in the amount of €5,000,000. The loan was disbursed to PCFS tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currency as that in which the tranche was disbursed. To date total disbursement stands at approximately €2,106,000.

In 1999, an additional facility was established in the amount of €3,000,000, for the financing of projects through equity participation in small and medium sized enterprises. The outstanding loan balance is repayable in one instalment on 31 December 2007. In the year ended 31 December 2007, a request was made of EIB to extend the repayment date to 31 December 2009. In the event of a solvent liquidation of the beneficiary, PCFS shall pay over to EIB only the net proceeds from the liquidation, or a portion thereof, after deduction of any amounts repaid in respect of the equity participation.

This facility was settled during the year.

Notes to the Financial Statements (Continued)

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32. Due to Banks and Other Financial Institutions (Continued)

(b) European Investment Bank (EIB) (continued)

Facility # 3

A facility was established in the amount of €4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to PCFS in tranches. The draw downs may be done in US\$ of J\$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal instalments commencing 5 December 2008.

(c) The National Export-import Bank of Jamaica Limited

PCB is an approved financial institution of the National Export-Import Bank of Jamaica Limited (EXIM). Through this partnership, PCB is provided with funding which is utilised to finance customers with viable projects within EXIM's guidelines.

PCB offers trade credit, short and medium term loans to customers engaged in manufacturing, agriculture tourism and export trading. The loans to customers are for varying terms and at a 3% spread.

(d) National Housing Trust

This is a third party financing agreement between the company and the National Housing Trust, and attracts interest at rates ranging from 0.75% to 8%.

(e) Credit Suisse

Sagicor Life of the Cayman Islands Ltd.

This represents a fixed rate loan at interest rate of 7.25%. The loan is secured by International Corporate bonds, Government of Barbados bonds and Government of Trinidad and Tobago bonds totalling US\$13,887,620. This loan is repayable in one instalment on 21 February 2011.

(f) Oppenheimer

Sagicor Life of the Cayman Islands Ltd.

This represents amounts due to the broker for securities purchased by Sagicor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rates ranging from 2% to 2.25%. These loans are repayable on demand and secured by United States Municipal bonds totalling US\$2,000,100, International Corporate bonds totalling US\$7,778,443, Government of Jamaica Global bonds totalling US\$7,946,828, Equities totalling US\$1,661,082 and Mutual Funds Equities totalling US\$1,421,700.

(g) JP Morgan

Sagicor Life of the Cayman Islands Ltd.

This represents amounts due to the broker for securities purchased by Sagicor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rate from 0.73% to 0.85%. These loans are repayable on demand and secured by Government of Jamaica Global bonds totalling US\$9,741,250 Government of Trinidad and Tobago International bonds totalling US\$1,621,021, Government of Bahamas bonds totalling US\$7,824,810 and International Corporate bonds totalling US\$20,508,953.

32. Due to Banks and Other Financial Institutions (Continued)

(h) Smith Barney

Sagicor Life of the Cayman Islands Ltd.

This represents amounts due to the broker for securities purchased by Sagicor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rates ranging from 1.106% to 4.25%. These loans are repayable on demand and secured by International bonds totalling US\$8,897,630, Government of Trinidad and Tobago bonds totaling US\$5,474,000, Government of Bahamas bonds totaling US\$511,241, International Corporate bonds totalling US\$47,797,083, International Municipal bonds totalling US\$20,137,561 and Equities totaling US\$5,002,180.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

33. Customer Deposits and Other Accounts

These represent the balance of customer accounts held with the Pan Caribbean Financial Services Limited. They are initially stated at the nominal amount when funds are received and subsequently stated at amortised cost using the effective interest method.

34. Structured Products

	The Group	
	2010	2009
	\$'000	\$'000
Principal protected notes	484,428	473,266

These structured products are offered by the banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalise on current market trends.

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35. Redeemable Preference Shares

	The Group	
	2010 \$'000	2009 \$'000
Redeemable preference shares	612,852	1,264,324
Interest payable	3,148	6,995
	<u>616,000</u>	<u>1,271,319</u>

One of the company's subsidiaries, Pan Caribbean Financial Services Limited, issued 6,321,621 12½% cumulative redeemable preference shares at a fixed price of \$200 per share.

During the year, the subsidiary redeemed 3,257,362 shares at a value of \$651,472,000.

36. Provisions

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At beginning of year	93,248	218,402	93,248	218,402
Additions during the year	200,000	-	-	-
Utilised during the year	(6,354)	(125,154)	(6,354)	(125,154)
Extinguished during the year	(86,894)	-	(86,894)	-
At end of year	<u>200,000</u>	<u>93,248</u>	<u>-</u>	<u>93,248</u>

Provisions represent management's estimate of amounts likely to be paid based on claims against the Group which are pending before the Courts.

37. Other Liabilities

	The Group		The Company	
	2010 J\$'000	2009 J\$'000	2010 J\$'000	2009 J\$'000
Accounts payable and accruals	427,397	405,051	309,651	248,350
Accrued vacation	63,810	95,960	40,262	32,425
Annuities payable	2,295	1,908	2,295	1,908
Dividends payable	43,139	42,817	43,139	42,817
Due to related parties (Note 23)	178,372	63,289	109,044	1,883,261
Bonus payable	248,496	125,089	185,026	117,576
Premiums not applied	1,238,476	2,029,375	1,171,944	1,961,345
Reinsurance payable	37,842	111,039	56,313	43,745
Mortgage principal payable	216,602	201,345	216,602	201,345
Proceeds from sale of mortgage portfolio classified as assets held for sale	792,585	-	792,585	-
Customer settlement accounts	46,721	112,081	-	-
Items in course of payment	85,465	672,762	-	-
Fees received in advance	12,533	-	-	-
Unearned reinsurance commissions	5,499	5,104	-	-
Miscellaneous	550,308	543,792	367,525	355,957
	<u>3,949,540</u>	<u>4,409,612</u>	<u>3,294,386</u>	<u>4,888,729</u>

38. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Group annuities	14,529,309	13,460,122	14,299,910	13,283,367
Group insurance	3,576,555	3,147,191	3,521,387	3,090,962
Individual insurance	2,201,116	2,091,824	944,637	731,338
Total	<u>20,306,980</u>	<u>18,699,137</u>	<u>18,765,934</u>	<u>17,105,667</u>

Notes to the Financial Statements (Continued)

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38. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group			
	2010			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	
\$'000	\$'000	\$'000	\$'000	
Balance at the beginning of the year	13,460,122	2,091,824	3,147,191	18,699,137
Normal changes in policyholders' liabilities (Note 38(d))	1,358,285	165,053	431,738	1,955,076
Changes as a result of revaluation	(289,098)	(55,761)	(2,374)	(347,233)
Balance at end of year	<u>14,529,309</u>	<u>2,201,116</u>	<u>3,576,555</u>	<u>20,306,980</u>
	The Group			
	2009			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	
\$'000	\$'000	\$'000	\$'000	
Balance at the beginning of the year	9,873,276	2,045,907	3,498,840	15,418,023
Normal changes in policyholders' liabilities (Note 38(d))	2,793,407	(244,040)	(45,770)	2,503,597
Change in reinsurance recoverable	-	-	(33,688)	(33,688)
Assumed on acquisitions	-	136,022	-	136,022
Changes as a result of revaluation	793,439	153,935	32,711	980,085
Liabilities included in assets classified as held for sale and discontinued operations	-	-	(304,902)	(304,902)
Balance at end of year	<u>13,460,122</u>	<u>2,091,824</u>	<u>3,147,191</u>	<u>18,699,137</u>

38. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued):

	The Company			
	2010			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	
\$'000	\$'000	\$'000	\$'000	
Balance at beginning of year	13,283,367	731,338	3,090,962	17,105,667
Normal changes in policyholders' liabilities (Note 38(d))	1,296,997	213,299	430,425	1,940,721
Changes as a result of revaluation	(280,454)	-	-	(280,454)
	<u>14,299,910</u>	<u>944,637</u>	<u>3,521,387</u>	<u>18,765,934</u>
	The Company			
	2009			
	Group	Individual	Group	Total
	Annuities	Insurance	Insurance	
\$'000	\$'000	\$'000	\$'000	
Balance at beginning of year	9,761,430	800,556	3,217,935	13,779,921
Normal changes in policyholders' liabilities (Note 38(d))	2,742,073	(69,218)	(126,973)	2,545,882
Changes as a result of revaluation	779,864	-	-	779,864
	<u>13,283,367</u>	<u>731,338</u>	<u>3,090,962</u>	<u>17,105,667</u>

Notes to the Financial Statements (Continued)

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38. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	The Group				
	2010				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	-	-	-	1,275,597	1,275,597
Investment properties	-	-	-	853,869	853,869
Fixed income securities	18,758,946	17,988,543	55,226,008	2,254,522	94,228,019
Mortgages	495,338	932,712	-	24,226	1,452,276
Other assets	799,180	-	12,416,746	22,323,722	35,539,648
Segregated fund assets	9,809,444	-	-	-	9,809,444
	<u>29,862,908</u>	<u>18,921,255</u>	<u>67,642,754</u>	<u>26,731,936</u>	<u>143,158,853</u>
	2009				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	96,220	-	-	2,096,657	2,192,877
Investment properties	-	-	79,409	961,929	1,041,338
Fixed income securities	20,292,466	15,383,151	56,454,215	3,588,327	95,718,159
Mortgages	724,701	1,370,955	-	36,458	2,132,114
Other assets	1,301,194	-	9,924,377	14,908,550	26,134,121
Segregated fund assets	8,516,279	-	-	-	8,516,279
	<u>30,930,860</u>	<u>16,754,106</u>	<u>66,458,001</u>	<u>21,591,921</u>	<u>135,734,888</u>

38. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities (continued):

	The Company				
	2010				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	-	-	-	386,718	386,718
Investment properties	-	-	-	490,305	490,305
Fixed income securities	13,546,775	17,697,798	-	915,981	32,160,554
Mortgages	495,238	932,712	-	1,013	1,428,963
Other assets	332,701	-	-	22,547,466	22,880,167
Segregated fund assets	9,321,013	-	-	-	9,321,013
	<u>23,695,727</u>	<u>18,630,510</u>	<u>-</u>	<u>24,341,483</u>	<u>66,667,720</u>
	2009				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	96,220	-	-	1,094,713	1,190,933
Investment properties	-	-	79,409	585,591	665,000
Fixed income securities	9,407,223	15,157,159	266,550	2,240,502	27,071,434
Mortgages	724,701	1,370,955	-	-	2,095,656
Other assets	333,919	-	4,094,595	12,199,550	16,628,064
Segregated fund assets	8,014,361	-	-	-	8,014,361
	<u>18,576,424</u>	<u>16,528,114</u>	<u>4,440,554</u>	<u>16,120,356</u>	<u>55,665,448</u>

Notes to the Financial Statements (Continued)

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38. Insurance Contract Liabilities (Continued)

- d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group			
	2010			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	(41,698)	226,332	43,251	227,885
Change due to the issuance of new policies and the decrements on in-force policies	1,182,130	996,520	510,154	2,688,804
Change due to other actuarial assumptions	217,853	(1,057,799)	(121,667)	(961,613)
	<u>1,358,285</u>	<u>165,053</u>	<u>431,738</u>	<u>1,955,076</u>
	2009			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	152,643	568,888	(519,492)	202,039
Change due to the issuance of new policies and the decrements on in-force policies	3,473,508	260,424	115,998	3,849,930
Change due to other actuarial assumptions	(832,744)	(1,073,352)	357,724	(1,548,372)
	<u>2,793,407</u>	<u>(244,040)</u>	<u>(45,770)</u>	<u>2,503,597</u>

38. Insurance Contracts Liabilities (Continued)

- (d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions (continued).

	The Company			
	2010			
	Group Annuities \$'000	Group Insurance \$'000	Individual Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	(23,798)	43,251	199,119	218,572
Change due to the issuance of new policies and the decrements on in-force policies	1,102,941	508,841	937,011	2,548,793
Change due to other actuarial assumptions	217,854	(121,667)	(922,831)	(826,644)
	<u>1,296,997</u>	<u>430,425</u>	<u>213,299</u>	<u>1,940,721</u>
	2009			
	Group Annuities \$'000	Group Insurance \$'000	Individual Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	143,683	(519,492)	611,857	236,048
Change due to the issuance of new policies and the decrements on in-force policies	3,431,033	34,798	339,370	3,805,201
Change due to other actuarial assumptions	(832,643)	357,721	(1,020,445)	(1,495,367)
	<u>2,742,073</u>	<u>(126,973)</u>	<u>(69,218)</u>	<u>2,545,882</u>

- (e) Policy assumptions

At each date for valuation of actuarial liabilities, the Appointed Actuary of each insurer reviews the assumptions made at the last valuation date. The Appointed Actuary tests the validity of each assumption by reference to current data, the Group's experience and where appropriate, changes the assumptions for the current valuation.

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Notes to the Financial Statements (Continued)

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38. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts

- (i) Best estimate assumptions
Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.
- (ii) Mortality and morbidity
The assumptions are based on past group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits, the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 1983 Individual Annuitant male and female basic mortality tables with projection scale G for improvements in mortality.
- (iii) Investment yields
The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 0.8% and 4.0%.
- (iv) Lapses and persistency
Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 5% and 35% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 3% and 8% of insurance amounts in force. Partial withdrawal rates average about 16% of fund values available from policies in force.

38. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (Continued)

- (v) Policy expenses
Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over 5 years and declines over the life of the policies such that real returns after 30 years are between 0.8% and 4.0%.
- (vi) Provision for adverse deviation assumptions
To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions. The Group uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.
- (vii) Asset default
The Appointed Actuary of each insurer includes a provision for asset default in the modeling of the cash flows. The provision is based on industry and the Group's experience and includes a specific margin for equity securities and combined margin for debt securities, mortgage loans and deposits.
- (viii) Changes in assumptions
Each financial year, the expectations of the Group with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Group.

Health Insurance Contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No material claim settlements are anticipated after one year from the year end date.

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(expressed in Jamaican dollars unless otherwise indicated)

39. Investment Contract Liabilities

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Fair value -				
Segregated funds (unit-linked)	9,809,444	8,516,279	9,321,013	8,014,361
Amortised cost -				
Amounts on deposit	6,764,477	9,896,327	3,908,217	2,197,527
Deposit administration funds	3,234,044	2,682,743	3,182,071	2,639,852
Other investment contracts	330,811	301,409	201,588	206,398
	<u>10,329,332</u>	<u>12,880,479</u>	<u>7,291,876</u>	<u>5,043,777</u>
	<u>20,138,776</u>	<u>21,396,758</u>	<u>16,612,889</u>	<u>13,058,138</u>

All financial liabilities at fair value through profit or loss are designated by the Group to be in this measurement category.

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Movement of the Deposit Administration Funds:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	2,682,743	2,445,900	2,639,852	2,403,266
Deposits received	537,801	321,328	525,902	321,328
Interest earned	256,186	278,564	253,146	276,115
Service charges	(20,974)	(18,020)	(20,974)	(18,020)
Withdrawals	(219,923)	(349,904)	(215,855)	(342,837)
Revaluation adjustment	(1,789)	4,875	-	-
Balance at the end of the year	<u>3,234,044</u>	<u>2,682,743</u>	<u>3,182,071</u>	<u>2,639,852</u>

These represent funds managed on behalf of pension plans administered by the Group and the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 175 (2009 - 180) clients in the company. The average interest rate paid by the company during the year was 8.5% (2009 - 11.5%).

40. Other Policy Liabilities

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Insurance benefits payable	1,545,871	1,311,030	1,418,273	1,237,538
Provision for unearned premiums	65,477	59,042	-	698
Policy dividends and other funds on deposit	<u>678,347</u>	<u>581,044</u>	<u>321,249</u>	<u>307,797</u>
	<u>2,289,695</u>	<u>1,951,116</u>	<u>1,739,522</u>	<u>1,546,033</u>

41. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to \$2,071,807,000 (2009 - \$1,730,609,000) are accrued to the account of the policyholders as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

42. Premium Income

(a) Gross premiums by line of business:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Group insurance -				
Group creditor life	531,936	454,000	531,936	454,000
Group health	5,962,328	7,455,439	5,962,328	5,672,806
Group life	1,311,268	1,430,241	1,190,113	1,275,440
	<u>7,805,532</u>	<u>9,339,680</u>	<u>7,684,377</u>	<u>7,402,246</u>
Individual insurance -				
Individual life	7,071,430	6,299,351	6,120,256	5,413,836
Individual health	238,266	-	238,266	-
Individual annuities	89,820	45,485	-	-
	<u>7,399,516</u>	<u>6,344,836</u>	<u>6,358,522</u>	<u>5,413,836</u>
Annuities and pensions	1,278,927	2,781,485	1,278,927	2,781,485
Property and casualty	<u>164,615</u>	<u>2,810,018</u>	<u>-</u>	<u>-</u>
	<u>16,648,590</u>	<u>21,276,019</u>	<u>15,321,826</u>	<u>15,597,567</u>

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42. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Group insurance -				
Group health	123,409	239,521	123,409	79,624
Group life	73,403	5,894	24,761	(78,021)
Other	12,640	10,162	11,730	10,162
	<u>209,452</u>	<u>255,577</u>	<u>159,900</u>	<u>11,765</u>
Individual life	265,813	265,973	136,725	148,590
Property and casualty	<u>163,030</u>	<u>2,538,527</u>	<u>-</u>	<u>-</u>
	<u>638,295</u>	<u>3,060,077</u>	<u>296,625</u>	<u>160,355</u>
Net premiums	<u>16,010,295</u>	<u>18,215,942</u>	<u>15,025,201</u>	<u>15,437,212</u>

(c) Net premiums by geography:

	The Group	
	2010 \$'000	2009 \$'000
Jamaica	15,025,201	15,437,212
Cayman Islands	<u>985,094</u>	<u>2,778,730</u>
	<u>16,010,295</u>	<u>18,215,942</u>

43. Investment Income

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest income -				
Short term deposits	33,418	66,776	19,282	32,945
Corporate debentures	1,127,551	920,267	152,479	129,269
Investment securities	8,068,291	9,345,989	2,653,754	2,614,978
Loans	1,218,027	1,360,832	246,986	234,895
Policy loans	79,337	82,700	42,135	40,239
Government securities purchased under resale agreements	195,458	711,385	110,962	279,573
Other	15,553	16,803	171,481	20,084
	<u>10,737,635</u>	<u>12,504,752</u>	<u>3,397,079</u>	<u>3,351,983</u>
Dividends	82,954	80,404	480,033	407,777
Net foreign exchange (losses)/gains	(57,326)	18,626	(57,326)	18,764
Net gains on investment securities	1,770,063	567,908	714,719	59,717
Other investment (losses)/gains	(18,435)	106,643	(17,194)	-
	<u>12,514,891</u>	<u>13,278,332</u>	<u>4,517,311</u>	<u>3,838,241</u>

44. Impairment Charge

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity investments	45,079	73,419	4,253	34,132
Corporate bonds	-	53,844	-	-
	<u>45,079</u>	<u>127,263</u>	<u>4,253</u>	<u>34,132</u>

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(expressed in Jamaican dollars unless otherwise indicated)

45. Interest Expense

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Customer deposits and repurchase liabilities	3,593,324	5,324,953	26,584	26,512
Due to banks and other financial institutions	166,294	144,047	-	-
Investment contracts	784,593	919,496	598,100	597,736
Other	50,332	81,824	50,639	49,766
	<u>4,594,544</u>	<u>6,470,320</u>	<u>675,323</u>	<u>674,014</u>

46. Fee Income

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Administration fees	1,110,235	850,083	834,380	595,057
Other				
Surrender charges	109,329	81,546	104,609	78,869
Wholesale banking fees	9,954	12,147	-	-
Credit related fees, net	64,772	51,718	-	6,960
Stockbrokerage fees	31,417	17,305	-	-
Treasury fees	16,907	6,525	-	-
Trust fees	51,405	52,245	-	-
Miscellaneous fees	29,607	25,820	14,800	5,121
	<u>313,391</u>	<u>247,306</u>	<u>119,409</u>	<u>90,950</u>
	<u>1,423,626</u>	<u>1,097,389</u>	<u>953,789</u>	<u>686,007</u>

47. Insurance Benefits and Claims

	The Group				The Company			
	Year ended 31 December 2010			2009	Year ended 31 December 2010			2009
	Gross incurred	Reinsured	Net	Net Claims	Gross incurred	Reinsured	Net	Net Claims
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Death and disability	1,765,189	(121,299)	1,643,890	1,538,080	1,501,106	(41,953)	1,459,153	1,376,494
Maturities	22,953	-	22,953	14,343	14,358	-	14,358	14,343
Surrenders and withdrawals	858,690	-	858,690	765,439	653,965	-	653,965	591,751
Annuities and pensions	1,303,211	-	1,303,211	1,277,332	1,281,088	-	1,281,088	1,262,599
Policy dividends and bonuses	48,328	-	48,328	44,592	7,943	-	7,943	8,453
Health insurance	4,399,655	(71,399)	4,328,256	5,916,269	4,399,576	(71,399)	4,328,177	4,559,895
Property and casualty insurance	-	-	-	70,775	-	-	-	-
Other benefits	315,412	(6,977)	308,435	202,217	264,910	(6,977)	257,933	185,983
	<u>8,713,438</u>	<u>(199,675)</u>	<u>8,513,763</u>	<u>9,829,047</u>	<u>8,122,946</u>	<u>(120,329)</u>	<u>8,002,617</u>	<u>7,999,518</u>

48. Finance Costs

Finance costs represent interest costs incurred on loans used for business development and preference shares.

49. Administration Expenses

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration -				
Current year	55,907	59,670	27,115	26,622
Prior year	1,519	5,100	1,513	5,100
Office accommodation	525,258	536,511	357,377	298,153
Communication and technology	623,651	440,013	521,357	408,167
Advertising and branding	228,927	246,228	146,197	112,444
Sales convention and incentives	87,909	94,025	86,728	89,981
Postage, printing and office supplies	104,461	117,387	82,821	68,120
Policy stamp duties and reimbursements	64,441	34,356	40,918	18,596
Regulators fees	128,930	112,933	77,874	68,834
Other expenses	1,033,327	1,045,423	535,518	586,868
	<u>2,854,330</u>	<u>2,691,646</u>	<u>1,877,418</u>	<u>1,682,885</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

50. Salaries, Pension Contributions and Other Staff Benefits

(a) Employees

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	2,186,080	2,557,432	1,253,107	1,217,954
Payroll taxes	206,143	228,753	125,869	120,229
Pension costs (Note 15)	353,062	62,472	257,764	74,400
Other post-retirement benefits (Note 15)	149,432	86,850	139,864	73,704
Share based compensation	79,785	34,119	65,474	30,949
Other	186,253	426,358	77,059	181,661
	<u>3,160,755</u>	<u>3,395,984</u>	<u>1,919,137</u>	<u>1,698,897</u>

	The Group		The Company	
	2010	2009	2010	2009
	No.	No.	No.	No.
Number of employees at year end -				
Full - time administrative	862	888	460	438
Part - time administrative	159	127	118	91
	<u>1,021</u>	<u>1,015</u>	<u>578</u>	<u>529</u>

(b) Contractors – sales agents

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Commissions and bonuses	<u>2,749,862</u>	<u>2,863,767</u>	<u>2,435,934</u>	<u>2,236,926</u>
	No.	No.	No.	No.
Number of insurance sales agents at year end	<u>484</u>	<u>494</u>	<u>424</u>	<u>443</u>

51. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current year taxation -				
Investment income tax @ 15%	113,365	155,295	113,365	155,295
Income tax at 33 1/3%	433,331	491,041	-	-
	<u>546,696</u>	<u>646,336</u>	<u>113,365</u>	<u>155,295</u>
Deferred income tax (Note 19) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	54,938	(35,540)	45,096	(25,647)
	<u>601,634</u>	<u>610,796</u>	<u>158,461</u>	<u>129,648</u>
Premium tax @ 3%	<u>307,238</u>	<u>273,989</u>	<u>307,238</u>	<u>273,989</u>
	<u>908,872</u>	<u>884,785</u>	<u>465,699</u>	<u>403,637</u>

- (i) Investment tax applicable to the long term insurance business of the company is 15% on income, other than premium income, less certain expenses incurred in the generation of that income.
- (ii) Investment tax applicable to the health insurance business of the company is 15% of taxable profits of that line of business.
- (iii) Income tax at 33 1/3% is payable on taxable profits of Sagicor Property Services Limited, Pan Caribbean Financial Services Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited and Sagicor International Administrators Limited.
- (iv) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of certain subsidiary companies, available for set off against future taxable profits amount to approximately \$77,346,000 (2009 - \$63,467,000).
- (v) Premium tax charges for the company include tax on deposits relating to the segregated funds totalling \$2,398,990,000 (2009 - \$1,989,688,000). The income from these funds is not included in the financial statements of the company. The company recovers these charges through premium income charged to the funds for the provision of life insurance coverage.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

51. Taxation (Continued)

(b) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment income tax -				
Gross investment income	<u>12,514,891</u>	<u>13,278,332</u>	<u>4,517,311</u>	<u>3,838,241</u>
Tax at 15%	1,877,234	1,991,750	677,597	575,736
Adjusted for:				
Deductible expenses	(314,546)	(323,960)	(314,546)	(323,960)
Income not subject to tax	(241,735)	(137,930)	(241,735)	(137,930)
Net investment income not subject to investment tax	(1,199,637)	(1,416,014)	-	-
Expenses not deductible for tax purposes	63,992	47,101	63,992	47,101
Net effect of other charges and allowances	<u>(26,847)</u>	<u>(31,299)</u>	<u>(26,847)</u>	<u>(31,299)</u>
	<u>158,461</u>	<u>129,648</u>	<u>158,461</u>	<u>129,648</u>
Income tax -				
Profit before taxation	<u>5,980,339</u>	<u>5,770,350</u>	<u>-</u>	<u>-</u>
Tax at 33½%	1,993,446	1,923,450	-	-
Adjusted for:				
Premium and investment income not subject to income tax	(1,547,243)	(1,442,485)	-	-
Prior year under/(over) provision	1,031	(1,066)	-	-
Adjustment for tax losses	-	-	-	-
Net effect of other charges and allowances	<u>(4,061)</u>	<u>1,249</u>	<u>-</u>	<u>-</u>
	<u>443,173</u>	<u>481,148</u>	<u>-</u>	<u>-</u>
Tax expense	<u>601,634</u>	<u>610,796</u>	<u>158,461</u>	<u>129,648</u>

51. Taxation (Continued)

(c) The deferred tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Arising on gains/losses recognised in other comprehensive income -				
Available-for-sale investment securities	1,021,848	(330,357)	194,488	(168,322)
Cash flow hedge	-	98,799	-	-
	<u>1,021,848</u>	<u>(231,558)</u>	<u>194,488</u>	<u>(168,322)</u>
Reclassification from other comprehensive income to the income statement -				
Available-for-sale investment securities	(25,977)	55,871	(51,082)	2,571
Cash flow hedge	6,305	(24,151)	-	-
	<u>(19,672)</u>	<u>31,720</u>	<u>(51,082)</u>	<u>2,571</u>
	<u>1,002,176</u>	<u>(199,838)</u>	<u>143,406</u>	<u>(165,751)</u>

52. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	2010 \$'000	2009 \$'000
Net profit attributable to stockholders	<u>4,671,171</u>	<u>4,390,112</u>
Weighted average number of ordinary stock units in issue ('000)	<u>3,760,992</u>	<u>3,755,995</u>
Basic earnings per stock unit	<u>\$1.24</u>	<u>\$1.17</u>

The diluted earnings per stock unit is calculated adjusting the weighted average number of ordinary stock unit outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

- An Employee Share Ownership Plan.
- Effective 1 May 2003, the Group instituted a share based compensation plan for Executives. A new long-term Incentive Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

However, effective January 2010, the Company adopted a policy not to issue new shares, to satisfy the staff share ownership plans options being exercised or grants being awarded. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Executive.

Notes to the Financial Statements (Continued)

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52. Earnings per Stock Unit (Continued)

	2010	2009
Net profit attributable to stockholders (\$'000)	<u>4,671,171</u>	<u>4,390,112</u>
Weighted average number of ordinary stock units in issue ('000)	3,760,992	3,755,995
Adjusted for -		
Share option and share based plans ('000)	<u>-</u>	<u>38,260</u>
Weighted average number of ordinary stock units for diluted earnings per stock unit ('000)	<u>3,762,992</u>	<u>3,794,255</u>
Fully diluted earnings per stock unit	<u>\$1.24</u>	<u>\$1.16</u>

53. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.
- (ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.
- (iii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates and the exchange traded funds that are shorted and based on quoted prices at the year end date. The fair value of the equity indexed options is based on quoted prices.
- (iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the year end date. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits.
- (v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and
- (vii) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

Notes to the Financial Statements (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

53. Fair Values of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Group and company's statement of financial position at their fair value:

	The Group			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2010	2010	2009	2009
	\$000	\$000	\$000	\$000
Financial Assets				
Financial investments - held to maturity	1,686,712	1,747,083	1,745,692	1,563,758
Financial investments – loans and receivables	28,839,637	30,470,531	23,751,815	22,001,143
Loans & leases, after allowance for credit losses	<u>9,502,652</u>	<u>11,929,582</u>	<u>8,688,299</u>	<u>9,567,112</u>
Financial Liabilities				
Securities sold under agreements to repurchase	48,377,528	53,913,151	42,036,038	38,155,614
Customer deposits and other accounts	9,016,902	11,971,000	8,782,312	7,280,570
Due to banks and other financial institutions	<u>9,284,052</u>	<u>9,639,343</u>	<u>10,406,121</u>	<u>10,502,435</u>
	The Company			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2010	2010	2009	2009
	\$000	\$000	\$000	\$000
Financial Assets				
Financial investments – loans and receivables	29,466,420	31,101,756	20,918,852	19,834,428
Lease receivables, after allowance for credit losses	<u>1,767</u>	<u>1,767</u>	<u>2,081</u>	<u>2,081</u>
Financial Liabilities				
Due to banks and other financial institutions	<u>702,525</u>	<u>702,525</u>	<u>2,086,027</u>	<u>2,086,027</u>

53. Fair Values of Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2010, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	17,795,513	53,281,472	2,949,176	74,026,161
Derivative financial instruments	-	76,144	214,633	290,777
	<u>17,795,513</u>	<u>53,357,616</u>	<u>3,163,809</u>	<u>74,316,938</u>
Financial Liabilities				
Derivative financial instruments	113,774	44,586	-	158,360
Structured products	-	484,428	-	484,428
	<u>113,774</u>	<u>529,014</u>	<u>-</u>	<u>642,788</u>
	2009			
	Level 1	Level 2	Level 3	Total
	Financial Assets			
Financial investments	16,227,012	41,580,290	4,766,604	62,573,906
Derivative financial instruments	-	80,088	75,286	155,374
	<u>16,227,012</u>	<u>41,660,378</u>	<u>4,841,890</u>	<u>62,729,280</u>
Financial Liabilities				
Derivative financial instruments	127,721	72,985	-	200,706
Structured products	-	473,266	-	473,266
	<u>127,721</u>	<u>546,251</u>	<u>-</u>	<u>673,972</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

53. Fair Values of Financial Instruments (Continued)

	The Company			
	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	3,292,055	753,361	304,303	4,349,719
	2009			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	3,842,786	2,211,834	378,056	6,432,676

There were no transfers between Level 1 and 2 in the year.

Reconciliation of level 3 items -

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	4,841,890	6,011,058	378,056	-
Total gain - other comprehensive income	178,174	16,240	-	172
Total gain - income statement	8,227	75,111	(14,378)	-
Purchases	400,215	599,789	-	507,195
Settlements	(2,264,697)	(1,860,308)	(59,375)	(129,311)
Balance at end of year	3,163,809	4,841,890	304,303	378,056

The gains or losses recorded in the income statement are included in Note 43.

If the fair value measurements were adjusted by reasonable possible alternative assumptions then the interest rate swap would decrease or increase by \$30,391,000.

54. Insurance and Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has established a risk management framework with clear terms of reference from the Board of Directors, its committees and the associated Executive Management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Group's risk management, control and business conduct standards for the Group's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

In February 2010, the Group participated in the Jamaica Debt Exchange (JDX) transaction under which the Group exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Group under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities and, therefore, had a significant impact on financial risks.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as follows:

(i) Board Audit Committee

The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Group's risk management policies and adequacy of the risk management framework to risks faced by the Group;
- Reviews the Group's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements; and
- Reviews the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Board Investment Committee

The Board Investment Committee comprises independent directors. As part of its Terms of Reference, the Committee:

- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(iii) Asset/Liability Management (ALM) Committee

The Group has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Group's asset and liabilities;
- Plans, directs and monitors various financial risks including, interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

(iv) Anti-Money Laundering (AML)

The Group has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing the required report with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance

The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

(vi) Enterprise Risk Management

The Group utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

The most important types of risk facing the Group are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

The Group issues both short term and long term contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

Notes to the Financial Statements (Continued)

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

(i) Frequency and severity of claims (continued)

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 54(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in Note 38).

Individual Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2010				
0 - 200	83,250,440	13	74,408,819	13
200 - 400	71,294,477	11	61,249,517	10
400 - 800	66,929,188	10	59,756,859	10
800 - 1000	61,657,624	9	56,833,289	9
More than 1,000	382,940,373	57	350,360,089	58
Total	666,072,102	100	602,608,573	100

Individual Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2009				
0 - 200	78,247,534	12	67,920,343	12
200 - 400	66,554,684	11	55,196,669	10
400 - 800	62,544,452	10	55,013,300	10
800 - 1000	57,137,753	9	52,379,444	10
More than 1,000	341,594,469	55	303,895,730	56
Unknown	16,434,478	3	9,528,642	2
Total	622,513,370	100	543,934,128	100

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

Individual Life Benefits Assured per Life ('000)	The Company			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2010				
0 - 200	9,638,486	2	9,593,794	2
200 - 400	15,762,870	3	15,750,680	3
400 - 800	42,184,712	9	41,798,135	9
800 - 1000	56,613,509	11	54,268,822	12
More than 1,000	375,713,093	75	346,826,701	74
Total	499,912,670	100	468,238,132	100

Individual Life Benefits Assured per Life ('000)	The Company			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2009				
0 - 200	10,164,547	2	10,115,590	2
200 - 400	15,740,869	3	15,724,962	4
400 - 800	40,086,333	9	39,663,463	10
800 - 1000	52,793,752	12	49,995,635	12
More than 1,000	336,645,881	74	301,975,896	72
Total	455,431,382	100	417,475,546	100

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The table below represents the company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2010				
0 - 200	16,942,736	5	14,559,451	5
200 - 400	1,767,935	1	585,397	1
400 - 800	576,498	1	151,922	1
800 - 1,000	116,753	1	108,193	1
More than 1,000	304,577,409	92	302,967,409	92
	<u>323,981,331</u>	<u>100</u>	<u>318,372,372</u>	<u>100</u>
Group Life Benefits Assured per Life ('000)				
2009				
0 - 200	20,852,951	6	19,017,305	6
200 - 400	12,724,891	4	11,413,208	3
400 - 800	28,433,677	9	28,001,808	9
800 - 1,000	21,322,526	6	21,322,526	7
More than 1,000	245,674,946	75	245,019,111	75
	<u>329,008,991</u>	<u>100</u>	<u>324,773,958</u>	<u>100</u>

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

Group Life Benefits Assured per Life ('000)	The Company			
	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2010				
0 - 200	999	1	999	1
200 - 400	2,723	1	2,723	1
400 - 800	16,945	1	16,945	1
800 - 1,000	25,745	1	25,745	1
More than 1,000	304,577,409	96	302,967,409	96
	<u>304,623,821</u>	<u>100</u>	<u>303,013,821</u>	<u>100</u>
Group Life Benefits Assured per Life ('000)				
2009				
0 - 200	3,254,708	1	3,254,708	1
200 - 400	10,814,706	4	10,814,706	4
400 - 800	27,912,479	9	27,912,479	9
800 - 1,000	21,322,526	7	21,322,526	7
More than 1,000	245,674,946	79	245,019,111	79
	<u>308,979,365</u>	<u>100</u>	<u>308,323,530</u>	<u>100</u>

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The following tables for the company's annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity Payable per annum per annuitant ('000)	The Group	
	Total Benefits Insured	
2010	\$'000	%
0 - 20	22,734	2
20 - 40	21,653	2
40 - 80	55,312	4
80 - 100	29,610	2
More than 100	1,123,836	90
Total	1,253,145	100

Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
	\$'000	%
2009		
0 - 20	19,235	2
20 - 40	21,336	2
40 - 80	50,259	4
80 - 100	59,395	5
More than 100	963,903	87
Total	1,114,128	100

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

Annuity Payable per annum per annuitant ('000)	The Company	
	Total Benefits Insured	
2010	\$'000	%
0 - 20	9,472	1
20 - 40	14,294	1
40 - 80	51,690	4
80 - 100	29,610	2
More than 100	1,123,836	92
Total	1,228,902	100

Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
	\$'000	%
2009		
0 - 20	9,592	1
20 - 40	13,657	1
40 - 80	50,259	5
80 - 100	59,395	5
More than 100	963,903	88
Total	1,096,806	100

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

Notes to the Financial Statements (Continued)

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

(iii) Process used in deriving assumptions

The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Group determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 38(e) for detail policy assumptions.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer 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 insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 54(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:

- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

(i) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 54(b) for retention limits.

Notes to the Financial Statements (Continued)

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54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts (continued)

- (ii) Sources of uncertainty in the estimation of future claim payments
There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

- (iii) Process used in deriving assumptions
The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 38(e) for detail policy assumptions.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

Short-duration property and casualty insurance contracts

- (i) Casualty insurance risks
Casualty risks are comprised principally of motor vehicle physical damage and personal liability.

The Group manages these risks by way of a conservative underwriting strategy, adequate reinsurance arrangements and proactive claims management. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies and it has the right to reject the payment of a fraudulent claim. The Group will, where necessary, appoint lawyers to act on the Group's behalf in respect of serious bodily injury claims, thus ensuring prompt settlements and avoiding claims development. However, the severity of claims can be affected by increasing level of court awards and inflation.

- (ii) Property insurance risks
These policies are underwritten by reference to the commercial replacement value of the properties and contents insured. Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from windstorm or sea inundation damage.

The Group has reinsurance cover for such damage to limit losses, which are outline in Note 54(b).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events, such as hurricanes, which may result in motor and property claims.

The Group has a dedicated in-house department and also uses third party adjusters as necessary. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

The Group cedes reinsurance to other companies to minimise its exposures arising from large risks or from hazards of an unusual or catastrophic nature. Reinsurance arrangements include quota share, facultative, excess and catastrophic coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses from any one catastrophic event of more than CI\$1,000,000 in any one year and from any single liability claim of more than CI\$200,000.

In the event that the Group's reinsurers were unable to meet their obligations under the reinsurance agreements in place, the Group would still be liable to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations.

For the Group's property and casualty insurance contracts, significant risk exposures arise from low frequency high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

(b) Reinsurance risk

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

For its property risks, the Group 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 insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

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54. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

Retention limits represent the level of risk retained by the insurer. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarised below:

Type of insurance contract	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J\$1,000,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J\$35,000,000 and US\$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J\$35,000,000 and US\$100,000.

(c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the 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 value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. 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 Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

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.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 38(e) for further details).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

- (i) Long term traditional insurance contracts and some investment contracts
Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

- (ii) Long term insurance contracts and investment contracts without fixed terms
For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to \$149,219,000 (2009 - \$122,319,000) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

- (iii) Short term contracts
For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Group's and the company's interest rate gap based on earlier of contractual repricing or maturity dates.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2010.

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2010						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non- Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Assets							
Cash resources	2,789,071	-	-	-	-	102,337	2,891,408
Cash reserve at Bank of Jamaica	456,476	-	-	-	-	-	456,476
Financial investments and pledged assets	1,567,058	25,265,918	5,587,972	15,503,683	54,310,219	3,714,794	105,949,644
Securities purchased under resale agreements	1,533,961	642,042	2,288	-	3,173	10,123	2,191,587
Derivative financial instruments	-	18,271	54,110	142,251	-	76,145	290,777
Loans & leases, after allowance for credit losses	-	2,385,797	2,693,351	3,077,348	1,256,365	89,791	9,502,652
Reinsurance contracts	-	-	-	-	-	184,291	184,291
Other assets	-	-	-	-	-	2,669,446	2,669,446
Segregated funds' assets	21,554	1,822,448	251,540	804,869	3,179,565	3,729,468	9,809,444
Non-financial assets:							
Investment properties	-	-	-	-	-	853,869	853,869
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,470,277	1,470,277
Retirement benefit assets	-	-	-	-	-	190,593	190,593
Intangible assets	-	-	-	-	-	4,512,310	4,512,310
Deferred income taxes	-	-	-	-	-	112,383	112,383
Taxation recoverable	-	-	-	-	-	1,323,027	1,323,027
	6,368,120	30,134,476	8,589,261	19,528,151	58,749,322	19,041,579	142,410,909
Assets classified as held for sale	-	747,944	-	-	-	-	747,944
Total assets	6,368,120	30,882,420	8,589,261	19,528,151	58,749,322	19,041,579	143,158,853

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2010						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non- Interest bearing	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Liabilities							
Securities sold under repurchase agreements	-	43,038,972	4,966,256	40,850	-	331,450	48,377,528
Due to Banks and other financial institutions	-	7,917,609	40,487	788,557	528,762	8,637	9,284,052
Customer deposits and other accounts	-	3,835,020	3,714,095	563,583	825,200	79,004	9,016,902
Structured products	-	42,765	155,038	63,337	131,286	92,002	484,428
Derivative financial instruments	-	-	-	-	-	158,360	158,360
Redeemable preference shares	-	-	-	612,852	-	3,148	616,000
Other liabilities	-	-	-	-	-	3,949,540	3,949,540
Segregated funds' liabilities	-	40,735	165,621	608,680	8,994,408	-	9,809,444
Insurance contracts liabilities	-	319,644	975,694	5,246,681	11,959,749	1,805,212	20,306,980
Investment contracts liabilities	-	6,906,935	2,049,064	1,373,333	-	-	10,329,332
Other policy liabilities	-	678,347	-	-	-	1,611,348	2,289,695
Non-financial liabilities:							
Provision	-	-	-	-	-	200,000	200,000
Taxation payable	-	-	-	-	-	222,593	222,593
Deferred income taxes	-	-	-	-	-	716,281	716,281
Retirement benefit obligations	-	-	-	-	-	665,782	665,782
Total liabilities	-	62,780,027	12,066,255	9,297,873	22,439,405	9,843,357	116,426,917
On statement of financial position interest sensitivity gap	6,368,120	(31,897,607)	(3,476,994)	10,230,278	36,309,917	9,198,222	26,731,936
Cumulative interest sensitivity gap	6,368,120	(25,529,487)	(29,006,481)	(18,776,203)	17,533,714	26,731,936	

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2009						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Assets							
Cash resources	4,489,318	-	-	-	-	1,000	4,490,318
Cash reserve at Bank of Jamaica	413,744	-	-	-	-	-	413,744
Financial investments and pledged assets	1,258,777	17,720,386	10,523,070	14,988,862	40,431,635	4,438,886	89,361,616
Securities purchased under resale agreements	-	6,420,808	4,201	-	3,308	28,241	6,456,558
Derivative financial instruments	-	15,799	8,737	87,464	43,374	-	155,374
Loans & leases, after allowance for credit losses	-	2,503,803	2,175,083	2,430,329	1,488,910	90,174	8,688,299
Reinsurance contracts	-	-	-	-	-	191,438	191,438
Other assets	-	-	-	-	-	3,105,438	3,105,438
Segregated funds' assets	27,107	2,697,052	235,308	775,655	1,955,341	2,825,816	8,516,279
Non-financial assets:							
Investment properties	-	-	-	-	-	1,041,338	1,041,338
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,261,720	1,261,720
Retirement benefit assets	-	-	-	-	-	316,535	316,535
Intangible assets	-	-	-	-	-	5,070,512	5,070,512
Deferred income taxes	-	-	-	-	-	826,072	826,072
Taxation recoverable	-	-	-	-	-	1,133,205	1,133,205
	6,188,946	29,357,848	12,946,399	18,282,310	43,922,568	20,333,100	131,031,171
Assets classified as held for sale and discontinued operations	-	1,757,051	-	-	-	2,678,195	4,435,246
Total assets	6,188,946	31,114,899	12,946,399	18,282,310	43,922,568	23,011,295	135,466,417

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2009						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Liabilities							
Securities sold under repurchase agreements	-	35,085,384	6,241,436	11,175	-	698,043	42,036,038
Due to banks and other financial institutions	386,829	1,775,157	6,275,946	1,454,804	507,508	5,877	10,406,121
Customer deposits and other accounts	-	3,422,332	3,750,425	528,270	949,721	131,564	8,782,312
Structured products	-	-	-	336,265	137,001	-	473,266
Derivative financial instruments	-	-	-	-	-	200,706	200,706
Redeemable preference shares	-	-	-	1,264,324	-	6,995	1,271,319
Other liabilities	-	-	-	-	-	4,409,612	4,409,612
Segregated funds' liabilities	-	42,151	152,730	552,181	7,769,217	-	8,516,279
Insurance contracts liabilities	-	288,688	863,538	4,753,214	11,116,167	1,677,530	18,699,137
Investment contracts liabilities	5,377,589	6,568,606	934,284	-	-	-	12,880,479
Other policy liabilities	-	-	-	-	-	1,951,116	1,951,116
Non-financial liabilities:							
Provisions	-	-	-	-	-	93,248	93,248
Taxation payable	-	-	-	-	-	43,152	43,152
Deferred income taxes	-	-	-	-	-	372,856	372,856
Retirement benefit obligations	-	-	-	-	-	500,407	500,407
	5,764,418	47,182,318	18,218,359	8,900,233	20,479,614	10,091,106	110,636,048
Liabilities included in assets classified as held for sale and discounted operations	-	-	-	-	-	3,498,399	3,498,399
Total liabilities	5,764,418	47,182,318	18,218,359	8,900,233	20,479,614	13,589,505	114,134,447
On statement of financial position interest sensitivity gap	424,528	(16,067,419)	(5,271,960)	9,382,077	23,442,954	9,421,790	21,331,970
Cumulative interest sensitivity gap	424,528	(15,642,891)	(20,914,851)	(11,532,774)	11,910,180	21,331,970	

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54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2010						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non- Interest bearing	Total
Assets	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash resources	368,870	-	-	-	-	104	368,974
Financial investments	384,735	1,384,222	3,706,487	1,065,646	25,904,652	1,530,494	33,976,236
Securities purchased under resale agreements	1,533,961	42,298	2,288	-	3,173	4,186	1,585,906
Lease receivables	-	1,767	-	-	-	-	1,767
Reinsurance contracts	-	-	-	-	-	44,022	44,022
Other assets	-	-	-	-	-	3,082,359	3,082,359
Segregated funds' assets	21,554	1,744,538	251,540	804,869	3,090,028	3,408,484	9,321,013
Non-financial assets:							
Investment properties	-	-	-	-	-	490,305	490,305
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,250,162	1,250,162
Retirement benefit assets	-	-	-	-	-	184,482	184,482
Intangible assets	-	-	-	-	-	2,435,456	2,435,456
Investment in subsidiaries	-	-	-	-	-	12,927,631	12,927,631
Taxation recoverable	-	-	-	-	-	248,738	248,738
	2,309,120	3,172,825	3,960,315	1,870,515	28,997,853	25,609,148	65,919,776
Assets classified as held for sale	-	747,944	-	-	-	-	747,944
Total assets	2,309,120	3,920,769	3,960,315	1,870,515	28,997,853	25,609,148	66,667,720
Liabilities							
Due to banks and other financial institutions	-	148,199	22,390	117,728	414,208	-	702,525
Other liabilities	-	-	-	-	-	3,294,386	3,294,386
Segregated funds' liabilities	-	40,735	165,621	608,680	8,505,977	-	9,321,013
Insurance contracts liabilities	-	312,354	942,643	5,090,918	10,669,972	1,750,047	18,765,934
Investment contracts liabilities	-	5,833,109	130,875	1,327,892	-	-	7,291,876
Other policy liabilities	-	321,249	-	-	-	1,418,273	1,739,522
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	70,596	70,596
Deferred income taxes	-	-	-	-	-	228,036	228,036
Retirement benefit obligations	-	-	-	-	-	610,491	610,491
Total liabilities	-	6,655,646	1,261,529	7,145,218	19,590,157	7,371,829	42,024,379
On statement of financial position interest sensitivity gap	2,309,120	(2,734,877)	2,698,786	(5,274,703)	9,407,696	18,237,319	24,643,341
Cumulative interest sensitivity gap	2,309,120	(425,757)	2,273,029	(3,001,674)	6,406,022	24,643,341	

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2009						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Total
Assets:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash resources	543,971	-	-	-	-	108	544,079
Financial investments	430,347	1,532,196	185,906	1,923,583	22,029,483	1,811,210	27,912,725
Securities purchased under resale agreements	-	3,390,339	4,201	-	3,308	16,102	3,413,950
Lease receivables	-	2,081	-	-	-	-	2,081
Reinsurance contracts	-	-	-	-	-	53,612	53,612
Other assets	-	-	-	-	-	3,625,352	3,625,352
Taxation recoverable	-	-	-	-	-	521,123	521,123
Segregated funds' assets	27,107	2,538,298	235,308	775,655	1,827,325	2,610,668	8,014,361
Non-financial assets:							
Investments in subsidiaries	-	-	-	-	-	9,145,964	9,145,964
Intangible assets	-	-	-	-	-	2,489,595	2,489,595
Retirement benefit assets	-	-	-	-	-	249,033	249,033
Investment in associated companies	-	-	-	-	-	2,725	2,725
Investment properties	-	-	-	-	-	665,000	665,000
Property, plant and equipment	-	-	-	-	-	1,012,727	1,012,727
Total assets	1,001,425	7,462,914	425,415	2,699,238	23,860,116	22,203,219	57,652,327
Liabilities							
Due to banks and other financial institutions	-	1,573,550	11,261	67,344	433,872	-	2,086,027
Other liabilities	-	-	-	-	-	4,888,729	4,888,729
Segregated funds' liabilities	-	42,151	152,730	552,181	7,267,299	-	8,014,361
Insurance contracts liabilities	-	280,631	845,342	4,612,766	9,697,956	1,668,972	17,105,667
Investment contracts liabilities	-	4,544,405	288,750	210,622	-	-	5,043,777
Other policy liabilities	-	307,797	-	-	-	1,238,236	1,546,033
Non-financial liabilities:							
Provision	-	-	-	-	-	93,248	93,248
Taxation payable	-	-	-	-	-	10,782	10,782
Deferred income taxes	-	-	-	-	-	39,534	39,534
Retirement benefit obligations	-	-	-	-	-	454,684	454,684
Total liabilities	-	6,748,534	1,298,083	5,442,913	17,399,127	8,394,185	39,282,842
On statement of financial position interest sensitivity gap	1,001,425	714,380	(872,668)	(2,743,675)	6,460,989	13,809,034	18,369,485
Cumulative interest sensitivity gap	1,001,425	1,715,805	843,137	(1,900,538)	4,560,451	18,369,485	

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

	The Group					
	2010					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	1.10	-	-	-	-	1.10
Securities sold under agreements to repurchase	-	2.73	2.62	2.57	-	2.64
Investments ⁽¹⁾	-	7.44	12.48	13.07	11.14	10.48
Loans	-	13.01	12.56	12.47	11.62	12.41
Mortgages ⁽²⁾	-	11.40	11.40	11.40	11.40	11.40
Policy loans	-	-	-	-	10.00	10.00
Investment contracts	-	6.76	6.76	6.76	6.76	6.76
Bank overdraft	19.64	-	-	-	-	19.64
Deposits	0.66	6.87	7.88	8.53	8.25	7.09
Amounts due to banks and other financial institutions	-	5.99	6.25	7.99	8.57	6.30

	2009					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
		%	%	%	%	%
Cash resources	1.96	-	-	-	-	1.96
Securities sold under agreements to repurchase	-	11.66	12.87	8.89	4.83	11.54
Investments ⁽¹⁾	-	18.58	14.35	14.10	12.10	14.32
Loans	-	17.25	15.99	14.42	12.42	16.29
Mortgages ⁽²⁾	-	11.96	11.96	11.96	11.96	11.96
Policy loans	-	-	-	-	10.77	10.77
Investment contracts	-	10.00	10.00	10.00	10.00	10.00
Bank overdraft	23.47	-	-	-	-	23.47
Deposits	2.29	10.17	10.80	10.87	5.21	9.65
Amounts due to banks and other financial institutions	-	4.44	6.74	7.35	8.77	5.09

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

54. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 55.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

(d) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes. Key areas where the Group is exposed to credit risk are:

- (i) Reinsurers' share of insurance liabilities – see Note 54(b) for details of reinsurance risk.
- (ii) Amounts due from reinsurers in respect of claims already paid.
- (iii) Loans, leases, mortgages and investments

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and leases

The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Group's rating	Description of the grade
1	Standard
2	Potential Problem Credit
3	Sub-Standard
4	Doubtful
5	Loss

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit review process (continued)

(i) Loans and leases (continued)

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments and cash

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. It does not generally require collateral in respect of other financial assets, mainly premiums receivable. There is a credit policy in place to minimise the Group's exposure to credit risk. Limits may be placed on the amount of risk accepted in relation to one borrower. At the year end date the only significant concentration of credit risk related to the Group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – cash and near cash securities, mortgages over commercial and residential properties, charges over business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles.

Securities lending and reverse repurchase transactions – cash or Government of Jamaica securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans given to private companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at year end date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

In addition, collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

Commitments and guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do not contain credit risk and are therefore part of the overall risk of the Group.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the year end date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two rating classes (doubtful and loss). The tables below show the Group's loans and leases and the associated impairment provision for each internal rating classes:

Notes to the Financial Statements (Continued)

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54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Group's and company's rating

	The Group			
	2010		2009	
	Loans and leases \$'000	Impairment provision \$'000	Loans and leases \$'000	Impairment provision \$'000
Standard	8,759,914	-	8,288,602	-
Potential Problem Credit	472,935	-	272,837	-
Sub-Standard	287,102	83,123	111,335	27,211
Doubtful	69,024	30,819	92,694	72,878
Loss	127,484	99,865	100,268	77,348
	<u>9,716,459</u>	<u>213,807</u>	<u>8,865,736</u>	<u>177,437</u>

	The Company			
	2010		2009	
	Loans and leases \$'000	Impairment provision \$'000	Loans and leases \$'000	Impairment provision \$'000
Standard	-	-	608	-
Potential Problem Credit	1,767	-	1,473	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	<u>1,767</u>	<u>-</u>	<u>2,081</u>	<u>-</u>

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

	Maximum exposure			
	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Credit risk exposures relating to on-statement of financial position are as follows:				
Cash and balances due from other financial institutions (excluding cash on hand)	4,138,316	6,192,152	528,967	1,105,166
Securities purchased under agreements to resell	2,191,587	6,456,558	1,585,906	3,413,950
Investment securities	103,275,586	85,874,946	33,457,641	26,186,385
Loans, net of allowance for credit losses	9,480,319	8,653,610	-	-
Lease receivables	22,333	34,689	1,767	2,081
Other assets	2,030,744	2,402,219	2,468,530	3,001,645
	<u>121,138,885</u>	<u>109,614,174</u>	<u>38,042,811</u>	<u>33,709,227</u>
Credit risk exposures relating to off-statement of financial position items are as follows:				
Loan commitments	362,065	804,280	58,070	24,450
Guarantees and letters of credit	1,078,489	1,170,560	-	-
	<u>1,440,554</u>	<u>1,974,840</u>	<u>58,070</u>	<u>24,450</u>

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases

(i) Credit quality of loans and leases are summarised as follows:

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Neither past due nor impaired -		
Standard	6,244,082	7,184,518
Potential problem credit	-	-
Sub-Standard	-	-
Doubtful	-	-
Loss	-	-
Past due but not impaired	2,988,767	1,359,945
Impaired	483,610	321,273
Gross	<u>9,716,459</u>	<u>8,865,736</u>
Less: provision for credit losses	<u>(213,807)</u>	<u>(177,437)</u>
Net	<u>9,502,652</u>	<u>8,688,299</u>

The majority of past due loans are not considered impaired.

(ii) Aging analysis of past due but not impaired loans and leases:

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Less than 30 days	1,253,876	879,493
31 to 60 days	20,692	452,800
61 to 90 days	1,712,432	26,179
More than 90 days	1,767	1,473
	<u>2,988,767</u>	<u>1,359,945</u>

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(ii) Aging analysis of past due but not impaired loans and leases (continued)

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of \$19,905,000 (2009 - \$26,202,000).

Of the aggregate amount of gross past due but not impaired loans and leases, the fair value of collateral that the Group and company held was \$81,332,762,000 (2009 - \$4,804,726,000) and \$292,797,000 (2009 - \$322,920,000) respectively.

(iii) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investments securities	114,936	127,263	22,512	34,132
Loans and leases	483,610	304,287	-	-
Mortgage loans	<u>208,532</u>	<u>225,709</u>	<u>187,164</u>	<u>202,282</u>

The fair value of collateral that the Group and company held as security for individually impaired loans was \$2,441,494,000 (2009 - \$861,729,000) and \$268,882,000 (2009 - \$314,466,000) respectively.

There are no financial assets other than those listed above that were individually impaired.

(iv) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The Group's and company's renegotiated loans that would otherwise be past due or impaired totaled \$80,342,000 (2009 - \$16,427,000) and \$Nil (2009 - \$Nil) respectively.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(v) Repossessed collateral

The Group and the company can obtain assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group and the company do not occupy repossessed properties for business use.

The Group and the company have no repossessed collateral.

Credit exposure

Investments and cash

The following table summarises the credit exposure of the Group to businesses and government by sectors in respect of investments and cash:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Government of Jamaica	71,850,470	58,076,679	22,717,428	19,253,961
Foreign government	5,151,636	4,333,456	2,395,404	1,479,843
Corporate	19,957,260	17,392,455	810,839	1,541,970
Financial institutions	6,319,781	12,257,349	2,110,687	4,503,014
Corporate equities	1,324,813	2,068,072	358,498	1,165,143
Mortgages	1,452,176	2,132,114	1,428,964	2,095,656
Policy loans	799,180	806,073	332,701	333,919
Promissory notes	1,740,615	861,854	4,629,136	861,854
	108,595,931	97,928,052	34,783,657	31,235,360
Interest receivable	2,334,371	2,300,555	1,147,355	635,284
	110,930,302	100,228,607	35,931,012	31,870,644

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)

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

The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by class are set out below:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Debt securities:				
Government of Jamaica debt securities	73,714,756	63,819,557	23,581,790	19,735,615

Deposits and Cash:

Bank of America	1,340,409	1,425,219	-	-
Citibank NA	376,436	298,531	-	-
National Commercial Bank Jamaica Limited	337,779	244,986	311,883	202,505
The Bank of Nova Scotia Jamaica Limited	61,184	47,052	6,913	11,802

Reinsurance Assets:

Swiss Re - rated A+ (superior) by A.M Best	184,291	428,111	44,022	30,216
Munich Re - rated A+ (superior) by A.M Best	-	389,419	-	23,396
Everest Re - rated A+ (superior) by A.M Best	-	226,071	-	-

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans. For mortgage loans, the collateral is real estate property, and the approved loan is usually no more than 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to securities are transferred to the Group by agreement, and for the duration of the latter.

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Past due and impaired financial investments

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.

Mortgages less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investment;
- (v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
- (vi) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2010.

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and company's financial and non-financial liabilities based on contractual repayment obligations. The Group expects that many policyholders/customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Undiscounted Financial Liabilities - 31 December 2010						
Securities sold under repurchase agreements	43,497,430	5,151,618	44,821	-	-	48,693,869
Due to banks and other financial institutions	8,064,602	79,164	942,420	940,868	-	10,027,054
Customer deposits and other accounts	4,324,161	3,867,281	935,097	1,034,119	-	10,160,658
Structured products	254,169	148,554	518,813	222,491	-	1,144,027
Derivative financial instruments	114,086	3,421	5,639	35,214	-	158,360
Redeemable preference shares	13,850	41,551	682,104	-	-	737,505
Other liabilities	2,365,368	1,486,972	-	-	97,200	3,949,540
Segregated funds' liabilities	40,735	165,621	608,680	8,994,408	-	9,809,444
Insurance contracts liabilities	319,644	975,694	5,246,681	13,764,961	-	20,306,980
Investment contracts liabilities	6,956,913	2,069,279	1,378,944	-	-	10,405,136
Other policy liabilities	678,347	1,611,348	-	-	-	2,289,695
Total undiscounted liabilities	66,629,305	15,600,503	10,363,199	24,992,061	97,200	117,682,268
Undiscounted Financial Liabilities - 31 December 2009						
Securities sold under repurchase agreements	37,996,489	6,390,182	14,898	-	-	44,401,569
Due to banks and other financial institutions	6,597,759	2,140,082	1,515,640	897,223	-	11,150,704
Customer deposits and other accounts	3,754,001	3,819,032	657,757	1,163,408	-	9,394,198
Structured products	-	-	363,542	229,797	-	593,339
Derivative financial instruments	-	-	17,723	182,983	-	200,706
Redeemable preference shares	6,995	-	2,061,392	-	-	2,068,387
Other liabilities	4,288,583	-	57,376	57,739	5,914	4,409,612
Segregated funds' liabilities	42,151	152,730	552,181	7,769,217	-	8,516,279
Insurance contracts liabilities	288,688	863,538	4,753,214	12,793,697	-	18,699,137
Investment contracts liabilities	5,423,222	6,631,545	936,147	-	-	12,990,914
Other policy liabilities	637,993	1,313,123	-	-	-	1,951,116
	59,035,881	21,310,232	10,929,870	23,094,064	5,914	114,375,961
Liabilities included in assets classified as held for sale and discontinued operations	2,791,521	-	-	304,902	401,976	3,498,399
Total undiscounted liabilities	61,827,402	21,310,232	10,929,870	23,398,966	407,890	117,874,360

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Undiscounted Financial Liabilities - 31 December 2010						
Due to banks and other financial institutions	161,231	60,410	190,149	808,238	-	1,220,028
Other liabilities	3,289,419	-	-	-	4,967	3,294,386
Segregated funds' liabilities	40,735	165,621	608,680	8,505,977	-	9,321,013
Insurance contracts liabilities	312,354	942,643	5,090,918	12,420,019	-	18,765,934
Investment contracts liabilities	5,875,201	131,908	1,333,050	-	-	7,340,159
Other policy liabilities	321,249	1,418,273	-	-	-	1,739,522
Total undiscounted liabilities	10,000,189	2,718,855	7,222,797	21,734,234	4,967	41,681,042
Undiscounted Financial Liabilities - 31 December 2009						
Due to banks and other financial institutions	199,086	1,419,702	147,304	770,274	-	2,536,366
Other liabilities	4,883,757	-	-	-	4,967	4,888,724
Segregated funds' liabilities	42,151	152,730	552,181	7,267,299	-	8,014,361
Insurance contracts liabilities	280,631	845,342	4,612,766	11,366,928	-	17,105,667
Investment contracts liabilities	4,584,541	288,871	210,623	-	-	5,084,035
Other policy liabilities	1,546,033	-	-	-	-	1,546,033
Total undiscounted liabilities	11,536,199	2,706,645	5,522,874	19,404,501	4,967	39,175,186

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54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2010					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Assets:						
Cash resources	368,974	-	-	-	-	368,974
Financial investments	2,223,984	3,880,126	1,078,996	26,406,411	386,719	33,976,236
Securities purchased under resale agreements	1,580,446	2,288	-	3,172	-	1,585,906
Lease receivables	1,767	-	-	-	-	1,767
Reinsurance contracts	-	44,022	-	-	-	44,022
Other assets	1,896,316	658,985	38,892	-	488,166	3,082,359
Segregated funds' assets	688,511	215,683	896,862	4,246,805	3,273,152	9,321,013
Non-financial assets:						
Investment properties	-	-	-	-	490,305	490,305
Investment in associated companies	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	1,250,162	1,250,162
Retirement benefit assets	-	-	-	184,482	-	184,482
Intangible assets	-	-	-	2,435,456	-	2,435,456
Investment in subsidiaries	-	-	-	-	12,927,631	12,927,631
Taxation recoverable	248,738	-	-	-	-	248,738
	7,008,736	4,801,104	2,014,750	33,276,326	18,818,860	65,919,776
Assets classified as held for sale	747,944	-	-	-	-	747,944
Total assets	7,756,680	4,801,104	2,014,750	33,276,326	18,818,860	66,667,720
Liabilities						
Due to banks and other financial institutions	153,052	17,537	117,728	414,208	-	702,525
Other liabilities	1,176,567	2,034,146	-	-	83,673	3,294,386
Segregated funds' liabilities	40,735	165,621	608,680	8,505,977	-	9,321,013
Insurance contracts liabilities	312,354	942,643	5,090,918	12,420,019	-	18,765,934
Investment contracts liabilities	5,833,109	130,875	1,327,892	-	-	7,291,876
Other policy liabilities	321,249	1,418,273	-	-	-	1,739,522
Non-financial liabilities:						
Taxation payable	70,596	-	-	-	-	70,596
Deferred income taxes	-	228,036	-	-	-	228,036
Retirement benefit obligations	-	-	-	610,491	-	610,491
Total liabilities	7,907,662	4,937,131	7,145,218	21,950,695	83,673	42,024,379
On statement of financial position interest sensitivity gap	(150,982)	(136,027)	(5,130,468)	11,325,631	18,735,187	24,643,341
Cumulative interest sensitivity gap	(150,982)	(287,009)	(5,417,477)	5,908,154	24,643,341	

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2009					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total assets	9,446,213	1,771,679	3,006,039	27,578,705	16,108,542	57,652,327
Total liabilities	12,880,611	1,690,414	5,442,913	19,522,783	4,973	39,282,842
On statement of financial position interest sensitivity gap	(3,434,398)	81,265	(2,436,874)	8,055,922	16,103,569	18,369,485
Cumulative interest sensitivity gap	(3,434,398)	(3,353,133)	(5,790,007)	2,265,915	18,369,485	

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

(f) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk the Asset and Liability Committee (ALCO) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by ALCO.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

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54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

The Group's operations in the Cayman Islands create two additional sources of currency risk:

- The operating results of the Group's foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.
- The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

Concentrations of currency risk: on and off statement of financial position financial instruments

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group's and the company's assets and liabilities at carrying amounts categorized by currency.

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk:

On and off statement of financial position financial instruments

	The Group			
	2010			
	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash resources	526,385	1,909,150	455,873	2,891,408
Cash reserve at Bank of Jamaica	211,066	224,702	20,708	456,476
Financial investments and pledged assets	50,239,526	54,332,319	1,377,799	105,949,644
Securities purchased under resale agreements	1,201,953	979,809	9,825	2,191,587
Derivative financial instruments	-	290,777	-	290,777
Loans & leases, after allowance for credit losses	2,036,858	7,465,794	-	9,502,652
Reinsurance assets	44,022	140,269	-	184,291
Other assets	2,492,923	174,450	2,073	2,669,446
Segregated funds' assets	6,921,721	2,722,948	164,775	9,809,444
Non-financial assets:				
Investment properties	490,305	363,564	-	853,869
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,422,629	47,648	-	1,470,277
Retirement benefit assets	190,593	-	-	190,593
Intangible assets	4,059,479	452,831	-	4,512,310
Deferred income taxes	112,383	-	-	112,383
Taxation recoverable	1,323,027	-	-	1,323,027
	71,275,595	69,104,261	2,031,053	142,410,909
Assets classified as held for sale	747,944	-	-	747,944
Total assets	72,023,539	69,104,261	2,031,053	143,158,853
Financial liabilities				
Securities sold under repurchase agreements	26,119,912	21,944,015	313,601	48,377,528
Due to banks and other financial institutions	1,788,006	7,496,030	16	9,284,052
Customer deposits and other accounts	1,557,051	7,142,744	317,107	9,016,902
Structured products	-	484,428	-	484,428
Derivative financial instruments	-	44,586	113,774	158,360
Redeemable preference shares	616,000	-	-	616,000
Other liabilities	3,396,807	549,151	3,582	3,949,540
Segregated funds' liabilities	9,136,760	672,684	-	9,809,444
Insurance contracts liabilities	12,296,848	8,010,132	-	20,306,980
Investment contracts liabilities	5,975,590	4,353,742	-	10,329,332
Other policy liabilities	1,727,327	562,368	-	2,289,695
Non-financial liabilities:				
Provisions	-	200,000	-	200,000
Taxation payable	222,593	-	-	222,593
Deferred income taxes	716,281	-	-	716,281
Retirement benefit obligations	665,782	-	-	665,782
Total liabilities	64,218,957	51,459,880	748,080	116,426,917
Net on statement of financial position	7,804,582	17,644,381	1,282,973	26,731,936

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

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(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued) Currency risk (continued)

On and off statement of financial position financial instruments (continued)

	The Group			
	2009			
	Jamaican \$ \$'000	US\$ \$'000	Other \$'000	Total \$'000
Financial assets				
Cash resources	1,227,418	2,861,411	401,489	4,490,318
Cash reserve at Bank of Jamaica	124,448	267,105	22,191	413,744
Financial investments and pledged assets	39,369,928	47,629,660	2,362,028	89,361,616
Securities purchased under resale agreements	1,049,034	5,401,949	5,575	6,456,558
Derivative financial instruments	-	155,374	-	155,374
Loans & leases, after allowance for credit losses	1,950,201	6,738,098	-	8,688,299
Reinsurance assets	53,651	137,787	-	191,438
Other assets	2,773,295	-	332,143	3,105,438
Segregated funds' assets	6,149,229	2,367,050	-	8,516,279
Non-financial assets:				
Investment properties	1,041,338	-	-	1,041,338
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,153,853	45,612	62,255	1,261,720
Retirement benefit assets	316,535	-	-	316,535
Intangible assets	4,230,217	833,198	7,097	5,070,512
Deferred income taxes	826,072	-	-	826,072
Taxation recoverable	1,133,205	-	-	1,133,205
	61,401,149	66,437,244	3,192,778	131,031,171
Assets classified as held for sale and discontinued operations	-	2,226,346	2,208,900	4,435,246
Total assets	61,401,149	68,663,590	5,401,678	135,466,417
Financial liabilities				
Securities sold under repurchase agreements	21,504,874	20,258,306	272,858	42,036,038
Due to banks and other financial institutions	1,607,096	8,799,025	-	10,406,121
Customer deposits & other accounts	666,905	7,977,179	138,228	8,782,312
Other liabilities	4,406,776	-	2,836	4,409,612
Derivative financial instruments	-	72,985	127,721	200,706
Structured products	-	473,266	-	473,266
Redeemable preference shares	1,271,319	-	-	1,271,319
Segregated funds' liabilities	7,885,682	630,597	-	8,516,279
Insurance contracts liabilities	10,420,867	8,278,270	-	18,699,137
Investment contracts liabilities	4,764,220	8,116,259	-	12,880,479
Other policy liabilities	1,951,116	-	-	1,951,116
Non-financial liabilities:				
Provisions	93,248	-	-	93,248
Taxation payable	43,152	-	-	43,152
Deferred income taxes	372,856	-	-	372,856
Retirement benefit obligations	500,407	-	-	500,407
	55,488,518	54,605,887	541,643	110,636,048
Liabilities included in assets classified as held for sale and discontinued operations	1,633,544	1,251,820	613,035	3,498,399
Total liabilities	57,122,062	55,857,707	1,154,678	114,134,447
Net on statement of financial position	4,279,087	12,805,883	4,247,000	21,331,970

54. Insurance and Financial Risk Management (Continued)

(f) Market risk(continued)

Currency risk (continued)

Concentrations of currency risk:

On and off statement of financial position financial instruments (continued)

	The Company			
	2010			
	Jamaican \$ \$'000	US\$ \$'000	Other \$'000	Total \$'000
Financial assets				
Cash resources	359,743	8,345	886	368,974
Financial investments	19,870,051	14,106,185	-	33,976,236
Securities purchased under resale agreements	1,135,540	447,193	3,173	1,585,906
Lease receivables	1,767	-	-	1,767
Reinsurance contracts	44,022	-	-	44,022
Other assets	3,081,822	537	-	3,082,359
Segregated funds' assets	6,909,825	2,246,413	164,775	9,321,013
Non-financial assets:				
Investment properties	490,305	-	-	490,305
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,250,162	-	-	1,250,162
Retirement benefit asset	184,482	-	-	184,482
Intangible assets	2,435,456	-	-	2,435,456
Investment in subsidiaries	7,674,351	5,253,280	-	12,927,631
Taxation recoverable	248,738	-	-	248,738
	43,688,989	22,061,953	168,834	65,919,776
Assets classified as held for sale	747,944	-	-	747,944
Total assets	44,436,933	22,061,953	168,834	66,667,720
Financial liabilities				
Due to banks and other financial institutions	702,525	-	-	702,525
Other liabilities	3,293,866	520	-	3,294,386
Segregated funds' liabilities	9,136,803	184,210	-	9,321,013
Insurance contracts liabilities	12,296,848	6,469,086	-	18,765,934
Investment contracts liabilities	5,975,590	1,316,286	-	7,291,876
Other policy liabilities	1,727,327	12,195	-	1,739,522
Non-financial liabilities:				
Taxation payable	70,596	-	-	70,596
Deferred income taxes	228,036	-	-	228,036
Retirement benefit obligations	610,491	-	-	610,491
Total liabilities	34,042,082	7,982,297	-	42,024,379
Net on statement of financial position	10,394,851	14,079,656	168,834	24,643,341

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54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk:

On and off statement of financial position financial instruments (continued)

	The Company			
	2009			
	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash resources	518,116	25,387	576	544,079
Financial investments	14,328,135	13,584,590	-	27,912,725
Securities purchased under resale agreements	979,490	2,428,885	5,575	3,413,950
Lease receivables	2,081	-	-	2,081
Reinsurance contracts	53,612	-	-	53,612
Other assets	3,624,514	838	-	3,625,352
Segregated funds' assets	6,149,229	1,865,132	-	8,014,361
Non-financial assets:				
Investment properties	665,000	-	-	665,000
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,012,727	-	-	1,012,727
Retirement benefit asset	249,033	-	-	249,033
Intangible assets	2,489,595	-	-	2,489,595
Investment in subsidiaries	4,898,990	4,246,974	-	9,145,964
Taxation recoverable	521,123	-	-	521,123
Total assets	35,494,370	22,151,806	6,151	57,652,327
Liabilities				
Due to banks and other financial institutions	711,582	1,374,445	-	2,086,027
Other liabilities	4,887,865	864	-	4,888,729
Segregated funds' liabilities	7,885,682	128,679	-	8,014,361
Insurance contracts liabilities	10,420,867	6,684,800	-	17,105,667
Investment contracts liabilities	4,764,220	279,557	-	5,043,777
Other policy liabilities	1,545,878	155	-	1,546,033
Non-financial liabilities:				
Provisions	93,248	-	-	93,248
Taxation payable	10,782	-	-	10,782
Deferred income taxes	39,534	-	-	39,534
Retirement benefit obligations	454,684	-	-	454,684
Total financial liabilities	30,814,342	8,468,500	-	39,282,842
Net on statement of financial position	4,680,028	13,683,306	6,151	18,369,485

55. Sensitivity Analysis

Actuarial liabilities comprise 50.56% of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 38(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

- Mortality and morbidity
- Operating expenses and taxes
- Lapse rates

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

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55. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The results are as follows:

- (i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2010 and for the next five years.

- (ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2010 and for the next five years.
- (iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2010 and for the next five years.
- (iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for life insurance, health and critical illness products and decreased for annuity products. For life insurance, health and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2010 and for the next five years.
- (v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2010 and for the next five years.
- (vi) Level new business. New business planned for 2011 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2010 but produces favourable results for the next five years.
- (vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2010 liabilities, but will produce net lower liabilities over the next five years.

55. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling \$20,306,980,000 at the year-end date.

Variable	Change in Variable	The Group	
		2010 Change in Liability \$'000	2009 Change in Liability \$'000
Worsening of mortality/morbidity	+3% for 5 yrs.	1,751,821	1,525,658
Improvement in annuitant mortality	-3% for 5 yrs.	323,614	303,408
Lowering of investment return	-0.5% for 10 yrs.	8,016,913	5,561,153
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,710,385	1,486,125
Worsening of lapse rate	x2 or x0.5	3,185,136	2,927,830
High Interest	+0.5% for 10 yrs.	(4,958,413)	(4,856,050)
The Company			
Variable	Change in Variable	2010 Change in Liability \$'000	2009 Change in Liability \$'000
Worsening of mortality/morbidity	+3% for 5 yrs.	1,572,271	1,360,674
Improvement in annuitant mortality	-3% for 5 yrs.	319,024	299,431
Lowering of investment return	-0.5% for 10 yrs.	7,615,714	5,169,215
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,590,849	1,464,975
Worsening of lapse rate	x2 or x0.5	2,864,945	2,444,711
High Interest	+0.5% for 10 yrs.	(4,576,748)	(4,589,056)

Notes to the Financial Statements (Continued)

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55. Sensitivity Analysis (Continued)

(iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its Available for sale equity securities. The effects of an increase by 20% and a decrease by 20% in equity prices at the year end date are set out below.

	<u>The Group</u>	
	Carrying Value	Effect of 20% change at 31 December 2010
	\$'000	\$'000
Available for sale equity securities:		
Listed on Jamaica Stock Exchange	355,657	71,131
Listed on US stock exchanges	836,778	167,356
Other	160,598	32,120
	<u>1,353,033</u>	<u>270,607</u>
	<u>The Company</u>	
	Carrying Value	Effect of 20% change at 31 December 2010
	\$'000	\$'000
Available for sale equity securities:		
Listed on Jamaica Stock Exchange	355,657	71,131
Other	31,061	6,212
	<u>386,718</u>	<u>77,343</u>

55. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 15% depreciation and a 5% appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year end date is considered in the following tables.

	<u>The Group</u>					
	<u>2010</u>			<u>2009</u>		
	Balances Denominated in other than JMD \$'000	Effect of a 15% depreciation at 31 December 2010 \$'000	Effect of a 5% appreciation at 31 December 2010 \$'000	Balances denominated in other than JMD \$'000	Effect of a 15% depreciation at 31 December 2009 \$'000	Effect of a 5% appreciation at 31 December 2009 \$'000
Statement of financial position:						
Assets	71,135,314	81,805,611	67,578,548	74,065,268	85,175,058	70,362,005
Liabilities	52,207,960	60,039,154	49,597,562	57,012,384	65,564,242	54,161,765
Net position	<u>18,927,354</u>	<u>21,766,457</u>	<u>17,980,956</u>	<u>17,052,883</u>	<u>19,610,815</u>	<u>16,200,239</u>
Income statement:						
Net income	-	2,081,111	(723,704)	-	1,867,852	(622,617)
Equity	-	757,992	(222,664)	-	690,080	(230,027)
	<u>The Company</u>					
	<u>2010</u>			<u>2009</u>		
	Balances Denominated in other than JMD \$'000	Effect of a 15% Depreciation at 31 December 2010 \$'000	Effect of a 5% Appreciation at 31 December 2010 \$'000	Balances denominated in other than JMD \$'000	Effect of a 15% Depreciation at 31 December 2009 \$'000	Effect of a 5% appreciation at 31 December 2009 \$'000
Statement of financial position:						
Assets	22,230,787	25,565,405	21,119,248	18,815,706	21,368,062	17,874,921
Liabilities	7,982,297	9,179,642	7,583,182	8,468,499	9,738,774	8,045,074
Net position	<u>14,248,490</u>	<u>16,385,763</u>	<u>13,536,066</u>	<u>10,347,207</u>	<u>11,899,288</u>	<u>9,829,847</u>
Income statement:						
Net income	-	2,137,273	(712,424)	-	1,552,081	(517,360)

Notes to the Financial Statements (Continued)

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55. Sensitivity Analysis (Continued)

(v) Development of Property and Casualty claims

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

	2008	2009	2010	Total
Gross	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate claims incurred:				
At the end of the reporting year	43	15,622	30,226	45,891
One year later	1,473	15,850	-	17,323
Two years later	1,259	-	-	1,259
Most recent year	43	15,622	30,226	45,891
Cumulative payments to date	(1,259)	(13,816)	(223)	(15,298)
Liability recognised in the statement of financial position	(1,216)	1,807	30,003	30,594
Liability in respect of prior years and ULAE				2,989
Total liability				33,583

The reinsurers' share of the amounts in the following table is set out below.

Reinsurers' share	2008	2009	2010	Total
	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate claims incurred:				
At the end of the reporting year	43	15,622	30,226	45,891
One year later	1,473	15,850	-	17,323
Two years later	1,259	-	-	1,259
Most recent year	43	15,622	30,226	45,891
Cumulative payments to date	(1,259)	(13,816)	(223)	(15,298)
Recoverable recognised in the statement of financial position	(1,216)	1,807	30,003	30,594
Recoverable in respect of prior years				2,989
Total recoverable from reinsurers				33,583

55. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For the PCFS Banking Group, the following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Banking Group's income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually. The SLJ ownership interest in the PCFS Banking Group was 85.65% (2009 – 86.1%).

	The PCFS Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Change in percentage (%)				
J\$ -1%, US\$ -5%				
(2009 – J\$ -8%, US\$ -3%)	157,680	866,171	(749,648)	3,159,694
J\$ +2%, US\$ +0.5%				
(2009 – J\$ +2%, US\$ +1%)	(291,311)	(1,282,649)	(233,734)	(756,505)

56. Capital Management

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

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where regulations do not meet these international standards;
- To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- To maintain a strong capital base which are sufficient for the future development of Group's operations.

Notes to the Financial Statements (Continued)

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56. Capital Management (Continued)

The principal capital resources of the Group comprise its stockholders' equity, its non controlling interest equity, and its debt financing. The summary of these resources at the year end is as follows:

	2010	2009
	\$'000	\$'000
Stockholders' equity	25,203,044	19,862,709
Non controlling interest	1,528,892	1,469,261
Business development loans payable	-	522,275
Total statement of financial position capital resources	<u>26,731,936</u>	<u>21,854,245</u>

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is filed with the regulators in the countries in which the Group operates, on at least an annual basis.

The capital adequacy of the principal operating entities within the Group is set out below.

(a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year end date is an MCCSR of 150% (2009 - 135%). The MCCSR for the Sagicor Life Jamaica Limited company as of 31 December 2010 and 2009 is set out below.

	2010	2009
Sagicor Life Jamaica Limited	<u>203.1%</u>	<u>147.4%</u>

56. Capital Management (Continued)

(b) Sagicor Life of the Cayman Islands Ltd

There is no capital adequacy requirement in the Cayman Islands for life insurance companies, beyond the need for assets to cover liabilities at the year-end date. However, the (MCCSR for Sagicor Cayman, is based on the Canadian Regulatory Standards is set out below.

	2010	2009
Sagicor Life of the Cayman Islands Ltd.	<u>292.8%</u>	<u>169.3%</u>

(c) Pan Caribbean Financial Services Limited Group of Companies

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

- (i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- (ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

- (i) Hold the minimum level of the regulatory capital; and
- (ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

- (i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- (ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 December 2010 and 2009. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

Notes to the Financial Statements (Continued)

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56. Capital Management (Continued)

(c) Pan Caribbean Financial Services Limited Group of Companies (Continued)

The regulated companies within the Group are Pan Caribbean Financial Services Limited (PCFS), PanCaribbeanBank Limited (PCB) and Pan Caribbean Asset Management Limited (PCAM).

	PCFS		PCB		PCAM	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tier 1 capital	6,886,020	5,663,413	2,519,178	2,531,820	-	191,648
Tier 2 capital	1,108,120	1,479,137	69,876	70,635	-	5,310
Total regulatory capital	<u>7,994,140</u>	<u>7,142,550</u>	<u>2,589,054</u>	<u>2,602,455</u>	<u>-</u>	<u>196,958</u>
Total required capital	3,443,010	2,831,707	812,442	798,805	-	95,824
Risk-weighted assets:						
On-balance sheet	15,875,533	8,966,812	6,076,768	5,005,824	-	256,622
Off-balance sheet	-	-	661,761	1,253,540	-	-
Foreign exchange exposure	1,400,014	2,757,128	1,385,889	1,728,690	-	-
Total risk-weighted assets	<u>17,275,547</u>	<u>11,723,940</u>	<u>8,124,418</u>	<u>7,988,054</u>	<u>-</u>	<u>256,622</u>
Actual capital base to risk weighted assets	<u>46%</u>	<u>61%</u>	<u>32%</u>	<u>33%</u>	<u>-</u>	<u>77%</u>
Required capital base to risk weighted assets	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>

(d) Derivative products

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

57. Fiduciary Risk

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements. As at 31 December 2010, these subsidiaries had financial assets under administration of approximately \$84,650,043,000 (2009: \$74,946,025,000).

58. Commitments

In the normal course of business, the Group has entered into commitments at the year end date for which no provision has been made in these financial statements. The off statement of financial position commitments and their maturity profiles are as follows:

	The Group			
	Contractual cash flows within 1 year \$'000	Contractual Cash flows 1-5 years \$'000	Contractual Cash flows after 5 years \$'000	Current year Total \$'000
At 31 December 2010				
Loan commitments	344,243	17,000	822	362,065
Guarantees, acceptances and other financial facilities	507,199	532,323	39,284	1,078,806
Operating lease commitments	116,913	251,576	-	368,489
	<u>968,355</u>	<u>800,899</u>	<u>40,106</u>	<u>1,809,360</u>
At 31 December 2009				
Loan commitments	505,934	298,348	-	804,282
Guarantees, acceptances and other financial facilities	776,821	368,508	25,231	1,170,560
Operating lease commitments	63,124	26,220	-	89,344
	<u>1,345,879</u>	<u>693,076</u>	<u>25,231</u>	<u>2,064,186</u>
	The Company			
	Contractual cash flows within 1 year \$'000	Contractual Cash flows 1 - 5 years \$'000	Contractual Cash flows after 5 years \$'000	Current year Total \$'000
At 31 December 2010				
Loan commitments	58,070	-	-	58,070
At 31 December 2009				
Loan commitments	24,450	-	-	24,450

Notes to the Financial Statements (Continued)

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59. Contingent Liabilities

(a) Universal life policies

The design of a Universal Life policy is such that on realistic assumptions, the fund value built-up from premiums paid and from investment earnings is required in later years to pay the administrative costs and mortality charges.

A review of the company's Universal Life policies portfolio revealed that approximately 17,000 Universal Life policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the issue was recognised, the company initiated discussion with the Regulators, the Financial Services Commission (FSC), as a result of which the affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums at their expense. Approximately 95% of these policyholders agreed to adjustments to their policies.

The company estimated that less than 1% of the affected policyholders have filed complaints with the FSC, which carried out investigations and made a submission to the company. The FSC suggested a number of alternatives to remedy the issue.

The company is in discussions with the FSC on the matter. The cost, if any, of resolving this issue cannot be quantified at this time.

(b) Hurricane Ivan claims

Effective 30 November 2005, Sagicor Life of the Cayman Islands (SLC), a wholly owned subsidiary of the Company, acquired a 51% stake in Sagicor General Insurance Cayman Ltd (SGC) (formerly Cayman General Insurance Ltd) from Cayman National Corporation Ltd (CNC). On 22 October 2007, SLC purchased an additional 24.2% interest in SGC from CNC. Under the terms of the initial Sale and Purchase Agreement, CNC provided certain warranties to SLC for outstanding claims, including amounts in relation to Hurricane Ivan claims, not finally settled.

SGC filed suit in February 2006 against certain third parties to recover sums paid for work done in respect of Hurricane Ivan (the "Windsor Village litigation"). The understanding of the parties (SLC and CNC) based on subsequent discussions held was that CNC would be entitled to retain any benefits realized from the Windsor Village litigation and as a consequence that CNC would be responsible for all liabilities that might arise from it; CNC has also been responsible for the conduct of the litigation.

In December 2008, SGC withdrew its claims against the third parties who then lodged counterclaims against SGC. The court awarded costs against SGC including Indemnity costs and certain damages. The final assessment of damages due to the third parties was conducted in separate proceedings which were concluded in 2009. Based on counsel's opinion, SGC recorded a provision of CI\$3,958,000 at 31 December 2009 for the amount not yet fully quantified.

59. Contingent Liabilities (Continued)

(b) Hurricane Ivan claims (continued)

Subsequent to the year end, the court handed down judgment in favour of SGC in respect of two of the counterclaims. Judgment was however awarded against the SGC in respect of the claim brought by one of the defendants. SLC has made provision in its 2010 accounts of CI\$1,723,000 representing the best estimate of its share of the court awarded costs over and above the amounts accrued by SGC.

The Group intends to rely on the terms of the warranties contained in the Share Purchase Agreement with CNC to seek to recover sums in excess of the warranty amounts and based on the legal advice obtained, it has an arguable basis to rely on the understanding arrived at with CNC.

SGC filed Notice of Appeal against the quantum of damages.

(c) Legal proceedings

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which, according to the principles outlined above have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

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60. Disposal

Sagicor General Insurance (Cayman) Ltd.

During the year, Sagicor Life of the Cayman Islands Ltd. finalised divesture of its 75.24% holding in Sagicor General Insurance (Cayman) Ltd. to Bahamas First Holdings Limited. This transaction was effective 1 January 2010. The net assets disposed, sale consideration and loss arising are set out below:-

	Fair value of net assets disposed \$'000	Carrying value \$'000
Assets:		
Investments -		
Available-for-sale investment securities	1,250,773	1,250,773
Loans and receivables	128,395	128,395
Short-term deposits	375,954	375,954
	<u>1,755,122</u>	<u>1,755,122</u>
Other assets -		
Cash resources	78,150	78,150
Premiums in the course of collection	551,646	551,646
Accounts receivable	330,044	330,044
Due from reinsurers	102,356	102,356
Property, plant and equipment	62,255	62,255
Intangible assets - Software	7,097	7,097
Intangible assets - Identifiable intangibles	222,898	-
Deferred policy acquisition commissions	108,157	108,157
Reinsurance share of unearned premiums	1,032,333	1,032,333
Reinsurance share of provision for claims	395,961	395,961
	<u>2,890,897</u>	<u>2,667,999</u>
Total assets	<u>4,646,019</u>	<u>4,423,121</u>
Liabilities:		
Policy liabilities -		
Policy benefits payable	917,937	917,937
	<u>917,937</u>	<u>917,937</u>
Other liabilities -		
Accounts payables and accrued liabilities	1,127,920	1,127,920
Unearned premiums	1,254,082	1,254,082
Unearned reinsurance commissions	223,935	223,935
	<u>2,605,937</u>	<u>2,605,937</u>
Total liabilities	<u>3,523,874</u>	<u>3,523,874</u>
Net assets	<u>1,122,145</u>	<u>899,247</u>
Share of net assets (75.24%)	844,302	
Recycled share of fair value losses	5,792	
Intangible assets - Purchased goodwill	164,054	
Net disposable value	<u>1,014,148</u>	
Net proceeds	<u>1,013,629</u>	
Loss on disposal	<u>(519)</u>	
Net proceeds received	1,013,629	
Cash disposed	<u>(78,150)</u>	
Disposal proceeds, net of cash	<u>935,479</u>	

61. Acquisition

Sagicor Insurance Managers Ltd

Sagicor Life of the Cayman Islands Ltd. repurchased Sagicor Insurance Managers Ltd from Sagicor General Insurance (Cayman) Ltd effective 1 January 2010. Sagicor Insurance Managers Ltd is a captives management company domiciled in the Cayman Islands. The net assets acquired, purchase consideration and goodwill arising are set out below:-

	Fair value of net assets acquired \$'000	Acquiree's carrying value \$'000
Assets:		
Bank balances	7,734	7,734
Management fees in arrears	56	56
Prepaid expenses	1,653	1,653
	<u>9,443</u>	<u>9,443</u>
Liabilities:		
Management fees in advance	4,552	4,552
Accrued expenses and other payables	4,585	4,585
	<u>9,137</u>	<u>9,137</u>
Net assets	<u>306</u>	<u>306</u>
Purchase price	<u>26,799</u>	
Goodwill	<u>26,493</u>	
Purchase consideration	26,799	
Cash and cash equivalents acquired	<u>(7,734)</u>	
	<u>19,065</u>	

The acquired company contributed gross revenue of \$38,854,000 and net income of \$8,871,000 for the year.

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62. Restatement

- (i) During the year, the company changed the accounting policy for measurement of its investments in subsidiaries on an unconsolidated basis. The company's investments in subsidiaries are currently being carried at their fair values. Previously, these investments were carried at cost.
- (ii) During the year, the Group reclassified premium taxes to the expense category in the income statement in accordance with the requirements of IAS 12 'Income Taxes'. Premium taxes were previously included in 'Taxation' in the income statement.
- (iii) The Group reclassified pledged assets with the right by contract to resell or re-pledge such in accordance with IFRS 7 (15) and IAS 39 (37A) during the year.

The financial statements for the year ended 31 December 2009 (the immediately preceding comparative period) have been restated to reflect the financial position and results. The financial effects are as follows:

(a) Reconciliation of equity at 1 January 2009

	Previously Reported \$'000	Effect of Restatement \$'000	Restated \$'000
ASSETS			
Investment in subsidiaries	5,129,499	941,866	6,071,365
Other assets	38,674,864	-	38,674,864
	<u>43,804,363</u>	<u>941,866</u>	<u>44,746,229</u>
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	7,796,463	-	7,796,463
Capital reserve	2,675	-	2,675
Share options reserve	35,166	-	35,166
Investment and fair value reserves	(1,399,316)	941,866	(457,450)
Special investment reserves	141,576	-	141,576
Retained earnings	7,126,576	-	7,126,576
	<u>13,703,140</u>	<u>941,866</u>	<u>14,645,006</u>
Liabilities	<u>30,101,223</u>	<u>-</u>	<u>30,101,223</u>
	<u>43,804,363</u>	<u>941,866</u>	<u>44,746,229</u>

62. Restatement (Continued)

(b) Reconciliation of equity at 31 December 2009

	Previously Reported \$'000	Effect of Restatement \$'000	Restated \$'000
ASSETS			
Investment in subsidiaries	6,429,062	2,716,902	9,145,964
Other assets	48,506,363	-	48,506,363
	<u>54,935,425</u>	<u>2,716,902</u>	<u>57,652,327</u>
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	7,854,938	-	7,854,938
Capital reserve	2,675	-	2,675
Share options reserve	37,274	-	37,274
Investment and fair value reserves	(746,779)	2,716,902	1,970,123
Special investment reserves	157,614	-	157,614
Retained earnings	8,346,861	-	8,346,861
	<u>15,652,583</u>	<u>2,716,902</u>	<u>18,369,485</u>
Liabilities	<u>39,282,842</u>	<u>-</u>	<u>39,282,842</u>
	<u>54,935,425</u>	<u>2,716,902</u>	<u>57,652,327</u>

(c) Reconciliation of the statement of comprehensive income for the year ended 31 December 2009

	Previously Reported \$'000	Effect of Restatement \$'000	Restated \$'000
Net profit for the year	3,335,420	-	3,335,420
Other comprehensive income:			
Available-for-sale investment securities	694,597	-	694,597
Fair value gains on investment in subsidiaries	-	1,775,036	1,775,036
Total income recognised directly in stockholders' equity, net of tax	<u>694,597</u>	<u>1,775,036</u>	<u>2,469,633</u>
Total Comprehensive Income for the year, net of tax	<u>4,030,017</u>	<u>1,775,036</u>	<u>5,805,053</u>

63. Subsequent Event

Joint venture agreement

Sagicor Life Jamaica Limited and Capital and Advice Limited, S.A., an investment services company incorporated in Costa Rica, executed a joint venture agreement on February 2, 2011, to explore the insurance businesses and insurance related services in certain countries in the Central American Region. Under the terms of the agreement, Sagicor Life Jamaica will provide technical expertise, administrative services and operating systems to support the operations. Capital and Advice, with its experience in banking and other financial services as well as commercial operations, will provide marketing know-how and local support to the joint venture. The agreement is subject to regulatory approval in the respective territories of operations.

BRANCH DIRECTORY

HALF WAY TREE BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639
(876) 968-3342

Branch Manager

Marston Thomas

Agency Manager

Odine DaCosta

Unit Manager

Courtney Daley
Tanya Tapper

LIGUANEA BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639
(876) 929-5074

Senior Branch Manager

Michael Lawe

Agency Manager

H. Jimmy Reid
Christopher Lawe

Unit Managers

Walter Grant

CORPORATE CIRCLE BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639

Senior Branch Manager

Pete Forrest

Unit Manager

Meila McKitty
Darla Brown

NEW KINGSTON BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639

Branch Manager

Donovan McCalla

Unit Manager

Garfield Coke
Delroy Scarlett
Carla Peterkin

BELMONT DUKES BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639

Branch Manager

Roaan Brown

Unit Manager

Hugh Meredith

KNUTSFORD BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639

Senior Branch Manager

Randolph McLean

Unit Managers

Leslie George Francis
Davin Nairne
Natallea Johnson

MONTEGO BAY BUSINESS CENTRE

17 Harbour Circle
Montego Bay
St. James
Tel: (876) 952-4700-2
(876) 952-0390-1
Fax: (876) 952-7578

Branch Manager

Patrick Sinclair

Unit Manager

Norman Holt

OCHO RIOS BUSINESS CENTRE

2 Newlin Street
Ocho Rios
St. Ann
Tel: (876) 974-2389
Fax: (876) 974 - 1818

Branch Manager

Mavis Ferguson

Agency Manager

Ramoth Watson

Unit Manager

Dalton Thompson

SPANISH TOWN BUSINESS CENTRE

16 Burke Road
Spanish Town
St. Catherine
Tel: (876) 984-3027-9
Fax: (876) 984-8474

Branch Manager

Olivine Barnes

Agency Manager

David Reid
Aaron Greaves

Unit Manager

Maxwell Pike

MANDEVILLE BUSINESS CENTRE

59 Main Street
Mandeville Manchester
Tel: (876) 962-2166 / 962-5962
/ 962-3333
Fax: (876) 952-7578
(876) 962-3788

Branch Manager

Dale Greaves-Smith

Unit Manager

Pauline Channer

SENATORS BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639

Branch Manager

Marvin Walters

Agency Manager

Jean Hamilton

Unit Manager

Monica Robotham

HOLBORN BRANCH

Kingston Business Centre
35 Trafalgar Road
Kingston 10
Tel: (876) 929-6820-9
Fax: (876) 968-4639
(876) 920-4969

Branch Manager

Mark Lindsay

Unit Manager

Clifton Thomas

Form of Proxy

Sagicor Life Jamaica Limited



I

of

being a member of Sagicor Life Jamaica Limited hereby appoint

.....of

.....

or failing him, of

as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Tuesday the 24th day of May 2011 at any adjournment thereof.

Please indicate by inserting a tick (✓) in the appropriate space below as how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his discretion.

RESOLUTION	FOR	AGAINST
No. 1		
No. 2 (i)		
No. 2 (ii)		
No. 2 (iii)		
No. 2 (iv)		
No. 3		
No. 4		
No. 5		
No. 6		

As witness my hand thisday of 2011

Signature

\$100.00
stamp
to be affixed

NOTE:

- (1) If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.
- (2) To be valid, this proxy must be lodged with the Secretary of the Company, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting.

- (3) Please affix a \$100.00 stamp in payment of stamp duty.

A proxy need not be a member of the Company.

Sagicor VALUES:

Communication

Respect

Integrity

Performance

Teamwork

Our Values dictate who we are...
our S.C.R.I.P.T. guides our action



Wise Financial Thinking for Life

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