

Operating Company Non-Life

Ultimate Parent: Sagicor Financial Corporation

SAGICOR GENERAL INSURANCE INC.

Beckwith Place, Lower Broad Street, Bridgetown, Barbados

Haggatt Hall, St. Michael, Barbados

Web: www.sagicorgeneral.com

Tel: 246-431-2800

Fax: 246-426-0752

AMB#: 86979

AIIN#: AA-3160058

Ultimate Parent#: 088130

Report Revision Date: 08/20/2014

BEST'S CREDIT RATINGS

Best's Financial Strength Rating: A-

Outlook: Stable

Best's Issuer Credit Rating: a-

Outlook: Stable

Best's Financial Size Category: VI

RATING RATIONALE

Rating Rationale: The ratings reflect Sagicor General Insurance Inc.'s (Sagicor General) historically profitable operating performance, prudent underwriting leverage, regional market presence and parental support. Partially offsetting these strengths are the company's reliance on reinsurance and the increasingly competitive regional insurance environment.

Sagicor General is among the largest property and casualty insurers in Barbados and has a significant presence in Trinidad and Tobago, Dominica, St. Lucia, and Antigua. Sagicor General's disciplined underwriting and appropriate risk pricing have historically enabled the company to achieve favorable operating results. Over the past several years, the company has also taken significant steps to reduce the equity exposure in its investment portfolio. In addition, Sagicor General benefits from the synergies derived as a member of the Sagicor Financial Corporation (SFC) group and has the commitment and support of its ultimate parent, SFC, one of the largest financial institutions in the Caribbean.

Catastrophic events in the Caribbean represent a significant level of risk exposure to Sagicor General and other regional insurers. The company mitigates this exposure through geographic diversification and a conservative reinsurance program. In addition, regional insurance markets are becoming increasingly competitive, and Sagicor General's business retention and market share will continue to be challenged by local and regional competitors.

While the outlooks for Sagicor General are currently stable, positive rating actions could occur if the company continues to exhibit sustainable positive operating performance or if there are improvements in the ultimate parent's financial condition or Barbados's macroeconomic environment and country risk tier. Potential negative rating triggers could include protracted adverse operating results that are exacerbated by a large catastrophic event, or deterioration in the ultimate parent's financial condition or Barbados's macroeconomic environment and country risk tier.

FIVE YEAR RATING HISTORY

BEST'S		
<u>Date</u>	<u>FSR</u>	<u>ICR</u>
08/20/14	A-	a-
08/14/13	A-	a-
02/15/13	A- u	a- u
08/20/12	A-	a-
07/26/11	A-	a-
07/22/10	A-	a-

BUSINESS PROFILE

Sagicor General Insurance Inc. (Sagicor General) is domiciled in Barbados and writes property and casualty insurance. The company is majority-owned by Barbados-domiciled Sagicor Financial Corporation (SFC), one of the largest and most geographically diversified regional financial institutions. SFC has operations and agencies in North America, Europe and 22 territories across the Caribbean with Barbados, Trinidad and Tobago, and the Eastern Caribbean Islands being its biggest regional markets. The SFC group of companies offers an array of individual life, group life and health insurance, property and casualty coverages, and group pension products.

Scope of Operations: Sagicor General underwrites a range of insurance products in selected regional markets with its property segment typically accounting for 50% of the gross premium written (GPW). The company's automobile segment and its accident and health segment represent 36% and 12% of GPW, respectively, with the remaining 2% generated by its marine segment. Trinidad and Tobago is the company's largest market and accounts for 58% of GPW, followed by Barbados with over 35% of GPW. Sagicor General also has operations in St. Lucia, Dominica and Antigua. As is the case with most of the insurance companies operating in the Caribbean, Sagicor General generates its business through a network of local agents, brokers and branch offices.

RISK MANAGEMENT

Sagicor General has now developed a formalized enterprise risk management program (ERM) both on a company basis and also as part of the larger Sagicor group . The

company has practiced ERM on an informal basis for several years and has several permanent staff positions dedicated to risk management. Areas of focus for the existing, informal program address risks associated with: safety management, continuity and disaster recovery, occupational health and safety, and underwriting related risks such as surveying coastal properties, property loss prevention and vehicle inspections.

Catastrophe Exposure and Management: Sagicor General maintains a reinsurance program comprised of both quota share and excess of loss programs with quality reinsurers to guard against volatility in its business segments. Given the significant losses incurred in the Cayman Islands from Hurricane Ivan, Sagicor General enhanced its reinsurance program by lowering its net retention, and purchasing increased protection and coverage for multiple events. Principal reinsurers are Hannover Re, Munich Re, PartnerRe, Transatlantic Re, Odyssey Re, Everest Re, QBE, and Swiss Re.

OPERATING PERFORMANCE

Operating Results: Sagicor General has been historically profitable and has produced positive net income in each of the last nine years. Sagicor General has incurred minimal losses from cat events in recent years, but operating results have been impacted by significant reserve strengthening in all segments and increased costs associated with its reinsurance program. Excluding cat losses, Sagicor General has generally recorded favorable operating results in all business segments. The company's accident and automobile business segments continue to be the main contributors to earnings. Consistent levels of investment income have also contributed significantly to earnings in recent years. Sagicor General's return measures reflect the company's profitability, ROE in 2013 was just under 14% which is in line with its five year average ROE of 16.1%.

Underwriting Results: Sagicor General has made an underwriting profit in each of the past five years and its five year average combined ratio is just under 80%. Like most Caribbean reinsurers, Sagicor General's property lines are highly reinsured and earned premiums are somewhat muted, however, the reduced premium income is typically offset by commission income from reinsurers. Conversely, motor and accident lines are generally retained at greater levels and represent the majority of earned premium.

Investment Results: Investment income at Sagicor General has been stable and good source of earnings in most recent five year period. Income derived from investments is typically between BB\$3 and BB\$4 million and provides earnings diversification for Sagicor General.

BALANCE SHEET STRENGTH

Capitalization: In recent years, Sagicor General's profitable operating results and prudent management of catastrophe risk exposure have enabled the company to grow its capitalization internally. Sagicor General's capital enhancement and prudent retention of premiums have also resulted in improvement of its underwriting leverage (measured by

the ratio of net premiums written to capital), which remains conservative. Sagicor General's risk-adjusted capitalization is more than adequate for its current rating level when measured by its Best's Capital Adequacy Ratio (BCAR). Capitalization is also protected by the company's conservative reinsurance program, which limits its net retention from cat events.

Liquidity: Sagicor General's liquid assets are still sufficient to cover the company's net technical reserves. While liquid assets account for over 90% of total invested assets, they only represent approximately 45% of total assets. Sagicor General's fixed income portfolio (mainly comprised of government and corporate bonds), cash and short-term investments comprise approximately 90% of invested assets. Equities, real estate and mortgage loans represent the remaining 10%.

Summarized Accounts as of December 31, 2013

Data reflected within all tables of this report has been compiled from the financial statements of this company (Source: Company Financial Statement).

An independent audit of the company's affairs through December 31, 2013, was conducted by PricewaterhouseCoopers SRL.

US \$ per Local Currency Unit .51246 = 1 Barbados Dollar (BBD)

ASSETS

	12/31/2013 BBD(000)	12/31/2013 % of total	12/31/2013 USD(000)
Cash and equivalents	18,290	8.4	9,373
Long term fixed maturity investments	73,577	33.7	37,705
Equity investments	5,289	2.4	2,710
Other investments	929	0.4	476
Mortgage loans	2,352	1.1	1,205
Invested assets	82,147	37.7	42,097
Receivables	24,046	11.0	12,323
Reinsurance recoverable	26,068	12.0	13,359
Deferred policy acquisition cost	8,872	4.1	4,547
Equity in unconsolidated subsidiary	4,434	2.0	2,272
Other assets	54,337	24.9	27,846
Total assets	218,194	100.0	111,816

LIABILITIES & SURPLUS

	12/31/2013 BBD(000)	12/31/2013 % of total	12/31/2013 USD(000)
Property / Casualty reserves	47,037	21.6	24,105
Unearned premium reserves	62,476	28.6	32,016
Total policy reserves	109,513	50.2	56,121
Other liabilities	33,546	15.4	17,191
Total liabilities	143,059	65.6	73,312
Equity - common stock	3,000	1.4	1,537
Accumulated other comprehensive income	28,562	13.1	14,637
Retained earnings	43,573	20.0	22,329
Total equity	75,135	34.4	38,504
Total liabilities & equity	218,194	100.0	111,816

STATEMENT OF INCOME

	12/31/2013 BBD(000)	12/31/2013 USD(000)
Gross premiums written	126,849	65,005
Reins ceded	89,391	45,809
Net premiums written	37,458	19,196
Change in unearned premiums	404	207
Net premiums earned	37,054	18,989
Total fee income	27,464	14,074
Net investment income	3,659	1,875
Other revenue	243	125
Total revenue	68,420	35,063
Benefits & reserves	14,097	7,224
Operating expenses	42,275	21,664
Total benefits & expenses	56,372	28,888
Earnings before interest & taxes (EBIT)	12,048	6,174
Equity in income of unconsolidated subsidiaries	651	334
Pre-tax income/(loss) from continuing operations	12,699	6,508

Total taxes	2,803	1,436
Net income/(loss) before minority interest	9,896	5,071
Net income/(loss) from continuing operations	9,896	5,071
Net income/(loss)	9,896	5,071

STATEMENT OF CHANGES IN EQUITY

	12/31/2013 BBD(000)	12/31/2013 USD(000)
Common shares, beginning balance	3,000	1,537
Common shares, ending balance	3,000	1,537
AOCI - beginning balance	27,779	14,236
AOCI - change in unrealized gains/losses on investments	-374	-192
AOCI - other	1,157	593
AOCI - ending balance	28,562	14,637
Retained earnings, beginning balance	36,861	18,890
Retained earnings, net income	9,896	5,071
Retained earnings, common dividends	2,446	1,253
Retained Earnings, other	-738	-378
Retained earnings, ending balance	43,573	22,329
Total shareholder equity	75,135	38,504

STATEMENT OF CASH FLOWS

	12/31/2013 BBD(000)	12/31/2013 USD(000)
Net cash provided/(used) in operating activities	5,458	2,797
Net cash provided/(used) in investment activities	-7,223	-3,702
Net cash provided/(used) in financing activities	-4,907	-2,515
Total increase (decrease) in cash	-6,672	-3,419
Cash, beginning balance	24,962	12,792

Cash, ending balance

18,290

9,373

HISTORY

Sagicor General's predecessor, the Barbados Fire & Commercial Insurance Company Limited, was founded in 1995 and commenced operations in January of 1996 under the name of Barbados Fire & Commercial Insurance Company. The company was the result of the amalgamation of Barbados Commercial Insurance Company Limited and Barbados Fire & General Insurance Company Limited.

Barbados Commercial Insurance Company Limited was formed in 1978 from the former Harrison's Insurance Department, whose operations date back to 1886 when it was an agent for Commercial Union Assurance Company.

Barbados Fire Insurance Company Limited was formed as a property and casualty insurance company in Bridgetown, Barbados, in 1880. In 1930, the Economic Insurance Company in Barbados merged with Barbados Fire, and the company was later acquired by the British firm of Eagle Star Insurance Company Limited. In 1975, the company's name was changed to Barbados Fire & General Insurance Company. Following the amalgamation of Barbados Fire and Barbados Commercial in 1995, the Barbados Fire & Commercial was established. On July 16, 2003, at the seventh annual general meeting of the shareholders, the name of the company was changed to Sagicor General Insurance Inc. At present, the stock of Sagicor General is split between Sagicor Life (53%) and Goddard Enterprises Limited (45%) with the remaining 2% in the hands of the general public.

Sagicor General is authorized to issue an unlimited number of common shares without nominal or par value. At December 31, 2003, issued and outstanding capital amounted to BBD 3,000,000 and was comprised of 2,000,000 shares.

MANAGEMENT

The company's two main stockholders are Sagicor Life and Goddard Enterprises Limited, both incorporated and domiciled in Barbados. Administration of the company's affairs is under the direction of David A. Deane, president and chief executive officer.

OFFICERS

President and CEO: David Alleyne

Assistant Vice President: Felix Gomez
(Claims, Trinidad & Tobago)

CFO: Christopher Mapp

Assistant Vice President: Michael Holder
(Branch & Overseas Operations)

Vice President: Claudette Arthur (Finance) **Assistant Vice President:** Dexter McKnight
(Underwriting, Trinidad & Tobago)

Vice President: Mark Blakeley (Marketing & Business Development) **Assistant Vice President:** Deborah Romeo (Finance, Trinidad & Tobago)
Vice President: Diane Edwards (Human Resources) **Assistant Vice President:** Roger Spencer (Marketing)
Vice President: Cheryl D. Jordan (Reinsurance) **Assistant Vice President:** Cheryl St. Hill (Underwriting)
Vice President: Dyan Loutan-Ali (Trinidad & Tobago) **Assistant Vice President:** Elizabeth Stoute (Finance, Barbados)
Assistant Vice President: Carlyn Crichlow (Research & Development) **Corporate Secretary:** Althea C. Hazzard
Assistant Vice President: Jeane Forde (Claims, Barbados) **Officer:** Gayle Marshall (Risk Management)

DIRECTORS

Anthony Ali (Deputy Chairman) William Putnam
David Alleyne Ravi Rambarran
Edward Clarke C. Natasha Small
M. Patricia Downes-Grant (Chairman)

TERRITORY

The company is authorized to write property and casualty insurance in Antigua, Barbados, Dominica, St. Lucia, St. Vincent and Trinidad.

BALANCE SHEET ITEMS

	BBD (000)	BBD (000)	BBD (000)	BBD (000)	BBD (000)
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Invested assets	82,147	77,230	59,684	55,672	50,403
Total assets	218,194	209,091	199,103	179,965	161,248
Total liabilities	143,059	141,451	135,427	120,644	106,657
Total equity	75,135	67,640	63,676	59,321	54,591
Total capital	75,135	67,640	63,676	59,321	54,591

INCOME STATEMENT ITEMS

	BBD (000)	BBD (000)	BBD (000)	BBD (000)	BBD (000)
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross premiums written	126,849	126,394	124,241	116,868	107,068
Net premiums written	37,458	37,174	36,812	32,028	28,141
Net investment income	3,659	3,906	4,032	3,598	3,759
Net realized gains/(losses)	...	-311	3,483	1,973	3,236

Net income/(loss)	9,896	10,656	11,167	7,757	12,016
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LIQUIDITY RATIOS (%)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total investments to total reserves	91.7	94.8	83.8	75.0	91.6
Liquid assets to total liabilities	67.9	67.8	65.0	51.7	62.0
Total investments to total liabilities	70.2	72.3	67.3	60.4	70.5
Bonds to total reserves	67.2	60.5	46.9	35.5	33.4

PROFITABILITY RATIOS (%)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Loss ratio	38.0	43.4	53.2	52.4	40.8
Expense ratio	40.0	29.5	31.5	36.8	31.0
Combined ratio	78.0	72.9	84.7	89.2	71.8
Investment income ratio	9.9	10.6	11.7	12.2	13.1
Return on assets	4.6	5.2	5.9	4.6	7.7
Return on revenues	26.7	28.8	32.5	26.4	42.0
Return on equity	13.9	16.2	18.2	13.6	24.0

LEVERAGE & DEBT RATIOS (%)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net premiums written to equity	49.9	55.0	57.8	54.0	51.6
Cash flow coverage (x)	...	...	...	-99.9	590.4
Interest coverage (x)	...	...	...	999.9	413.8
Cash and equivalents to total assets	8.4	11.9	15.8	9.6	15.4