



SAGICOR LIFE JAMAICA LIMITED

ANNUAL REPORT AND ACCOUNTS 2009

JAMAICA, LAND WE LOVE



our values:

performance

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Sagicor

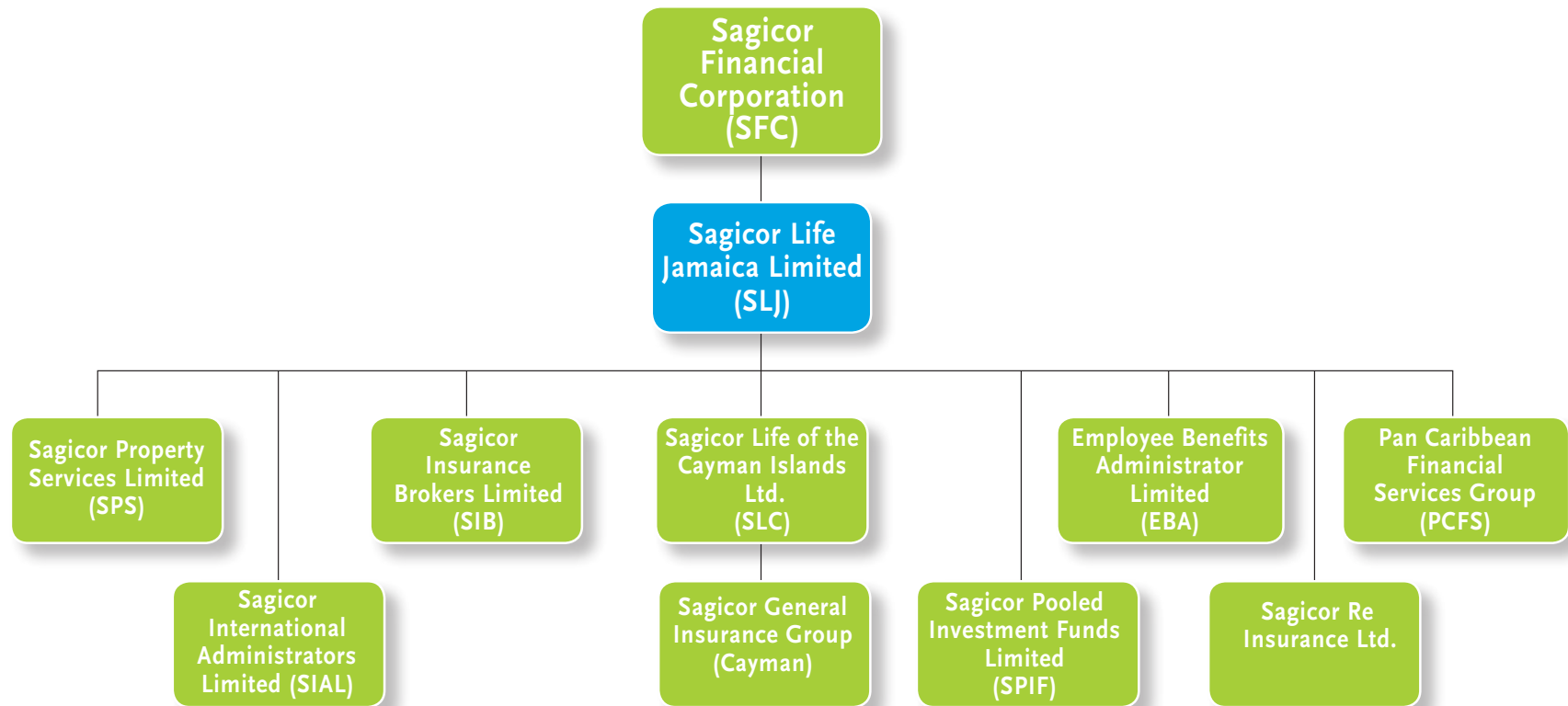
is synonymous with
world-class financial services

With a proud history dating back to 1840, Sagicor is a dynamic, indigenous Group which has been redefining financial services in the Caribbean, building a strong base from which it has expanded into the international financial services market. Sagicor now operates in 22 countries in the Caribbean, Latin America, the UK and the US. In 2002, after 162 years as the Barbados Mutual Life Assurance Society, the company demutualised with the

overwhelming support of its policyholders, and Sagicor Financial Corporation was formed as a publicly listed holding company. Sagicor means “wise judgement” and reflects a new vision for financial advice and services. For over 168 years, we have worked to help families by providing the assurance and peace of mind needed, especially during their most challenging times. This will never change.



Who We Are



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 merchant 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.

performance

performance



Discipline is what turns goals into performance

performance

- We will always meet deadlines
- We will always embrace creativity
- We will always be passionate about exceeding expectations
- We will always recognize good work

CHAIRMAN'S STATEMENT



The year 2009 was a difficult one for the Jamaican economy as it was for the rest of the world. Jamaica suffered two rating downgrades by S&P before it crafted a bold plan, including the Jamaica Debt Exchange (JDX) programme. Although the JDX was executed in 2010, it had a significant impact on Sagicor Life Jamaica in 2009 by increasing reserves substantially, and from 2010 coupons on domestic GOJ securities will be reduced.

Despite these challenges, Sagicor supported the efforts of the Government of Jamaica to address the chronic fiscal imbalance and to place the economy on a path of stability and sustained growth.

In the circumstances, we are pleased with the performance of the Company, producing net profits of \$4,886 million, paying dividends of \$2,141 million and increasing shareholders' equity to \$19,863 million.

Acquisition

In November 2009, Sagicor Financial Corporation (SFC) took the decision to centralize all its holdings in Jamaica through SLJ. As a consequence, SFC offered its 33% shareholding in Pan Caribbean Financial Services (PCFS) to SLJ. After commissioning and receiving a valuation of the PCFS shares, a sub-committee of the Board of SLJ, comprised entirely of independent Directors, agreed a price of \$14.00 per share. This was recommended and accepted by the full Board of SLJ.

Social Responsibility

The SLJ Group had an active year, contributing over \$39 million in the areas of health, sport and education. More than 100 students and a major high school benefited directly from our scholarship and development programme. We sponsored the Primary & Junior High Championships which involved 5,000 young athletes across the island and we partnered with the Shaggy Make a Difference Foundation and PanCaribbean's Sigma Corporate Run in support of the Bustamante

Hospital for Children. In January 2010 the Sagicor PanCaribbean Foundation was launched. The foundation was established with the aim of advancing the lives of our nation's children, particularly in the areas of health, education and sports. The Foundation is a joint initiative between Sagicor Life Jamaica and Pan Caribbean Financial Services.

Corporate Governance

During the year, the Board of Directors continued to work diligently at raising the level of corporate governance and transparency in the Group. In particular, we upgraded our risk management framework, which includes policies and procedures designed to identify, analyze, measure and control risks from all sources. This was supported by a Group wide initiative to improve enterprise risk management capabilities and to develop a consistent approach to managing similar risks across the Sagicor Group. SLJ is particularly proud to have once again won the PSO's Governor General's Award for the second consecutive year, and placed 3rd for the best annual report. At Sagicor, we place a great deal of importance on strong corporate governance as a means to provide our shareholders and clients with confidence in the proper management of the Company. These awards will encourage us to reinforce our efforts even further.

Our extraordinary success over nine successive years of improved performance is wholly attributable to the commitment and energy of the Team at Sagicor. On behalf of the Board I thank them sincerely. I also wish to express my gratitude to the members of the Board of Directors for helping to steer the Company through a challenging year. Effective February 1, 2010, I relinquished the post of Chairman but will continue to serve as a Director of the Company. The Board of Directors appointed Dr. the Hon. R. Danny Williams, O.J., CD, Hon. LLD, JP as Chairman. I look forward to supporting Mr. Williams in his new role. On behalf of the Board and the entire Sagicor Team, I wholeheartedly wish to thank our customers and shareholders for their continued belief in and support for Sagicor.

I wish also to thank Directors J. Arthur Bethell and Michael Fraser, who resigned from the Board during the year, for their contribution to the company over the years. We wish them well.

A handwritten signature in blue ink, appearing to read 'D. Miller'.

Dr. Dodridge D. Miller
Chairman
1 March, 2010

REPORT OF THE DIRECTORS

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2009. The Financial Statements reflect the consolidated results of Sagicor Life Jamaica Limited (SLJ) and its subsidiaries.

Operating Results:

	J \$ooo's
Group Profit before tax	5,770,350
Taxation	(884,785)
Net Profit after tax	4,885,565
Attributable to:	
Stockholders of the Company	4,390,112
Minority interest	495,453

Stockholders' Equity:

Stockholders' equity brought forward	15,543,820
Share capital, opening	7,796,463
Shares issued	58,475
Share capital, ending	7,854,938
Reserves, opening	(1,319,255)
Net gains/(losses) recognized in equity	1,541,521
Value of employee services rendered	1,984
Other movements	765,371
Reserves, ending	989,621
Retained earnings, opening	9,066,612
Net profit	4,390,112
Negative goodwill	467,954
Transfers (to)/from reserves	(765,371)
SLJ dividends paid	(2,141,157)
Retained earnings, ending	11,018,150
Stockholders' equity carried forward	19,862,709

Directors

The Directors retiring at the Annual General Meeting by rotation, Messrs Dr. the Hon R.D. Williams O.J., CD, Hon. LLD, JP, Mr. Paul Facey and Mr. Stephen Facey, and being eligible, offer themselves for re-election.

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 25 cents per share and 32 cents per share were paid on March 31 and September 29, 2009, respectively.

On behalf of the Board of Directors

Dr. Dodridge D. Miller
Chairman

1 March, 2010


MANAGEMENT DISCUSSION & ANALYSIS

2009 was a successful year for Sagicor Life Jamaica Limited (SLJ), posting improved financial results for the ninth consecutive year.

- Net Profits of \$4,390 million, attributable to Stockholders, up 12% over 2008;
- Basic earnings per share of \$1.17, up 11% over 2008;
- Dividends per share of \$0.57 (\$2,141 million), compared to \$0.44 in 2008 (\$1,650 million);
- Return on opening Shareholders' Equity of 28%, compared to 25% for 2008;
- Growth in Shareholders Equity of 28% from \$15,544 million to \$19,863 million.

The primary drivers of this performance include:

- The successful integration of the former Blue Cross health insurance portfolio;
- Cost efficiencies and synergies arising from a management restructuring exercise;
- Success of our sales teams in employee benefits and individual life in writing new business.



RICHARD O. BYLES
President and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

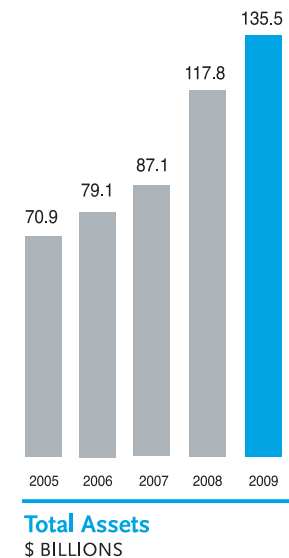
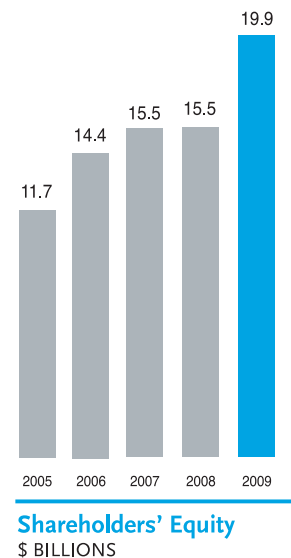
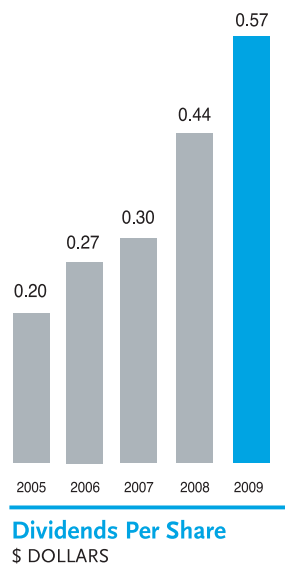
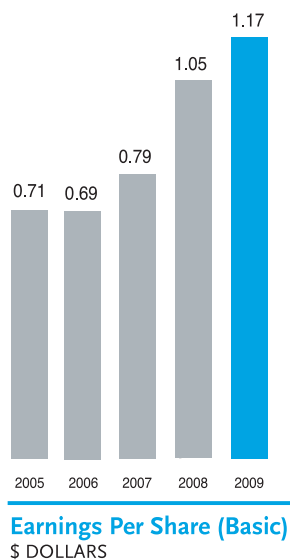
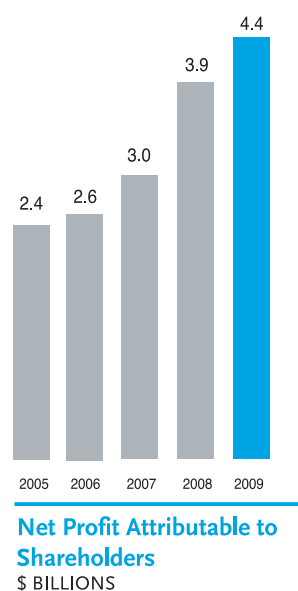
As a large holder of long-term Government of Jamaica (GOJ) bonds, the Jamaica Debt Exchange (JDX) programme had a negative impact on our reserves and, therefore, on our profits for 2009. Operating efficiencies effected during the year and conservative asset yield assumptions softened the impact considerably. The full impact on our reserves has been reflected in the 2009 results. Lower interest rates and compressed purchasing power in the market will negatively affect our earnings going forward. Notwithstanding this effect on our earnings, Sagicor supports the JDX and the accompanying suite of fiscal programmes and reforms. We regard them as creating a real opportunity for Jamaica to break out of its debt trap and generate meaningful economic growth.

Consolidated revenues for the year of \$27,873 million were 2% less than the \$28,391 million posted in 2008. All major lines of business, health and life insurance, banking and asset management, showed revenue increases. However, the large single premium annuities of 2008 were not repeated to the same extent in 2009.

Benefits paid to policyholders (net of reinsurance) in 2009 amounted to \$9,829 million, an increase of 42% over the \$6,914 million recorded in 2008. This growth is largely the result of a full year of ownership of the Blue Cross health portfolio with its attendant claims costs compared to one month in 2008.

Administration expenses were \$6,372 million, 20% over the prior year, excluding significant one-time items. This increase was mainly due to costs associated with the 12 months of the enlarged health portfolio, from the Blue Cross acquisition, as only one month was included in 2008. However, the normalized ratio of administration expenses to total revenue improved to 22% compared to 23% in 2008.

The change in actuarial liabilities was \$2,504 million compared to \$8,283 million in 2008. The 2008 amount reflects the large single premium business received as a result of the acquisition in that year.



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Total assets of the Group were \$135,466 million compared to \$117,791 million last year, representing a 15% growth. Total assets under management, including pension fund assets managed on behalf of clients and unit trusts, amounted to \$210.4 billion (2008: \$183.9 billion).

Stockholders' Equity as at December 31, 2009 was \$19,863 million, compared to \$15,544 million as at December 31, 2008. This substantial growth was in part due to the growth in retained earnings and the improved value of available-for-sale securities held. During the year, the company paid \$2,141 million in dividends to shareholders, or a dividend per share of 57 cents (2008: 44 cents). This represents a dividend payout ratio of 49% as against 42% in 2008.

The Jamaica Insurance Act and Regulations require life insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) of at least 135%. The MCCSR measures the ratio of available capital to required capital. Sagicor Life Jamaica (SLJ) showed a ratio of 147% at December 31, 2009, compared to the ratio for last year which was 157%. The reduction is principally a consequence of the additional 33% investment in non-life insurance subsidiaries, Pan Caribbean Financial Services (PCFS). We expect to strengthen this ratio in 2010.

Sagicor Life Jamaica has developed an incomparable reputation because of its financial stability. That solid reputation is based on the Company's excellent financial performance and financial prudence. We are consistently rated "A" (Excellent) by A.M. Best and Company, and rated jmAAA from Caribbean Information and Credit Rating Services Limited (CariCRIS).

In November 2009, SLJ purchased an additional 33% of Pan Caribbean Financial Services Limited (PCFS), bringing our total ownership to 86%. We view this purchase as having important, strategic value for SLJ. It will also strengthen our earnings at a time when lower interest rates will generate lower investment income from GOJ securities. For 2009 PCFS produced net profits of \$1,478 million, 7% better than the \$1,381 million of 2008.

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. This transaction, which has been accounted for as a discontinued operation, is subject to Regulatory approval. We are of the view that as a property and casualty insurance operation, Sagicor General Cayman did not offer sufficient strategic value to SLJ at this time.

Our company's financial strength rating (FSR) of "A" (Excellent) and insurers' credit rating (ICR) of "A" from A.M. Best, the leading rating agency for insurance companies worldwide, which were first received in 2006, were again reaffirmed in 2009. SLJ is also proud to have retained a rating of jmAAA on the Jamaica national scale, from Caribbean Information and Credit Rating Services Limited (CariCRIS) following the last review in March 2010.

DIVISIONAL AND SUBSIDIARY PERFORMANCE

The four primary business segments of the Sagicor Jamaica Group all performed creditably during 2009.

DIVISIONAL AND SUBSIDIARY PERFORMANCE					
Business Segment	2009 J\$ M	2008 J\$ M	2007 J\$ M	2006 J\$ M	2005 J\$ M
Individual Life	1,722	1,068	1,110	1,159	811
Employee Benefits	1,560	1,815	1,303	1,095	884
Investment Banking*	1,379	1,281	876	890	802
Other (including General Insurance)	225	378	132	-91	374
Net Profit (before Minority Interest)	4,886	4,542	3,421	3,053	2,871

* Includes amortization charges for purchased intangibles.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

INDIVIDUAL LIFE DIVISION



The Individual Life division made a strong contribution to profit of \$1,722 million, a 61% increase over the \$1,068 million produced in 2008. This performance was achieved against the background of a contracting economy and shrinking disposable incomes which produced greater than expected surrenders, withdrawals and other benefit payments.

The number of new policies sold in Jamaica and Cayman during 2009 were 50,378, compared to 45,720 in the previous year. The level of new cases sold in Jamaica represented 55% of total cases sold by the entire industry.

In 2009 the division's in-force policies grew by 6% against a target of 4%; this represents total policy count of 354,795.

The Individual Life Division generated revenues of \$7,058 million, which represented an 18% increase over the previous year's \$6,006 million.

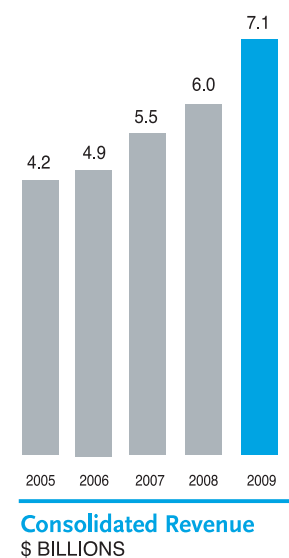
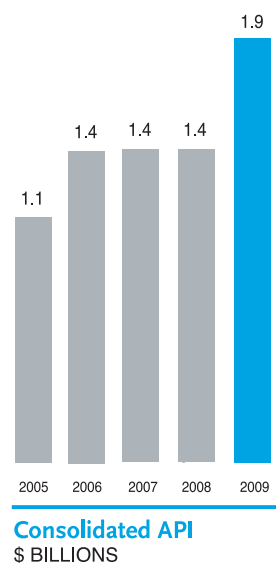
Sagicor Life Cayman had a very strong performance in new business and also made a significant contribution to profits. New cases sold were 2,246, representing a 23% increase over the previous year and generating annualized premium income of \$239.6 million, an increase of 58% (31% in local currency) over the previous year of \$151.2 million.

In Jamaica, New Annualized Premiums generated was \$1,703 million compared to \$1,305 million in 2008, representing a new industry record for the second consecutive year; as well as a 30% increase in new business while the overall industry grew by 23% above the corresponding period. New

business generated from our brokers increased by 27% to \$172.2 million, over the previous year's production of \$135.3 million. This performance saw Sagicor retaining its consistent market leadership position in new business generation with a 51% market share.

Our Executive Club Advisors (Top 30) contributed 17% of the total Premium Income or \$297 million for 2009. Sixty of our Advisors qualified for the prestigious Million Dollar Round Table, representing approximately 15% of the total sales team against a world benchmark of 5%.

In Jamaica, manpower inclusive of Managers moved from 376 in 2008 to 430 in 2009; this represented a 14% increase. The productivity per Advisor increased from \$289,416 in 2008 to \$338,761 in 2009; this change represented a 17% increase in production per Advisor.



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

EMPLOYEE BENEFITS DIVISION

The performance of the Employee Benefits Division in 2009 was characterized by above-normal market growth and profitability. The Division continues to pursue growth strategies using its existing expertise and capabilities to meet the needs of emerging market demands. The main focus is on building financial security programmes that balance the needs of both employer and employees.

The contribution to the overall profit of Sagicor Life in 2009 from the Employee Benefits Division was \$1,560 million, down from \$1,815 million in 2008, a decline of 14%. This outcome was primarily impacted by the Jamaica Debt Exchange (JDX) Programme, which resulted in a downturn of projected future yields of the long-term invested assets.

Continued success was realized in the development of group insurance and pension annuities products, designed for corporate clients to mitigate significant balance sheet risks. The strategy provides employees with better retirement security, with long term retirement benefits indexed to hard currency.

The integration of the portfolio of business acquired from Blue Cross of Jamaica Limited in 2008 was completed during 2009. Following some unexpected customer service challenges, the quality of service improved significantly by year-end. The two major financial targets of the acquisition—conservation and expense synergy—were achieved. The integration included four large service contracts from the public sector.

Sagicor's Group Insurance premium income was \$9,340 million, growing by 16% over 2008. The Division wrote \$3,312 million of new business across all product lines.

Our wholly owned subsidiary, Employee Benefits Administrator Limited (EBA), which provides pension administration services to pension clients,

continues to focus on regulatory compliance for not only the requirements as a registered pension administrator, but equally important, the compliance requirements of pension clients.

Fifty-two pension plans have been pre-approved by the regulators (i.e. processed and awaiting the Trustees' signature for regulatory approval) and 458 Trustees have been successfully registered under the recent pension legislation. Registration continues and the support for this process has now been incorporated into the Compliance Department.

The Division's focus in 2010 will be to further improve the efficiency of both SLJ and our clients (in the public and private sectors) with:

- the introduction of a business process management application that will streamline our business processes;
- maximizing the use of new technologies related to web front-end applications;
- claim/benefit payments directly to bank accounts of our policyholders and providers.

INVESTMENT BANKING

Pan Caribbean Financial Services Limited (PanCaribbean), our 86%-owned banking subsidiary, delivered strong results for 2009; its ninth consecutive year of record profits. Net Profit of that Group rose 7% to \$1,478 million versus \$1,381 million in 2008.

PanCaribbean's earnings were driven primarily by:

- a 35% increase in net interest income;
- net interest margins increased from 3.71% to 4.51%;
- successful management of liabilities; (i.e. cost of funds), as market interest rates declined during the year.

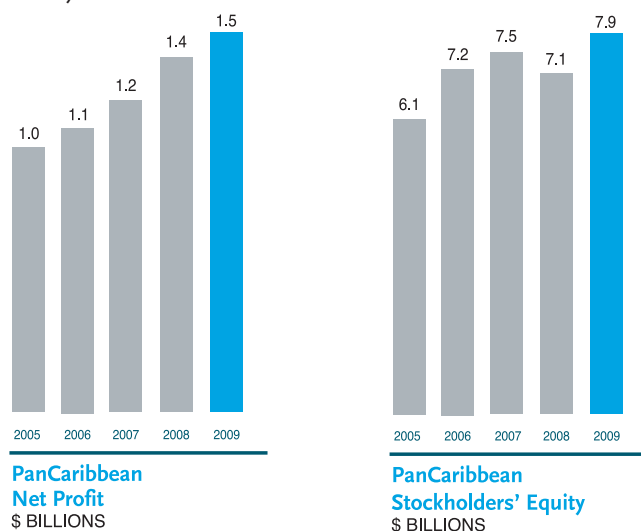
MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Although performing creditably, due to a worsening economic environment, non-interest income declined 22% as market activity in fixed trading, foreign exchange, stock brokerage, and asset management slowed.

PanCaribbean's balance sheet grew a modest 2% to \$65.2 billion; this was primarily due to a reduction of \$2.8 billion in derivative financial instruments. Our core assets, securities and loans, grew 2% and 3% respectively. These assets were financed by growth in repurchase agreements of 5% along with deposit growth of 18%. With \$7,908 million in shareholders' equity, PanCaribbean reflects one of the strongest balance sheets in its industry.

The growth engine for the PanCaribbean Group is its commercial bank. The commercial bank's net income grew by 37% from \$232 million to \$318 million. The continued success of PanCaribbeanBank (PCB) will be dependent on the rate at which it can continue to grow its deposit base, which has already seen an improvement of 36% in 2009. In November 2009 the Board took the decision to increase PCB's capital by \$1 billion so that PCB has the ability to grow its deposits and loans at an even faster rate.

In November 2009, Sagicor Life Jamaica (SLJ) purchased an additional 33% of PCFS shares from Sagicor Financial Corporation, increasing its stake in PCFS to approximately 86%.

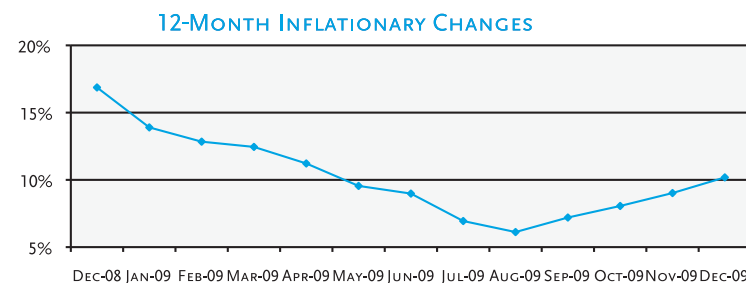


INVESTMENT PERFORMANCE

Sagicor Life Jamaica Group manages \$210.4 billion of assets on behalf of our policyholders, pension clients, banking customers and our shareholders. Performance of the thirteen (13) funds was creditable given the uncertain domestic economy.

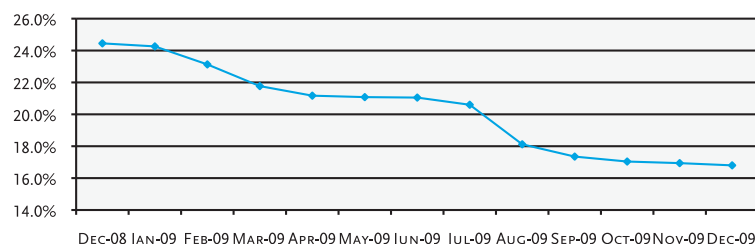
Key Economic Indicators	31 December 2009	12-Month Change
Consumer Price Index	150.4	10.2%
180-Day Treasury Bill	16.80%	▼ 765 Basis Points
Net International Reserve	US\$1,736m	▼ US\$37m
J\$ vs. US\$	\$89.60	11.4%
JSE Main Index	83,321.96	4.0%

The economic climate for 2009 presented many challenges. The country received multiple downgrades, a consequence of a large fiscal deficit, high debt to GDP ratio, and a fall-out in hard currency earnings. In spite of this, there were some positives, notably the overall decrease in inflation, the relative stability of the exchange rate over the last three quarters of the year, and a decline in interest rates.



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

180-DAY TBILL RATE MOVEMENTS

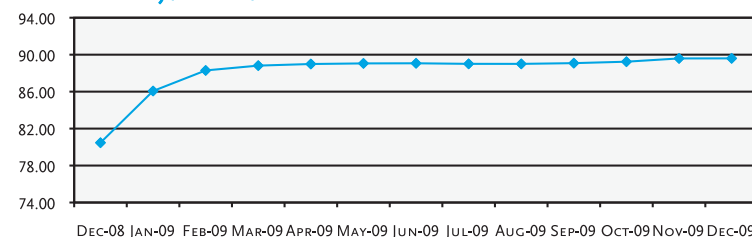


A decline in inflation for 2009 coupled with the stabilization of the J\$ versus the US\$ in the latter part of the year allowed for a steady decrease in interest rates as evidenced by the 180-day Treasury Bill closing the year at 17%, down from 24% in 2008. There was renewed interest in equities in the latter part of the year as investors opted to invest in the stock market given falling interest rates on fixed-income securities. As a result, the Jamaica Stock Exchange Main Index increased by 4% in 2009, compared to a 26% decline in the prior year.

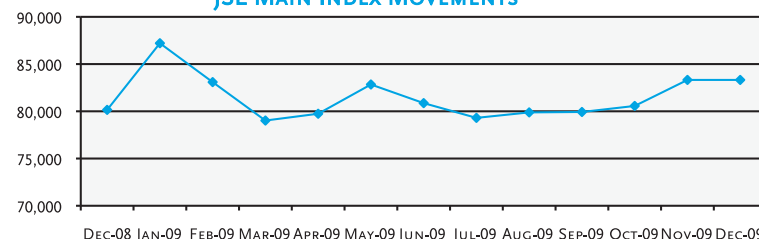
With growing economic uncertainties stemming from the global recession, the appetite for 'hard currency' investments also grew, the result of which led to a significant depreciation of 10% of the Jamaican dollar versus the US dollar in the first quarter of 2009. The Bank of Jamaica periodically intervened in the market throughout the last nine months of 2009, which contributed to an overall reduction of US\$37 million in the country's Net International Reserves.

The fiscal deficit increased at the end of December 2009, relative to the target, mainly as a result of a shortfall in tax collections from consumption and alumina exports, as well as declines in tourism earnings and remittances.

J\$ vs US\$ EXCHANGE RATE MOVEMENTS



JSE MAIN INDEX MOVEMENTS



PERFORMANCE OF FUNDS

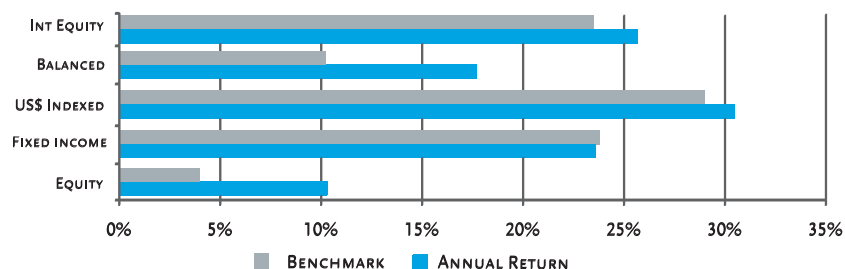
Segregated Policy Investment Funds

The SLJ Group's Segregated Policyholders' Funds is a diverse group of asset class investment portfolios with a total value of \$8.5 billion.

SLJ Segregated Funds	Annual Return	Benchmark	
Equity	10.3%	4.0%	JSE Main Index
Fixed Income	23.6%	23.8%	Average 5 - Year GOJ Bond Yield
US Dollar Indexed	30.4%	29.0%	Average GOJ Global Bond Yield
Balanced	18.5%	10.2%	Inflation
International Equity	25.7%	23.5%	S&P 500 Index

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Segregated Funds (SLJ)



These funds provide excellent diversification across the asset classes, ranging from Equity and Real Estate Funds to J\$ Fixed Income and US and Cayman dollar denominated funds, all of which have provided solid long-term investment options for our policyholders over the past 28 years.

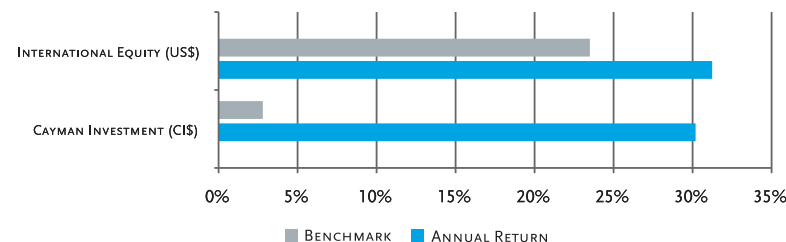
Reduced market volatility enhanced the performance across all asset classes for 2009, when compared with the performance in 2008.

Despite several country downgrades, our investments in Government of Jamaica global bonds (denominated in US dollars) gained value in 2009. This in addition to devaluation were the main contributing factors for the strong performance.

The Fixed Income fund generated positive real returns in a declining interest rate environment. The Balanced Fund, representing a cross-section of asset classes, also generated positive real returns, which was enhanced mainly by the strong performance of the fixed-income asset classes.

SLC Segregated Funds	Annual Return	Benchmark	
Cayman Investment (CIS)	30.2%	2.8%	US Inflation
International Equity (US\$)	31.2%	23.5%	S&P 500 Index

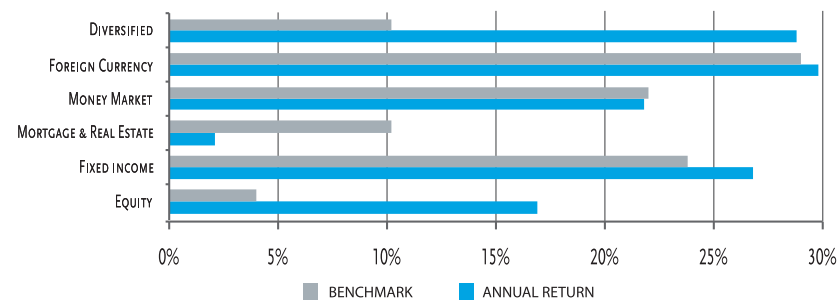
Segregated Funds (SLC)



Pension Funds

Total Pension Funds under management, consisting of eight pooled funds and nine self-directed funds, increased from \$46.7 billion to \$55.3 billion. The Fixed-Income Fund, the Foreign Currency Fund, and the Diversified Fund yielded the highest returns during 2009.

Pooled Pension Fund	NAV (\$B)	Annual Return	Benchmark	
Equity	9.1	16.9%	4.0%	JSE Main Index
Fixed Income	14.2	26.8%	23.8%	Average 5 - Year GOJ Bond Yield
Mortgage & Real Estate	6.7	2.1%	10.2%	Inflation
Money Market	5.7	21.8%	22.0%	Average 180 - Day Treasury Bill
Foreign Currency	4.6	29.8%	29.0%	Average GOJ Global Bond Yield
Diversified	4.0	28.8%	10.2%	Inflation



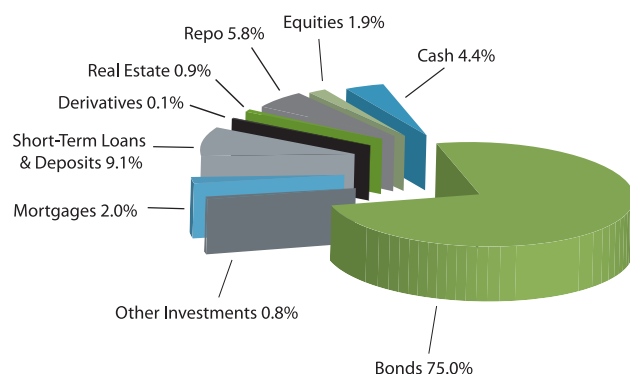
MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

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 90%.

Shareholders' Funds

Shareholders' assets totalled \$19,863 million, an increase of 28% over 2008. The fund is realigned to include more variable rate and US dollar denominated securities as we continue our drive towards asset diversification and profit maximization for shareholders.

Portfolio Mix of Invested Assets



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 maximize stakeholder value and to minimize potential adverse effects on the Group's financial performance.

The Group utilizes a risk management framework which includes policies and procedures designed to identify, analyze, measure and control risks from all sources, with clear terms of reference from the Board of Directors, its committees and the associated Executive Management committees. This is supplemented with an organizational 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, and each policy has a member of Executive Management charged with overseeing compliance with that policy.

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:

Board Audit Committee

The Board Audit Committee is a sub-committee of the Board comprises 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; and
- Reviewing 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.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Board Investment 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 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 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 policy to the Chief Finance Officer 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 report 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:

- 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.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Full spectrum of risks covered in 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	
Unauthorized 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 Organizational Model Knowledge Capital	Succession Planning Strategic Planning Competitor	Image and Brand Corporate Governance

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Enterprise Risk Management

The Group utilizes an Enterprise Risk Management (ERM) framework which includes policies and procedures designed to identify, measure and control risks in all business activities. These policies and procedures are reviewed periodically by senior management and the Board of Directors.

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

In 2009, the ERM framework was further expanded with the establishment of a Group-wide initiative to improve the enterprise risk management capabilities and to develop a consistent approach to managing similar risks across the Sagicor Group. This initiative complements the assessment of the top twenty (20) risks by providing enhanced risk models and quarterly prototype executive and board risk reporting of our key risks, starting with three (3) financial risks – Interest Rate, Credit and Liquidity Risks – with the sequential roll-out of other key risks over time. This will ultimately lead to a continuous, sustainable approach to risk management and risk reporting within and across the Group.

Business Continuity

Identified among the top 20 risks for the Sagicor 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) which was developed with input from all business units was approved by the Board of Directors back in 2005. The BCP ensures the continuity of critical business functions in the event of business disruptions and helps to minimize 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, organized &/or deliberate disruption and other organizational 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 security features.

Regular simulations are a part of our preparedness and these will continue into 2010.

Conclusion

2009 had more than its fair share of challenges, most 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 risks management procedures. All this would not have been possible without the commitment and expertise of our executive managers, and indeed, our entire team. My sincere gratitude to them all.

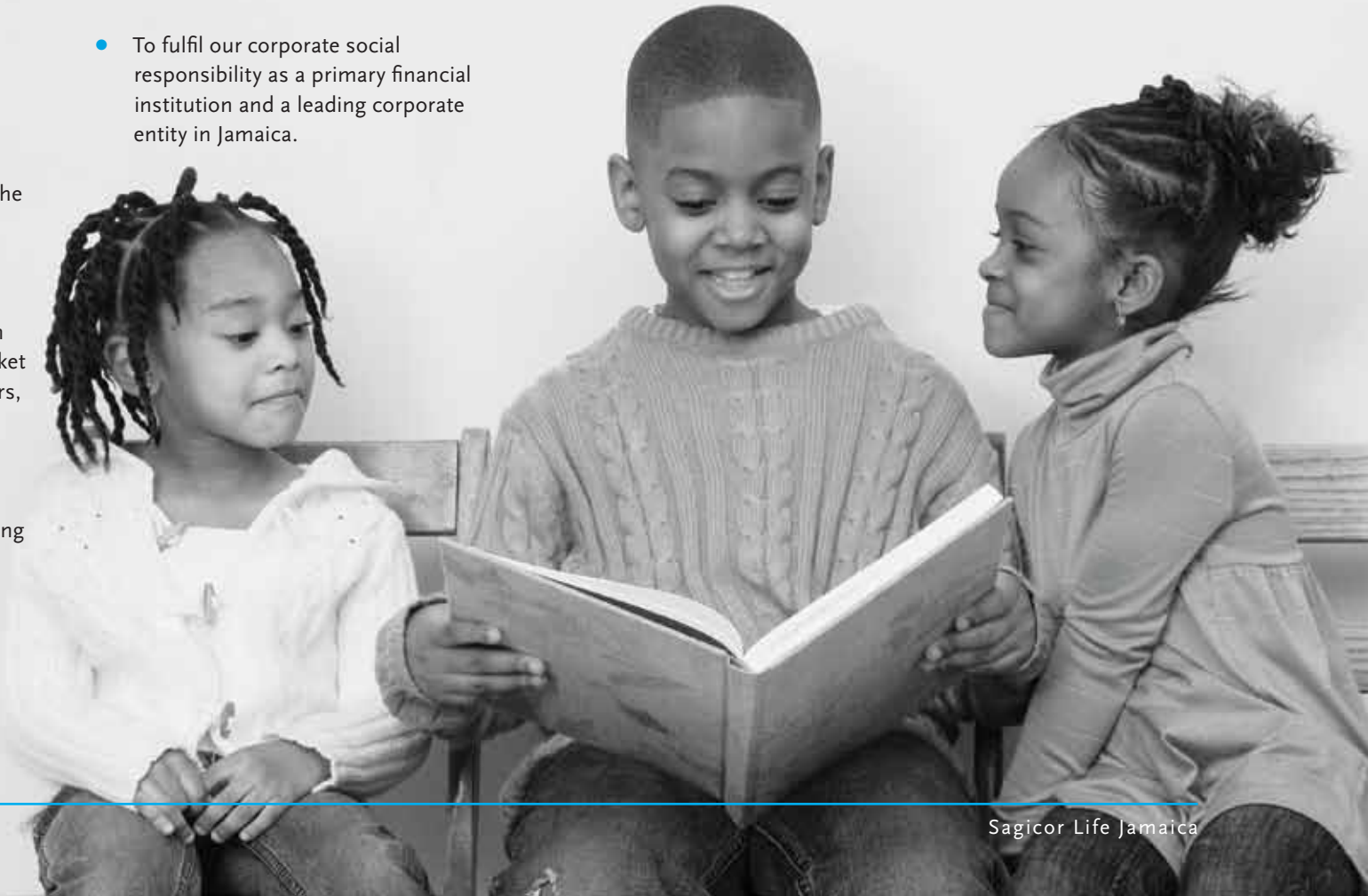


Richard O. Byles
President & Chief Executive Officer
1 March, 2010

CORPORATE STRATEGY

The next few years are critical for Jamaica's economy. If we are successful in attaining greater fiscal balance and some economic growth, a new horizon of opportunity will open up for business and for Jamaica generally. We look forward to the implementation of the broader economic programme to put the country on a path of sustainable growth. In the intervening period and in preparation for that day, we at Sagicor Jamaica have set ourselves four overarching goals:

- To make operational efficiency the competitive advantage of Sagicor. This is the foundation of future success. On its shoulders rest the credibility of the brand, the satisfaction of our customers and the profitability of the company.
- To preserve and maximize sales to our customer base. As the leading player in every business segment in which we compete, protecting market share, preserving existing customers, and selling them new products are vital to our growth.
- To keep our balance sheet strong through active management, hedging against financial risks, maintaining sufficient liquidity and produce an acceptable yield for our clients and our shareholders.
- To fulfil our corporate social responsibility as a primary financial institution and a leading corporate entity in Jamaica.



We are made wise not by
the recollection of our past,
but by the responsibility for
our future

10-YEAR FINANCIAL STATISTICS

YEAR-END RESULTS TO DECEMBER 31, 2009

		THE GROUP									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
SALES:											
Insurance Amounts											
Individual Life - Sums Assured	\$m	119,432	86,120	75,435	67,603	54,426	40,702	34,834	13,102	14,994	42,369
Group Life - Sums Assured	\$m	5,053	5,212	4,180	1,427	1,793	6,675	867	1,224	4,302	3,745
Total New Insurance Amount	\$m	124,485	91,332	79,615	69,030	56,219	47,377	35,701	14,326	19,296	46,114
New Annualised Premiums											
Individual Life	\$m	1,943	1,432	1,352	1,401	1,131	853	637	357	299	300
Group Life and Health	\$m	311	604	327	223	207	274	136	137	85	145
Group Health single premiums	\$m	-	1,447								
Annuities	\$m	1,302	810	831	605	387	417	213	188	250	148
Bulk Annuities single premiums	\$m	1,699	6,141								
Group Pensions	\$m	-	-	418	7	2	18	50	6	30	-
Total New Annualised Premiums	\$m	5,255	10,434	2,928	2,236	1,727	1,562	1,036	688	664	593
IN FORCE:											
Insurance Amount											
Individual Life - Sums Assured	\$m	622,513	527,376	442,844	378,018	321,222	260,354	166,357	125,509	120,804	230,121
Group Life - Sums Assured	\$m	571,731	424,576	376,715	348,574	283,115	186,740	86,482	55,179	55,862	56,109
Property and Casualty	\$m	134,787	118,864	100,081	73,413	62,388					
Total Insurance Amounts in Force	\$m	1,329,031	1,070,816	919,640	800,005	666,725	447,094	252,839	180,688	176,666	286,230
Number of Individual Life policies in force		354,795	335,931	322,884	307,365	294,178	271,577	264,731	229,154	237,823	286,804
Number of New Individual Life policies		52,624	47,547	43,081	42,685	36,107	33,014	21,881	15,787	14,480	14,447

		THE GROUP (CONT'D)									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
FINANCIAL POSITION & STRENGTH:											
Total Assets ₁	\$m	135,466	117,791	87,070	79,058	70,911	20,274	16,363	10,867	9,554	14,963
Pension Funds under Management ₂	\$m	55,336	46,709	50,705	41,825	35,991	26,473	20,026	14,408	12,155	12,402
Other Funds under Management	\$m	19,610	19,418	25,001	20,531	20,330					
Total Assets Under Management	\$m	210,412	183,918	162,776	141,414	127,232	46,747	36,389	25,275	21,709	27,365
Invested Assets	\$m	105,551	88,612	67,548	60,383	52,849	11,798	9,273	5,748	4,171	9,432
Policyholders' Funds (including Segregated Funds)	\$m	42,047	35,290	20,893	18,042	17,357	11,763	10,534	7,904	3,588	7,912
Shareholders' Equity	\$m	19,863	15,544	15,507	14,412	11,652	6,151	3,840	1,360	513	198
Market Capitalization	\$m	25,575	21,001	29,985	32,863	36,649	28,744	9,831	4,472	4,919	1,159
OPERATING RESULTS:											
Total Revenue	\$m	27,873	28,259	16,964	14,769	12,123	7,050	5,603	4,039	5,673	4,904
Total Policyholder Benefits ₃	\$m	12,333	15,197	6,260	5,224	4,095	2,385	1,913	1,447	2,581	2,137
Total Commissions, Expenses, and Taxes	\$m	10,654	8,520	7,283	6,491	5,158	3,231	2,482	1,733	2,818	2,571
Net profit, attributable to Shareholders	\$m	4,390	3,928	2,957	2,572	2,449	1,434	1,209	858	232	196
FINANCIAL RATIOS:											
Return on average assets	%	4	4	4	4	7	10	13	14	4	4
Return on average shareholders' equity	%	25	25	20	20	27	29	47	92	66	22
Return on opening shareholders' equity	%	28	25	21	22	39	37	89	182	205	106
Share price	\$	6.80	5.60	8.00	8.81	9.86	11.30	3.90	2.70	2.97	0.70
Basic earnings per share	\$	1.17	1.05	0.79	0.69	0.71	0.57	0.53	0.52	0.17	0.37
Price earnings ratio		5.81	5.33	10.13	10.76	13.89	19.82	7.36	5.19	17.47	1.89
Dividends per share	\$	0.57	0.44	0.30	0.27	0.20	0.10	0.16	-	-	-
Administration Expenses and Depreciation to Revenue	%	22 ₅	23 ₄	23	24	24	26	27	24	28	28
Commissions and Related Sales Expenses to net premium income	%	16	17 ₄	18	18	17	20	19	18	16	19

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

5 - Includes restructuring costs

10-YEAR FINANCIAL STATISTICS (Cont'd) YEAR-END RESULTS TO DECEMBER 31, 2009

		THE COMPANY									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
SALES:											
Insurance Amounts											
Individual Life - Sums Assured	\$m	78,287	65,741	56,877	49,609	42,105	36,532	32,337	12,224	10,980	9,419
Group Life - Sums Assured	\$m	5,053	5,212	4,180	1,427	1,793	6,675	867	1,186	4,117	1,325
Total New Insurance Amount	\$m	83,340	70,953	61,057	51,036	43,898	43,207	33,204	13,410	15,097	10,744
New Annualised Premiums											
Individual Life	\$m	1,703	1,306	1,247	1,299	1,067	825	621	341	280	274
Group Life and Health	\$m	311	604	327	223	207	274	136	137	85	145
Group Health single premiums	\$m	-	1,447								
Annuities	\$m	1,302	810	831	605	387	417	202	185	250	148
Bulk Annuities single premiums	\$m	1,699	6,141								
Group Pensions	\$m	-	-	418	7	2	18	50	6	30	-
Total New Annualised Premiums	\$m	5,015	10,308	2,823	2,134	1,663	1,534	1,009	669	645	567
IN FORCE:											
Insurance Amount											
Individual Life - Sums Assured	\$m	455,431	396,483	339,734	288,742	242,204	205,456	134,181	98,655	90,822	86,043
Group Life - Sums Assured	\$m	541,725	405,782	360,027	306,054	277,978	186,740	82,344	51,827	50,919	40,058
Total Insurance Amounts in Force	\$m	997,156	802,265	699,761	594,796	520,182	392,196	216,525	150,482	141,741	126,101
Number of Individual Life policies in force		345,960	328,009	315,675	301,105	288,019	265,566	260,612	209,990	218,226	252,341
Number of New Individual Life policies		50,378	45,720	41,394	41,290	35,324	32,487	21,517	15,323	14,043	13,694

		THE COMPANY (CONT'D)									
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
FINANCIAL POSITION & STRENGTH:											
Total assets ₁	\$m	54,935	43,841	33,764	30,277	28,228	17,938	15,162	9,656	8,111	8,081
Pension funds under management ₂	\$m	55,336	46,709	50,705	41,825	35,991	26,473	20,027	14,828	12,155	12,402
Total Assets Under Management	\$m	110,271	90,550	84,469	72,102	64,219	44,411	35,189	24,484	20,266	20,483
Invested assets	\$m	38,426	29,778	21,664	18,868	16,861	10,428	7,224	4,187	3,310	3,145
Policyholders' Funds (including Segregated Funds)	\$m	31,710	25,752	17,027	14,747	14,236	10,318	9,478	6,930	2,948	2,595
Shareholders' equity	\$m	15,653	13,703	13,578	12,752	10,846	5,585	3,840	1,360	513	194
OPERATING RESULTS:											
Total Revenue	\$m	20,145	22,741	12,322	10,650	9,377	6,489	4,632	3,763	3,591	4,058
Total Policyholders' Benefits ₃	\$m	10,545	14,119	5,322	4,408	3,802	2,260	1,506	1,312	1,287	1,422
Total Commissions, Expenses, and Taxes	\$m	6,264	5,307	4,527	4,186	3,524	2,971	1,917	1,593	2,072	2,440
Net profit	\$m	3,335	3,315	2,473	2,056	2,051	1,257	1,209	858	232	196
FINANCIAL RATIOS:											
Return on average assets	%	8	10	9	9	11	11	14	16	5	5
Return on average shareholders' equity	%	23	24	19	17	25	27	47	92	66	22
Return on opening shareholders' equity	%	24	24	19	19	37	33	94	188	205	106
Minimum continuing capital and surplus requirement	%	147.4	156.6	187.0	185.8	149.6	240.3	215.9	175.6	(7.6)	N/A
Administration Expenses and Depreciation to Revenue	%	22 _{4.5}	18 ₄	19	20	20	25	29	27	29	28
Commissions and Related Sales Expenses to net premium income	%	11 ₄	15 ₄	17	19	17	20	20	17	15	19

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

5 - Includes restructuring costs

NOTICE OF ANNUAL GENERAL MEETING

SAGICOR LIFE JAMAICA LIMITED (SLJ)

NOTICE IS HEREBY GIVEN THAT THE THIRTY-NINTH ANNUAL GENERAL MEETING of the Company will be held at the Sagicor Life Jamaica Auditorium, 28-48 Barbados Avenue, Kingston 5, on Wednesday, the 9th day of June, 2010 at 3:00 p.m. for the following purposes:

1. To receive the Audited Accounts for the year ended December 31, 2009 and the Reports of the Directors and Auditors.

Resolution No. 1

THAT the Audited Accounts for the year ended December 31, 2009 and the Reports of the Directors and Auditors circulated with the Notice convening this Meeting be and are hereby adopted.

2. To elect Directors.

Resolution No. 2

a) THAT in accordance with Article 98(f) of the Company's Articles of Incorporation which reads:

"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."

WHEREAS Director, Dr. the Hon. R.D. Williams having attained the age of sixty-five years and notwithstanding Article 98(f) the Board of Directors has by invitation asked him to continue in office as Director for a period of two (2) 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 2012.

b) THAT in accordance with Article 99 of the Company's Articles of Incorporation that Directors Dr. the Hon. R.D. Williams, Mr. Paul Facey and Mr. Stephen Facey will retire by rotation and being eligible, offer themselves for re-election.

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

- (i) THAT Dr. the Hon. R.D. Williams who retires by rotation and being eligible for re-election be and is hereby appointed as a Director for the Company.
- (ii) THAT Mr. Paul Facey who retires by rotation and being eligible for re-election be and is hereby appointed as a Director of the Company.
- (iii) THAT Mr. Stephen Facey who retires by rotation and being eligible for re-election be and is hereby appointed as a Director of the Company.

3. To fix the remuneration of the Directors.

Resolution No. 3

That the amount of \$10,290,707 included in the Audited Accounts of the Company for the year ended December 31, 2009 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 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.

Resolution No. 5

That the interim dividends of 25 cents paid on March 31, 2009 and 32 cents paid on September 29, 2009 be and are hereby ratified and declared final for 2009.

6. ANY OTHER BUSINESS which may be conducted at the Annual General Meeting of the Company.

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 before the time of the meeting. The Proxy Form shall bear stamp duty of \$100.00. The stamp duty may be paid by adhesive stamp to be cancelled at the time of execution.

BY ORDER OF THE BOARD

13 April, 2010



Janice A.M. Grant Taffe
Corporate Secretary

REGISTERED OFFICE
28-48 Barbados Avenue
Kingston 5, Jamaica

integrity

Our Board

integrity



Integrity means doing
the right thing, even
when nobody is watching

integrity

- We will always do what is ethical
- We will always deliver on our word
- We will always hold ourselves accountable
- We will always lead by example

BOARD OF DIRECTORS



DR. DODRIDGE D. MILLER FCCA, MBA, LLM, HON. LL.D.
Age 51 / Citizen of Barbados / Director since 2001

Dr. Dodridge Miller is the President & CEO of Sagicor Financial Corporation (SFC), since July 1, 2002. He is the Chairman of Sagicor Life Jamaica Limited and serves on the H.R. & Compensation Committee and Investment Committee.

He is a UK-trained Chartered Certified Accountant who holds an MBA in Finance and a Masters in Corporate and Commercial Law and an Honorary Doctor of Laws from the University of the West Indies.

Dr. Miller was elected a Director of SFC in 2001 and is Chairman and Director of many subsidiaries within the Sagicor Group. He is also a Director of Cable & Wireless (Barbados) Limited.

Dr. Miller relinquished the post of Chairman of Sagicor Life Jamaica Limited effective February 1, 2010

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Chairman	7 of 9	78%
Investment Committee	Member	1 of 6	17%
H.R. & Compensation Committee	Member	2 of 5	40%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
25,089			



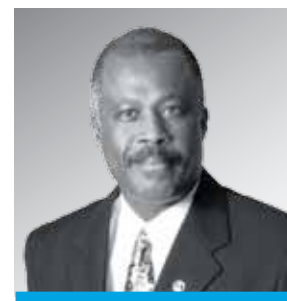
RICHARD O. BYLES B.Sc., M.Sc.
Age 58 / Citizen of Jamaica / Director since 2004

Mr. Richard Byles is President and CEO of Sagicor Life Jamaica Limited, since March 2004.

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.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	9 of 9	100%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
9,653,824			
Jacinth Byles (connected person)			



PROF. SIR HILARY BECKLES B.A. (Hons.) PhD
Age 54 / Citizen of Barbados / Director since 2006
Independent Director

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 he also serves on the editorial boards of several academic journals.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	5 of 9	56%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
NIL			



MARJORIE CHEVANNES-CAMPBELL B.Sc. M.Sc.
Age 58 / Citizen of Jamaica / Director since 2003
Independent Director

Mrs. Marjorie Chevannes-Campbell is a Management Executive with over twenty-two years' experience including over fifteen years in Finance and Accounting at the Executive Management level. She is a member of the Board of Directors of Sagicor Financial Corporation (SFC) and Sagicor Property Services Limited.

Mrs. Chevannes-Campbell is a graduate of the University of the West Indies with a B.Sc. and an M.Sc. in Accounting. She is a member of the Institute of Chartered Accountants of Jamaica and the International Association of Hospitality Financial and Technology professionals and is a part-time Lecturer at the Mona School of Business (UWI) in the Executive Management programme.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	9 of 9	100%
Audit Committee	Member	6 of 8	75%
Conduct Review Committee	Member	3 of 4	75%
H.R. Compensation Committee*	Member	2 of 5	40%
*joined in September 2009			
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
25,000			

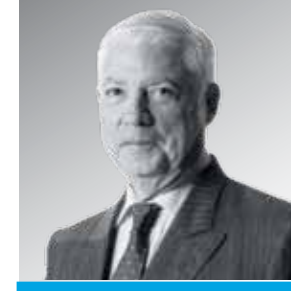


JEFFREY COBHAM B.A., Dip. Mgmt.
Age 65 / Citizen of Barbados / Director since 2003
Independent Director

Mr. Jeffrey Cobham currently 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/Risk Committees of Sagicor Life Jamaica Limited, Salada Foods Jamaica Limited and Pulse Investments Limited.

A graduate of the University of the West Indies, he is currently a member of UWI's Mona Campus Council with duties on its Finance and General Purposes, and Audit Committees. He is also chairman of the National Dance Theatre Company of Jamaica and is Deputy Chairman of the Consie Walters Cancer Hospice.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	9 of 9	100%
Conduct Review Committee	Member	4 of 4	100%
Audit Committee	Chairman	8 of 8	100%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
25,000			

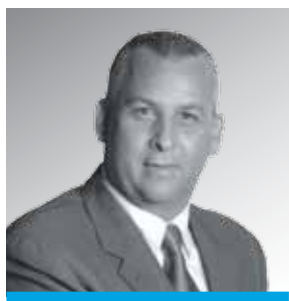


RICHARD DOWNER CD, FCA
Age 65 / Citizen of Jamaica / Director since September 2008
Independent Director

Mr. Richard Downer, a former Senior Partner of PricewaterhouseCoopers in Jamaica, currently serves on the Board and the Audit/Risk & Investment Committees. 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.

He has served as Executive Director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and initiated privatizations through public share offers of several large public enterprises in Jamaica and has advised the governments of sixteen other countries on privatization. During Jamaica's financial sector crisis he was appointed Temporary Manager for several financial institutions. At PricewaterhouseCoopers he specialized in corporate finance and corporate recovery. Mr. Downer also served on the board of the Bank of Jamaica and was Chairman of the Coffee Industry Board for eight years.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	9 of 9	100%
Investment Committee	Chairman	5 of 6	83%
Audit Committee	Member	2 of 8	25%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
NIL			



PAUL FACEY B.Sc., MBA

Age 45 / Citizen of Jamaica / Director since 2005
Independent Director

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.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	8 of 9	88%
Investment Committee	Member	5 of 6	83%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
119,600			
Proban Limited (connected person) 1,704,295			



STEPHEN FACEY B.A., M. Arch

Age 56 / Citizen of Jamaica / Director since 2005
Independent Director

Mr. Stephen Facey is the CEO of Pan-Jamaican Investment Trust Limited, a Director of Pan-Jamaican Investment Trust Limited, First Jamaica Investments Limited, Hardware & Lumber Limited, and the Kingston Restoration Company Limited.

Mr. Facey is a graduate of Rice University and holds a Master of Science in Architecture from the University of Pennsylvania.

He is the President of the New Kingston Civic Association.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	7 of 9	77%
Conduct Review	Director	1 of 4	25%
Investment Committee*	Member	1 of 6	16%
* appointed in November 2009.			
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
197,791			



MICHAEL FRASER

Age 67 / Citizen of Jamaica / Director since 2001
(Retired Dec. 31, 2009)

Mr. Michael Fraser is a retired executive of Sagicor Life Jamaica Limited. He is the President and CEO of Sagicor Life of the Cayman Islands Limited and Sagicor Insurance Brokers Limited, subsidiaries of Sagicor. He was appointed to the Board of Directors in February 2002.

Mr. Fraser is a Chartered Life Underwriter (CLU) and a graduate of the Western Executive Business Programme of the University of Western Ontario.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	8 of 9	89%
DIRECTOR'S INTEREST			
SHARES AS AT 31-DEC-2009			
1,396,905			
Gwendolyn Fraser (connected person) 5,000			



PAUL HANWORTH M.A., M.Sc., A.C.A., C.P.A.
Age 56 / Citizen of Great Britain / Director since July 2008
Independent Director

Mr. Paul Hanworth joined the Board of Directors in July 2008 and is a member of the Audit/Risk Committee. 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 Bsc (Hons) from Cambridge University.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Director	6 of 9	67%
Audit Committee	Member	5 of 8	63%
Investment Committee	Member	2 of 6	33%
* appointed in September 2009.			

DIRECTOR'S INTEREST
SHARES AS AT 31-DEC-2009
NIL



DR. THE HON. R.D. WILLIAMS OJ, CD, Hon. LLD, JP
Age 75 / Citizen of Jamaica / Director since 1969
Independent Director

Dr. the Hon. R. Danvers (Danny) Williams is the founding father of Life of Jamaica, now Sagicor Life Jamaica serving as President & CEO on two separate occasions. He is the Chairman of the Conduct Review Committee and sits on the Investments, H.R. & Compensation Committees. He also serves on the Boards of a number of Sagicor Jamaica Group member companies.

In 1973 Dr. Williams was awarded the National Honour of Commander of Distinction (CD) and in 1993 was conferred with the Order of Jamaica (OJ). In 2005 he received an honorary Doctorate of Laws (LLD) from the University of the West Indies. Dr. Williams is a director of Jamaica Broilers Group Limited and Chairman of Jamaica College.

BOARD/BOARD COMMITTEES	POSITION	ATTENDANCE RECORD	
SLJ Board of Directors	Chairman	8 of 9	89%
Conduct Review	Chairman	4 of 4	100%
Investment Committee	Member	6 of 6	100%
Audit Committee*	Member	4 of 8	50%
H.R. Compensation Committee	Member	5 of 5	100%
* Resigned effective February 1, 2010 from Audit Risk Committee			
* Dr. Williams was appointed Chairman of the Company on February 1, 2010.			

DIRECTOR'S INTEREST
SHARES AS AT 31-DEC-2009
NIL
Ravers Limited (connected person) 12,332,825

CORPORATE GOVERNANCE

■ OVERVIEW

Building A Corporate Governance Architecture

In 2009, the Board of Directors in its commitment to effective corporate governance continued the implementation of the Sagicor Group-wide corporate governance architecture that conforms to local laws and regulations and international best practices. When fully implemented, the architecture will provide the Group with a comprehensive, consistent and integrated governance model. The governance framework and reporting philosophy are linked to the Group's Enterprise Risk Management discipline, currently being developed to achieve a more rational allocation of economic capital and to mitigate unexpected adverse effects of financial, business and operating risks. This focus on risks will reshape the internal control framework for the ultimate purpose of enhancing shareholder value.

This process will be driven through the sub-committees of the Board which are Audit and Conduct Review Committees.

Corporate Values

The Group's corporate value system embraces:

- **Professionalism:** - we apply the best and highest standards of conduct for performing our duty to others.
- **Legal Conduct:** - we are respectful of the law wherever the law requires respect.
- **Ethical Conduct:** - we conduct our affairs with others in a manner we expect others to behave towards us.
- **Accountability:** - we fully accept responsibility and consequences of our actions.
- **Social Responsibility:** we behave conscientiously to support the corporation's responsibility for good citizenship.

- **Entrepreneurial Leadership:** - we consistently strive to make the Company the best in its competitive class.

The Code of Business Conduct and Ethics governs the behaviour of Directors, Management and Employees. At the commencement of each year Directors and Staff sign a Disclosure Certificate confirming compliance with the Code.

The Code is based on the concept of the moral, ethical and legal obligations owed by Directors, Management and Employees.

The launch of our Sagicor Values in 2009, namely **Integrity, Respect, Performance, Communication, Teamwork**, also serves to strengthen and exemplify the manner in we conduct business.

Board of Directors

The Board of Directors is comprised of ten (10) Directors, eight (8) of whom are independent non-Executive directors. An independent director is one who has no material relationship with the Company; that is to say, does not receive compensation for office. The role of Chairman and the CEO are separate, in keeping with best practices.

The collective board has a minimum set of ethical functional expertise which form the constraints over time.

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.

The Conduct Review Committee, which has oversight of the director nomination and selection process, has considered the candidates who are standing for election or re-election at the 39th Annual General Meeting of the shareholders and has recommended to the shareholders the directors to be re-elected.

CORPORATE GOVERNANCE (CONT'D)

Directors J. Arthur Bethell and Michael Fraser both resigned from the Board in 2009. There were no new directors appointed to the Board since the last Annual General Meeting, however these vacancies will be filled in 2010.

The Chairman Dr. Dodridge Miller demitted office as chairman at the end of January 2010 but continues to serve as a director of the Company. The Board appointed Dr. the Hon. R.D. Williams, the founder of the company as Chairman effective February 1, 2010.

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 the age 65 and shall not be eligible for re-election. Dr. the Hon. R.D. Williams, who was granted an extension to his term of office after attaining the age of 65, will retire at the 39th Annual General Meeting. The Board of Directors has asked him, based on his skill and experience in the industry, to continue in office for a further period of two (2) years from the date of the Annual General Meeting.

Article 99 of the Company's Articles of Incorporation further provides that at least one third of the Board shall retire by rotation each year. In addition to the retirement of Dr. the Hon. R.D. Williams, Directors Mr. Paul Facey and Mr. Stephen Facey will retire at the 39th Annual General Meeting and have offered themselves for re-election.

The company was awarded the prestigious Private Sector Organisation of Jamaica (PSOJ) Corporate Governance Award for the second consecutive year at the Jamaica Stock Exchange (JSE) Best Practices Awards function held in December 2009.



CORPORATE GOVERNANCE (CONT'D)

Board Operations

During 2009, the Board held 9 meetings in addition to which 23 meetings of its subcommittees were held.

The attendance record of Directors is set out under their respective profiles.

The principal business considered at these meetings in 2009 included:

- approval of the Management Succession Plan
- review and approve unaudited interim and audited annual consolidated financial statements
- approve interim and final dividend payments
- 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 recommendation as required
- receive and consider various reports and presentations from Management on the performance of the lines of businesses and subsidiaries in the Group

Committee Reports

The four (4) Committees of the Board, namely Audit, Conduct Review, Investment and H.R. & 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 areas not reserved specifically for the Board.

During 2009, the Audit Committee held eight (8) meetings, the Conduct Review four (4), Investments six (6) and H.R. & Compensation Committee five (5).

Highlights of 2009

Corporate Governance Activities

The Conduct Review Committee has an approved mandate which resides primarily in the Insurance Regulations. The committee also derives its mandate through the adoption of corporate governance standards and practices based on international best practices. The committee is comprised of a majority of independent directors with diverse areas of expertise including Corporate Governance.

- The Conduct Review Committee held four (4) meetings during 2009. The process for Director succession, nomination and recommendation to shareholders for election or re-election as Directors was managed during the period. The composition of the Board subcommittees was reviewed and changes effected in September 2009 to ensure that more directors were exposed to wider areas of the company's operation.
- The search for qualified nominees to the Board with expertise in the areas of information technology, human resource and marketing to fill existing vacancies on the Board was also undertaken during the period.
- The Board of Directors participates in an annual review of its performance each year. The Director review process will be implemented in 2010.
- The Annual CEO 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.

CORPORATE GOVERNANCE (CONT'D)

- The hosting of Corporate Governance Workshops for participation by staff continued in 2009. In 2010 the Board of Directors will be incorporated in the schedule of workshops.
- The development of the Succession Plan will be finalised in 2010.
- The new Group Corporate Governance Architecture is being implemented on a phased basis. Related party transactions and conflicts of interest were monitored and managed through the Corporate Secretarial Department and reported to the Committee.
- The company was awarded the prestigious Private Sector Organisation of Jamaica (PSO) Corporate Governance Award for the second consecutive year at the Jamaica Stock Exchange (JSE) Best Practices Awards function held in December 2009. It also received 3rd place award for the best Annual Report for 2008.

Board Composition and Expertise						
Board Composition			Board Committees			
Names	Title	Position	Audit	Conduct Review	Investment	Human Resources
Paul Facey	Director	Non-Executive			Member	
Professor Sir Hilary Beckles	"	"				
J. Arthur Bethell (retired March 2009)	Director	"	Member	Member		Member
Stephen Facey	"	"		Member	Member	
Paul Hanworth	"	"	Member		Member	
Richard Downer	"	"	Member		Chairman	
M. Chevannes-Campbell	"	"	Member	Member		Member
Jeffrey Cobham	"	"	Chairman	Member		
Dr. the Hon. R.D. Williams	"	"	Member	Chairman	Member	Member
Dr. Dodridge Miller*	Chairman	Executive			Member	Chairman
Richard O. Byles	Dir./CEO	Executive				
Michael Fraser (retired December 2009)	Director	Retired Exec.				

* Dr. Dodridge Miller demitted the office of Chairman January 31, 2010 and was replaced by Dr. the Hon. R.D. Williams.

CORPORATE GOVERNANCE (CONT'D)

Board Expertise									
Name	Gen. Mgt.	Fin.	Strat. Mgt.	Banking	Corp. Fin.	Asset Mgt.	Ins.	Property	Other
Paul Facey	✓		✓	✓	✓	✓			
Professor Sir Hilary Beckles	✓								Education
Stephen Facey	✓		✓					✓	
Paul Hanworth		✓			✓				
Richard Downer		✓	✓		✓				
M. Chevannes-Campbell	✓	✓	✓		✓			✓	Corporate Governance
Jeffrey Cobham	✓	✓		✓					
Dr. Dodridge Miller	✓	✓	✓		✓				
Richard Byles	✓	✓	✓		✓	✓			
Michael Fraser	✓						✓		
Dr. the Hon. R.D. Williams	✓		✓				✓		

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	\$1,050,000
Directors	\$700,000
Audit & Investment Committees:	
Chairman	\$420,000
Directors	\$280,000
Conduct Review & Human Resources & Compensation Committees:	
Chairman	\$210,000
Directors	\$140,000

Please note that “per meeting fees” have been eliminated.

CORPORATE DATA

DIRECTORS:

Dr. Dodridge D. Miller
Chairman

Richard O. Byles
President & CEO

Michael A. Fraser

Dr. the Hon. R.D. Williams

Jeffrey C. Cobham

Marjorie Chevannes-Campbell

Richard Downer

Paul A.B. Facey

Stephen B. Facey

Paul Hanworth

Professor Sir Hilary McDonald Beckles

LEADERSHIP TEAM:

Richard O. Byles
President & CEO

Errol D. McKenzie
Executive Vice President,
Employee Benefits

Ivan B. O'B. Carter
Snr. Vice President, Finance & IT
Divisions and CFO

Janice A.M. Grant Taffe
Vice President/Legal Counsel
Corporate Secretary

Rohan D. Miller
Vice President, Investments

Mark Chisholm
Vice President, Individual Life

Willard Brown
Vice President, Actuarial & Risk
Management

Karl Williams
Vice President, Human Resources

Kristine Bolt
Vice President, Customer Experience
and Productivity

Tanya Miller
Vice President, Group Marketing

Donovan H. Perkins
President & CEO
Pan Caribbean Financial
Services Limited

Philip Armstrong
Deputy CEO
Pan Caribbean Financial
Services Limited

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

Myers, Fletcher & Gordon

21 East Street
Kingston

Patterson Mair Hamilton

63-67 Knutsford Boulevard
Kingston 5
St. Andrew

Hart Muirhead Fatta

2 St. Lucia Avenue
Kingston 5
St. Andrew

Nunes, Scholefield Deleon & Company

6A Holborn Road
Kingston 10
St. Andrew

REGISTERED OFFICE:

28-48 Barbados Avenue, Kingston 5,
Jamaica, W.I.
Telephone : (876) 929-8920-9,
Toll Free : 1-888-SAGICOR
Fax No : (876) 929-4730
Email : info@sagicorja.com
Cable Code : 'LOJAM'
Website : www.sagicorja.com

Territories of Operation The Cayman Islands

Sagicor Life of The Cayman Islands Ltd.

P.O. Box 1087
Grand Cayman
Cayman Islands

teamwork

teamwork



The success of a team is multiplied by every member

teamwork

- We will always invite collaboration
- We will always support others to achieve their goals
- We will always value diverse views

LEADERSHIP TEAM



Richard Byles

Willard Brown

Janice Grant Taffe

Rohan Miller

Errol McKenzie

Donovan Perkins

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

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.

Janice Grant Taffe, LLB
Vice President, Legal Counsel

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.

Rohan D. Miller, MBA, B.Sc. (Hons),
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, developing the company's investment strategy and real estate properties.

Errol McKenzie, B.Sc., MBA, 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 management

of Group Life and Health Insurance programmes and Pension Services Business.

Donovan H. Perkins,
BA (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.



Philip Armstrong

Ivan Carter

Mark Chisholm

Kristine Bolt

Tanya Miller

Karl Williams

Philip Armstrong, BSc,
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.

Ivan B. O'B Carter, MBA, FLMI,
Senior 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.

Mark Chisholm, MBA (Hons.)
Vice President, Individual Life

Mark joined the company in January 1990 in the Premium Accounts Division. In April 2009 he was promoted to Vice President of the Individual Life 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 LOJ's Pensions Dept. from 1998 to 2001. She currently works across all divisions of the company to help streamline processes in order to improve operational efficiency and deliver better service to customers.

Tanya Miller, BSc (Hons.), MBA
Vice President – Group Marketing

Tanya joined PanCaribbean in 2006 as head of the Marketing Division. In 2009, her responsibilities were expanded to include the Sagicor Jamaica Group. She brings over 16 years of experience in strategic marketing gained from the

tourism, agriculture and manufacturing industries.

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 the Immediate Past President of the Human Resource Management Association of Jamaica (HRMAJ).

VICE PRESIDENTS & ASSISTANT VICE PRESIDENTS



Standing L-R: Horace Johnson - AVP Actuarial and Risk Officer,
Christopher King - AVP Actuarial
Seated L-R: Kristine Bolt - VP, Customer Experience and Productivity,
Audrey Flowers Clarke - AVP Insurance Operations



Standing L-R: Nadine Chin, AVP Risk Management,
Carol Lawrence - VP Group Insurance Services
Seated L-R: Megan Irvine - AVP EBD Marketing,
Nicola Leo Rhynie - AVP EBD Marketing



Standing L-R: Mark Clarke - AVP IT Local Services, Vendryes Braham - AVP Shared Services & IT,
Olivene Barnes - AVP Individual Line
Seated : Angela Chin - AVP Shared Services & IT



Standing L-R: Lorna Bond - AVP Management Accounting,
Jacinth Kelly - AVP Financial Reporting
Seated L-R: Jacqueline Somers King - VP Investments, Banking and Subsidiaries Accounting,
Vinnate Hall - AVP Internal Audit

SUBSIDIARIES & ASSOCIATED COMPANIES

Subsidiaries



Donovan H. Perkins
PRESIDENT & CEO

Pan Caribbean Financial Services Limited
The Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica W.I.
Tel: (876) 929-5583
Fax: (876) 926-4385



Latoya Mayhew-Kerr
GENERAL MANAGER

Employee Benefits Administrator Limited
28-48 Barbados Avenue
Kingston 5
Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730



Jacqueline Donaldson
ASSISTANT VICE
PRESIDENT

Sagicor Property Services Limited
78 Hagley Park Road
Kingston 5
Jamaica W.I.
Tel: (876) 929-9182-4
Fax: (876) 929-9187



Michael Fraser
MANAGING DIRECTOR

Sagicor Life of the Cayman Islands Ltd.
P.O. Box 1087
Grand Cayman KY1 - 1102
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262

Sagicor Insurance Brokers Limited
28-48 Barbados Avenue
Kingston 5
Jamaica W.I.
Tel: (876) 929-8920-9



Danny Scott
PRESIDENT & CEO

Sagicor General Insurance (Cayman) Ltd.
3rd Floor Harbour Place
103 South Church Street, George Town
Grand Cayman KY1-1105
Cayman Islands
Tel: (345) 949-7028
Fax: (345) 949-7457

Sagicor Pooled Investment Funds Limited
28-48 Barbados Avenue
Kingston 5
Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Sagicor Re Insurance Limited
c/o Sagicor Insurance Managers Ltd.
3rd Floor Harbour Place
103 South Church Street, George Town
Grand Cayman KY1-1105
Cayman Islands

Associated Companies

Lested Developments Limited
28-48 Barbados Avenue
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9

BRANCH MANAGERS



Patrick Sinclair
Montego Bay Branch



Mavis Ferguson
Ocho Rios Branch



Marston Thomas
Half Way Tree Branch



Pete Forrest
Corporate Circle Branch



Roaan Brown
Belmont Dukes Branch



Michael Lawe
Liguanea Branch



Phillip Sanderson
New Kingston Branch



Dale Greaves-Smith
Mandeville Branch



Randolph McLean
Knutsford Branch



Trevor Barnes
Spanish Town Branch



Odine DaCosta
Garvey Insurance Centre



Mark Lindsay
Holborn Branch



Marvin Walters
Senators Branch

No one can whistle a
symphony, it takes a
whole orchestra to play it

HUMAN RESOURCES MANAGEMENT

Sagikor embraces exceptional performance and, accordingly, places a high premium on team and individual achievements, especially as they are inextricably linked to customers and by extension to the success of our company. Accordingly, in 2009 enormous emphasis was placed on the growth and development of employees through internal and external training courses, as well as a wide array of recognition and social programmes.

In transforming the HR function, the Business Partner organisational model was implemented in May 2009. This has enabled HR to take a proactive role in both supporting current business needs and anticipating future business direction. It allowed us to respond faster to divisional needs and so improve customer service, employee relations and communication.

Key Achievements in 2009

- In April, companywide transition sessions themed “Surviving Change ... Emerging Stronger” were conducted to rebuild trust following the restructuring exercise.
- In August, the Sage newsletter – a monthly publication – was launched. This initiative was employed to strengthen communication links and foster a greater level of participation among team members as well as the Sage Forum – an electronic “chat room” that facilitates social interaction.
- In October, the Sagikor Motivational Seminar was held. This inaugural three-day motivational event included both advisors and the administrative team in a learning and fun environment. It was followed by the first in a series of Leadership Workshops aimed at building competencies and the personal effectiveness of Supervisors, Assistant Managers and Managers.
- In November, we launched Sagikor Values – an employee engagement programme that develops a set of core ORGANISATION VALUES. These values will become the basis for “the way we do business” as well as a clear statement of HOW we aspire to be anchored in behaviours that are positive, wholesome and uplifting. Adopting and living these values will be

another step in our journey to deliver a positive employee experience and in turn deliver our brand promise to our customers. The Sagikor Values are Integrity, Respect, Performance, Communication and Teamwork.

- Labour Environment – Two (2) collective agreements were negotiated with the BITU & NWU in July and December respectively, which facilitated a conducive work environment.
- The successful transition of former Blue Cross staff into SLJ commenced during the first quarter of 2009 with the on-boarding of one hundred (100) employees. However, without recognizing and managing human capital in merged companies the deal can never be called complete. The role of the Human Resources department was critical at the post-deal stage: to make team members more productive, to stimulate their performance, to introduce them smoothly to change, to retain talent, to deal with cultural differences, to create a renewed corporate culture and to ensure that the integration process is successful and complete.

Staffing

The staff complement of Sagikor Life Jamaica Group at the end of December 2009 was 1,509. The labour force remained relatively constant with a turnover rate of 4.93% compared to 6.31% in 2008. However, as customary, the Field Force accounted for the highest level of attrition.

Staff Total – December 31, 2010					
Company	Admin	Sales Representatives	Temps	Contractors	Total
Sagikor Life Jamaica	438	443	57	34	972
Sagikor International Administrators	88	9	3	0	100
Sagikor Life of the Cayman	5	28	1	0	34
Sagikor Property Services	27	14	4	0	45
Employee Benefits Administrator	30	0	5	0	35
Sagikor Cayman General	41	0	0	0	41
PanCaribbean	192	67	23	n/a	282
Total	821	561	93	34	1,509

HUMAN RESOURCES MANAGEMENT CONT'D)

Staff Morale

In an effort to maintain positive staff morale and motivation, the company continues to invest heavily in employee relations and staff development programmes which include:

- Educational assistance in the form of loans and grants accorded to employees who are pursuing tertiary education.
- Availability of share purchase schemes.
- Scholarship assistance for employees' children at the primary and secondary levels.
- Summer mentorship programme
- After-care facility for employees' children
- Inaugural weekend Motivational Seminar
- Social & Sporting activities – Sagicor Fridays!
- Staff Achievement & Appreciation Week

Employee Learning & Development Programmes

Our advisor training programme continues to provide them with the foundation and confidence to meet changes in the economic environment. We have therefore renewed our thrust to give advisors greater competitive advantage. In addition, we placed greater emphasis on the conceptual, technical and job-related skills of the administrative team members.

Performance-Based Compensation

The performance-based initiative which was launched in 2008 was expanded with the integration of Sagicor International Administrators Limited (SIAL) in January 2009. The results during 2009 have shown improvements in productivity levels. The Company will continue to extend this programme by enrolling more departments in 2010.

Human Resources 2010:

Human Resources will continue to align programmes to the organization's objectives and will:

- Entrench our Sagicor Values.
- Expand the high performance culture across the Company.
- Commence 'Service First' Programme – To embed a culture of service excellence.
- Implementation of Sagicor Success – Performance management system.
- Adopt best practices in talent management.
- Implement Leadership Development programmes – To improve the quality of supervision.
- Continue to roll out the Point-of-Sales (POS) Contract Delivery Project.
- Engage a more proactive approach to the health and safety programmes.
- Employ effective methods of improving communication.
- Devise strategies that will effectively respond to the societal and individual aspirations and stimulate the creative talent among the younger workforce.

Interview with Olivia Campbell

Employee of the Year 2009

Meet Olivia Campbell, this year's Employee of the Year winner. Often described by her peers as jovial, sincere, persistent and detail-oriented, this Senior Sales Clerk epitomizes what Sagicor core values represent as she tries to operate in the most professional, respectful and efficient manner. Olivia tries not only to live the values, but also encourages and assists her other team members to do the same. Olivia is very honoured to have emerged the winner of the competition, as she felt moved that her efforts were recognized.

She speaks fondly of her late mother, who instilled the fundamental values and attitudes by which she now lives. She recalls being told the importance of self-respect, having a good education, and most importantly, not allowing her past to determine her future.

Olivia, although not a parent, is family oriented and thoroughly enjoys the company of her niece and nephew. She states, "I adore them very much because they say the funniest things!"

Olivia enjoys reading, sewing and singing to some extent. Her favourite author is John Grisham, who is best known for his top-selling legal thrillers such as "The Firm". "Do unto others as you would have them do unto you" is Olivia's philosophy of life, as she firmly believes in the saying "you reap what you sow."

She is motivated when her customers are satisfied, which explains her passion for customer service. Olivia reiterates that the role of a customer service representative is to go above the expectation of the customer. In addition, she is motivated by her desire to achieve the best in all facets of her life.



respect

respect



There is no greater
honour than the respect
of one's community

respect

- We will always maintain confidentiality
- We will always be courteous and polite
- We will always be open to the views of others
- We will challenge ideas, not people
- We will respect other people's time

CORPORATE SOCIAL RESPONSIBILITY

In 2009, we continued to demonstrate unwavering commitment improving the lives of people in our communities. Our mandate, coupled with outstanding leadership, charted new and augmented established partnerships which resulted in further development at the community.

2009 also saw a deepening of relations between Sagicor and PanCaribbean. Sagicor's partnership with Pan Caribbean's Sigma Corporate Run, along with several partners, raised over 11 million dollars for the Sir John Golding Rehabilitation Center, The Jamaica Society for the Blind and the Jamaica Association for the Deaf. The Sagicor PanCaribbean Foundation was launched at the end of 2009, with the primary objective to impact the quality of children's life in our communities. This will be achieved by supporting projects that promote wellness; through health, education and social development which are environmentally friendly and sustainable.

Sagicor Life Jamaica Group contributed \$39 million through programmes in the areas of health, sports education and outreach.

Education – Often dubbed as the key to success, education proves to be a tool for social mobility and societal maturity. Fourteen Early Childhood institutions across the island benefited from structural and social improvements to their environments through the **Adopt a School** programme, undertaken by the Individual Line Division through its thirteen branches. Members of each branch worked cohesively in meeting their objectives after identifying the major needs of their adopted school.

With a view to contributing to a sustainable Jamaica, scholarships for studies at the secondary level were awarded to 14 students who excelled in the Grade Six Achievement Test (GSAT). The students were awarded a total of a \$1,000,000 as well as school bags, exercise books, dictionaries, geometry sets, and other school supplies.

Jamaica College, a single-sex secondary institution which caters to males, was also the recipient of \$5M to assist in building a new auditorium.

Health - Innovative means of supporting communities were implemented so as to enhance human welfare and dignity. A combined team comprising of Sagicor Life Jamaica and PanCaribbean employees participated in numerous events in aid of charity. Sagicor contributed money and expertise to several health-related initiatives which included the Shaggy Make A Difference Foundation, PanCaribbean's Sigma Corporate Run and the inaugural Shakti Love Fest, all geared towards acquiring critical equipment for the Bustamante Hospital for Children, the only one of its kind in the English-speaking Caribbean. Support was also provided to the Jamaica Cancer Society Relay for Life and Jamfit Corporate Marathon. Funds raised went towards cancer awareness and general health.



1 Richard Byles, President and CEO of Sagicor Life Jamaica, stands proudly with the 2009 recipients of Sagicor awarded GSAT Scholarships.



2 Knutsford Branch Administrative staff member Carlington Wellington entertaining the students of One Way Basic School on teacher's day. One Way Basic School is one of the 13 schools adopted by Sagicor's Individual Line Division.

3 Ruel B. Reid, Principal of Jamaica College, receives a contribution of 5 Million dollars from Sagicor's Mark Chisholm. Funds were donated to build a new auditorium.

4 Comforting hands. Shara Anderson Grant of Group Marketing comforts a young athlete in his time of need at the 2009 Sagicor/JTA Primary, Preparatory, All Age and Junior High Athletics Championship.



3

Sports - Sagicor Life Jamaica participated in several sporting activities. Team members of Sagicor and PanCaribbean supported the Sagicor/Jamaica Teachers' Association (JTA) National Primary, All-Age and Junior High Schools Athletic Championships, a two-day track and field event held at the National Stadium. The event saw over 1,000 enthusiastic young talents from all parishes competing in various categories.

The most outstanding male and female athletes of the meet were also awarded educational scholarships. We are committed to working closely with the JTA as their strategic partnership blossoms, to engender positive values that will influence the quality of life for students.



4

Our support was also given to organizers of the annual Gibson Relays. Integrity, focus and teamwork are among the values that we feel are critical to the development of excellent athletes and progressive citizens.

Outreach – Maintaining productive community relations was a priority for us and as such several community-based activities were undertaken. These included the St. Luke's Health Fair, the National Housing Trust Health Fair and the PanCaribbean Primary School Reading Programme.

It is our mandate to lead by example and as such we remain committed to nation building through productive partnerships and volunteerism. Our team members are encouraged to participate in initiatives undertaken at the company level and within their individual scope.



5



6

5 Strong Support! Two female athletes support each other during the Annual JTA/Sagicor Athletic Championship.

6 We are the Champions: St. Andrew celebrates with Nikolaus Price of Sagicor's Group Marketing Department.

communication

Our Business

communication



leadership and
communication go
hand in hand

communication

- We will always listen and seek to understand the needs of others
- We will always encourage and accept feedback
- We will always facilitate open discussion
- We will always share information

DISCLOSURE OF SHAREHOLDINGS

AS AT DECEMBER 31, 2009

SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

SHAREHOLDERS	NO. OF SHARES
1. Sagicor Group (Sagicor Life Inc - 650,663,398) (LOJ Holdings Limited - 1,575,754,056)	2,226,417,454
2. First Jamaica Investments Limited	919,227,731
3. Ideal Portfolio Services Company Limited	36,186,958
4. National Insurance Fund	32,445,770
5. GraceKennedy & Company – Pension Scheme	23,219,685
6. DONWIS Limited (- 6,285,680) (JCSD Reg - 13,272,860) (Connected Person: Donovan Lewis - 3,416,833)	22,975,373
7. Trading a/c SJIM 3119 (Scotia)	16,899,107
8. NEM Insurance Company Ja. Limited (A/Cs)	16,729,484
9. Jamaica National Building Society	16,023,479
10. NCB Insurance Company Limited (a/c WT 109)	15,105,751

SHAREHOLDINGS OF THE DIRECTORS

DIRECTORS/CONNECTED PERSONS	NO. OF SHARES
1) Dr. Dodridge Miller	25,089
2) Mr. Richard O. Byles • Jacinth Byles (connected person)	9,653,824
3) Mr. Michael Fraser • Gwendolyn Fraser (connected person)	1,396,905
4) Dr. the. Hon. R.D. Williams • Ravers Ltd (connected person)	12,332,825
5) Jeffery Cobham	25,000
6) Mrs. Marjorie Chevannes-Campbell	25,000
7) Mr. Paul Facey • Proban Ltd (connected person)	119,600 1,704,295
8) Mr. Stephen Facey	197,791
9) Prof. Hilary McDonald Beckles	NIL
10) Mr. Paul Hansworth	NIL
11) Mr. Richard Downer	NIL

SHAREHOLDINGS OF THE MANAGEMENT TEAM

EXECUTIVE MANAGEMENT/ CONNECTED PERSONS	NO. OF SHARES
1) Mr. Richard O. Byles • Jacinth Byles (connected person)	9,653,824
2) Mr. Errol McKenzie • Annette McKenzie (connected person)	2,390,824
3) Mr. Ivan Carter	604,954
4) Mrs. Janice A.M. Grant Taffe • Joseph Taffe (connected person)	1,021,610
5) Mr. Rohan Miller	32,857
6) Mr. Mark Chisholm • Te-Anne Chisholm (connected person) • Sharo Anne Chisholm (connected person) • Joneel Chisholm (connected person)	214,388
7) Mr. Karl Williams	10,000

SHAREHOLDER INFORMATION

■ EXECUTIVE LONG-TERM INCENTIVE SCHEME

In 2009 a total of 5,889,278 Ordinary Shares were issued to Executives at a share price \$3.90 per share under the Executive Stock Option Scheme and 838,658 stock grants in keeping with the Company's Long-Term Incentive Scheme for Executives.

■ SLJ SHARE PURCHASE PLAN

During the year 2009, 4,000,000 ordinary shares were issued to the SLJ staff share purchase plan and a total of 7,380,034 shares were transferred at a price of \$4.20 per share to 242 admin staff and agents under the SLJ Share Purchase Plan 2003.

■ DIVIDENDS

An interim dividend of \$0.25 per share, was declared by the Board of Directors on March 8, 2009 to shareholders registered on the books of the Company as at the close of business on March 16, 2009 and paid on March 31, 2009.

On September 8, 2009 a further interim dividend of \$0.32 was declared to all shareholders registered as at September 18, 2009 and was paid on September 29, 2009.

The total dividend declared for the 2009 financial year was \$0.57 per share.

ANALYSIS OF SHAREHOLDING

Number of Shareholders by size of holding as at December 31, 2009

SIZE OF HOLDING	Number of Shareholders		Percentage of Shareholders		Total Shares held		Percentage Shares held	
	2009	2008	2009	2008	2009	2008	2009	2008
1 - 10,000	6,351	6,343	70.22	70.94	20,014,500	19,909,920	0.53	0.53
10,001 – 25,000	1,190	1,157	13.15	12.94	20,628,897	20,076,840	0.54	0.54
25,001 – 50,000	632	602	6.98	6.73	24,166,198	23,157,573	0.64	0.62
50,001 – 100,000	371	349	4.10	3.90	28,828,665	27,031,560	0.76	0.72
100,001 – 500,000	347	339	3.83	3.79	77,761,914	74,886,889	2.06	1.99
500,001 – 1,000,000	62	63	0.68	0.70	46,031,791	48,028,198	1.22	1.28
1,000,001 & above	91	88	1.00	0.98	3,541,973,528	3,537,172,866	94.21	94.32
TOTAL	9,044	8,941	100 %	100 %	3,759,405,493	3,749,107,964	100	100

SHAREHOLDER INFORMATION (CONT'D)

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	93.20	8,440	93.32
Barbados	2	0.00	15	0.17	17	0.18
Trinidad	2	0.02	5	0.05	7	0.07
Other Caribbean	10	18.44	20	0.23	30	0.33
United States	1	0.00	400	4.63	401	4.43
Canada	2	0.00	83	0.96	85	0.93
United Kingdom	1	0.00	37	0.42	38	0.42
Other	-	-	26	0.30	26	0.28
Total	421	100	8,623	100	9,044	100

Number of Shareholders by Country of Residence and by Type as at December 31, 2008

Country	Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%
Jamaica	411	96.25	7,934	93.19	8,345	93.33
Barbados	3	0.70	15	0.17	18	0.20
Trinidad	3	0.70	4	0.05	7	0.08
Other Caribbean	6	1.41	18	0.21	24	0.27
United States	1	0.23	396	4.65	397	4.44
Canada	2	0.47	84	0.99	86	0.96
United Kingdom	1	0.23	37	0.43	38	0.43
Other	-	-	26	0.31	26	0.29
Total	427	100	8,514	100	8,941	100

The more you care, the
stronger you can be

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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 statement of financial position, at December 31, 2009, and the change in the consolidated income statement, 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 have performed the valuation of Sagicor Life of the Cayman Islands Ltd., a fully-owned subsidiary of Sagicor Life Jamaica Limited and I have relied on the work performed by Eckler Ltd. Consultants and Actuaries, Toronto, Canada for the valuation of the policy liabilities for Sagicor General Insurance (Cayman) Ltd., the 75% owned subsidiary of Sagicor Life of the Cayman Islands Ltd.

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 Chevannes-Campbell
Jeffrey C. Cobham
Richard L. Downer
Paul A.B. Facey
Stephen B. Facey.
Paul R. Hanworth
Dr. Dodridge D. Miller
Janice A.M. Grant-Taffe
Corporate Secretary

Sagicor Life Jamaica Limited
28 - 48 Barbados Avenue
Kingston 5
P.O. Box 439
Jamaica, WI

Tel: (876) 929-8920-9
Fax: (876) 929-4730
www.sagicorja.com

JANET SHARP, FSA, MAAA, CERA
APPOINTED ACTUARY FOR SAGICOR LIFE JAMAICA LIMITED
1 March 2010

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 73 to 162 which comprise the consolidated and company financial position as of 31 December 2009 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

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

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.

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 2009, 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 Requirement

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
1 March 2010
Kingston, Jamaica

M.G. Rochester P.W. Pearson E.A. Crawford D.V. Brown J.W. Lee C.D.W. Maxwell P.E. Williams
G.L. Lewars L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece

Consolidated Statement of Financial Position

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
ASSETS:			
Cash resources	6	4,490,318	3,583,864
Cash reserve at Bank of Jamaica	7	413,744	182,062
Financial investments	8	89,361,616	75,388,343
Securities purchased under resale agreements	9	6,456,558	4,448,058
Derivative financial instruments	10	155,374	2,957,306
Loans & leases, after allowance for credit losses	11	8,688,299	8,446,692
Investment properties	12	1,041,338	326,175
Investment in associated company	13	2,725	2,725
Property, plant and equipment	14	1,261,720	1,821,064
Retirement benefit assets	15	316,535	206,190
Reinsurance contracts	16	191,438	2,574,249
Intangible assets	17	5,070,512	5,291,788
Deferred income taxes	18	826,072	636,485
Taxation recoverable		1,133,205	700,333
Other assets	19	3,105,438	4,665,384
Segregated funds' assets	20	8,516,279	6,560,697
		131,031,171	117,791,415
Assets classified as held for sale and discontinued operations	21	4,435,246	-
TOTAL ASSETS		135,466,417	117,791,415

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.


Consolidated Statement of Financial Position (Cont'd)

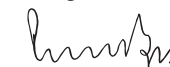
31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable to Stockholders' of the Company			
Share capital	24	7,854,938	7,796,463
Stock options reserve	26	63,283	61,299
Investment and fair value reserves	27	(1,555,355)	(2,698,772)
Currency translation reserve	28	1,282,756	926,712
Other reserves	29	1,198,937	391,506
Retained earnings		11,018,150	9,066,612
		19,862,709	15,543,820
Non-controlling Interests		1,469,261	4,045,061
Total Equity		21,331,970	19,588,881
Liabilities			
Securities sold under repurchase agreements		42,036,038	39,957,153
Due to banks and other financial institutions	31	10,406,121	5,888,277
Customer deposits and other accounts	32	8,782,312	7,419,989
Structured products	33	473,266	1,087,540
Derivative financial instruments	10	200,706	2,703,316
Redeemable preference shares	34	1,271,319	1,271,190
Provisions	35	93,248	218,402
Taxation payable		43,152	153,763
Deferred income taxes	18	372,856	418,647
Retirement benefit obligations	15	500,407	430,422
Other liabilities	36	4,409,612	3,363,695
Policyholders' Funds			
Segregated funds' liabilities	20	8,516,279	6,560,697
Insurance contracts liabilities	37	18,699,137	15,418,023
Investment contracts liabilities	38	12,880,479	8,891,676
Other policy liabilities	39	1,951,116	4,419,744
		42,047,011	35,290,140
		131,968,018	98,202,534
Liabilities directly associated with assets classified as held for sale and discontinued operations	21	3,498,399	-
Total Liabilities		114,134,447	98,202,534
TOTAL EQUITY AND LIABILITIES		135,466,417	117,791,415

Approved for issue by the Board of Directors on 1 March 2010 and signed on its behalf by:


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


 Richard Byles Director

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Sagicor Life Jamaica Limited
Consolidated Income Statement

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Revenue:			
Gross premium revenue		21,276,019	22,713,108
Insurance premium ceded to reinsurers	41	(3,060,077)	(2,443,563)
Net premium revenue		18,215,942	20,269,545
Investment income	42	13,278,332	10,595,103
Impairment charge	43	(127,263)	(274,885)
Interest expense	44	(6,470,320)	(4,676,469)
Net investment income		6,680,749	5,643,749
Fee income - Administration	45	850,083	833,992
Other	45	247,306	235,950
		1,097,389	1,069,942
Other operating income		1,878,446	1,408,197
		27,872,526	28,391,433
Benefits:			
Insurance benefits incurred		10,312,960	8,762,723
Insurance benefits reinsured		(483,913)	(1,848,464)
Net insurance benefits	46	9,829,047	6,914,259
Net movement in actuarial liabilities	37(b)	2,503,597	8,282,542
Expenses:			
Provision for credit losses	11	89,832	1,518
Finance costs	47	194,015	161,687
Administration expenses	48	2,691,646	1,911,529
Salaries, pension contributions and other staff benefits	49(a)	3,395,984	2,864,167
Commission and sales expenses	49(b)	2,863,767	2,227,600
Depreciation	14	194,950	162,724
Amortisation of intangible assets	17	339,338	283,129
		9,769,532	7,612,354
		22,102,176	22,809,155
Profit before Taxation		5,770,350	5,582,278
Taxation	50	(884,785)	(1,040,027)
NET PROFIT		4,885,565	4,542,251
Net Profit for the year from continuing operations		5,280,718	4,524,268
Net (Loss)/profit for the year from discontinued operations	21	(395,153)	17,983
		4,885,565	4,542,251
Attributable to:			
Stockholders of the company:			
Net profit for the year from continuing operations		4,687,267	3,914,571
Net (loss)/profit for the year from discontinued operations		(297,155)	13,523
		4,390,112	3,928,094
Non Controlling Interests:			
Net profit for the year from continuing operations		593,451	609,697
Net (loss)/profit for the year from discontinued operations		(97,998)	4,460
		495,453	614,157
		4,885,565	4,542,251
Earnings per stock unit for profit from continuing operations attributable to the stockholders of the company:			
Basic	51	\$1.17	\$1.05
Fully diluted	51	\$1.16	\$1.05

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Sagicor Life Jamaica Limited
Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Net profit for the year		4,885,565	4,542,251
Other comprehensive income:			
Available-for-sale investments:			
Unrealised gains/(loss) on available-for-sale investments		1,856,639	(3,274,396)
Gains reclassified and reported in profit		(297,618)	(328,836)
		1,559,021	(3,603,232)
Owner occupied properties:			
Unrealised gains on owner occupied properties		21,586	150,195
Cash flow hedge:			
Unrealised (loss)/gains on cash flow hedge		(149,296)	199,487
Retranslation of foreign operations		396,680	445,778
Negative goodwill from the purchase of shares in subsidiary	60	467,954	-
Total income/(expense) recognised directly in stockholders' equity, net of tax		2,295,945	(2,807,772)
Total comprehensive income		7,181,510	1,734,479
Total comprehensive income attributable to:			
Equity owners of the stockholders of the company:			
Total comprehensive income for the year from continuing operations		6,652,960	1,704,749
Total comprehensive income for the year from discontinued operations		(253,373)	(52,079)
		6,399,587	1,652,670
Non-controlling interest :			
Total comprehensive income for the year from continuing operations		865,513	98,937
Total comprehensive income for the year from discontinued operations		(83,590)	(17,128)
		781,923	81,809
		7,181,510	1,734,479

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

Attributable to owners of the parent									
Note	Share Capital	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Owners' Total	Non-controlling Interests	Grand Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2008	7,779,665	43,969	(2,292)	534,669	151,363	6,999,651	15,507,025	4,396,953	19,903,978
Total comprehensive income for the year	-	-	(2,667,467)	392,043	-	3,928,094	1,652,670	81,809	1,734,479
Transfer to special investment reserve	-	-	-	-	29,179	(29,179)	-	-	-
Transfer to retained earnings	2(u)	-	(29,013)	-	-	29,013	-	-	-
Transfer to retained earnings reserves	2(u)	-	-	-	203,692	(203,692)	-	-	-
Adjustment between regulatory loan provisioning and IFRS	29(b)	-	-	-	7,272	(7,272)	-	-	-
Employee share option scheme – value of services provided	-	25,729	-	-	-	-	25,729	3,479	29,208
Employee stock options exercised	16,798	(8,399)	-	-	-	-	8,399	-	8,399
Disposal of equity by the non-controlling interests	-	-	-	-	-	-	-	(107,244)	(107,244)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(329,936)	(329,936)
Dividends paid to owners	30	-	-	-	-	(1,650,003)	(1,650,003)	-	(1,650,003)
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	-	-	1,185,477	356,044	-	4,858,066	6,399,587	781,923	7,181,510
Transfer from special investment reserve	-	-	-	-	(80,191)	80,191	-	-	-
Transfer from retained earnings	2(u)	-	-	-	854,851	(854,851)	-	-	-
Transfer to retained earnings reserves	2(u)	-	(42,060)	-	-	42,060	-	-	-
Adjustment between regulatory loan provisioning and IFRS	29(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	30	-	-	-	-	(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 81 - 162 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

Note	Other Reserves				Total
	Capital reserve	Special investment reserve	Loan loss reserve	Retained earnings reserve	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2007	2,675	178,449	(29,670)	(91)	151,363
Transfer from retained earnings	2(u)	-	29,179	-	203,692
Adjustment between regulatory loan provisioning and IFRS	29(b)	-	-	7,272	-
Balance at 31 December 2008	2,675	207,628	(22,398)	203,601	391,506
Transfer from retained earnings	-	-	-	854,851	854,851
Transfer from special investment reserve	2(u)	-	(80,191)	-	(80,191)
Adjustment between regulatory loan provisioning and IFRS	29(b)	-	-	32,771	-
Balance at 31 December 2009	2,675	127,437	10,373	1,058,452	1,198,937

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2009

(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 2007	(299,553)	297,261	-	(2,292)
Net gains recycled to revenue on disposal and maturity of available-for-sale securities	(211,416)	-	-	(211,416)
Net unrealised gains on available-for-sale securities	(2,712,813)	-	-	(2,712,813)
Net unrealised gains/losses on cash flow hedges	-	-	105,668	105,668
Net unrealised gains on revaluation of owner-occupied properties	-	150,195	-	150,195
Currency translation	899	-	-	899
Total comprehensive income for the year	(2,923,330)	150,195	105,668	(2,667,467)
Transfer to retained earnings reserve	(29,013)	-	-	(29,013)
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	1,323,729	-	-	1,323,729
Net unrealised losses on cash flow hedges	-	-	(97,966)	(97,966)
Net unrealised gains on revaluation of owner-occupied properties	-	21,586	-	21,586
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)

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities			
Net profit		4,885,565	4,542,251
Adjustments for items not affecting cash:			
Depreciation	14	194,950	162,724
Interest income	42	(12,504,752)	(8,730,684)
Interest expense and finance costs	44	6,664,335	4,808,966
Income tax expense	50	884,785	1,040,027
Gain on disposal of investments		(355,509)	(221,314)
Fair value losses on trading securities		(5,080)	20,900
Fair value gains on derivative financial instruments		2,984	40,686
Impairment charge on investments, loans and other assets		223,875	276,403
Share based payments		34,119	29,207
Gain on revaluation of investment properties	12	(16,858)	(14,000)
Loss/(gain) on disposal of property, plant and equipment		5	(1,235)
Amortisation of intangible assets	17	339,338	283,129
Increase in policyholders' funds		4,201,255	3,679,948
Net movement in actuarial liabilities	37(b)	2,503,595	8,282,542
Retirement benefit obligations		(33,551)	103,349
Effect of exchange gain on foreign balances		(485,420)	469,317
		<u>1,648,071</u>	<u>10,229,925</u>
Changes in operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		(214,029)	(86,214)
Securities sold under repurchase agreements		172,324	3,357,884
Structured products		(541,878)	1,087,540
Proceeds on sale of investment securities		12,568,639	18,283,058
Purchase of investment properties	12	(28,737)	(48,091)
Purchase of investment securities		(22,602,593)	(31,723,026)
Loans		397,786	(478,902)
Lease receivables		24,181	(32,890)
Due from/(to) related parties		65,367	(203,857)
Other assets, net		558,917	(1,362,787)
Customer deposits and other accounts		603,165	54,685
Other liabilities, net		<u>4,379,797</u>	<u>3,308,211</u>
		(4,617,061)	(7,844,389)
Interest received		11,848,069	8,236,560
Interest paid		(6,380,578)	(4,853,526)
Income tax paid		<u>(843,666)</u>	<u>(586,579)</u>
Net cash provided by operating activities		<u>6,540,400</u>	<u>9,724,282</u>

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Consolidated Statement of Cash Flows (Cont'd)

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities		<u>6,540,400</u>	<u>9,724,282</u>
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired	60	(2,461,087)	(1,668,350)
Purchase of property, plant and equipment	14	(202,954)	(223,104)
Proceeds from sale of property, plant and equipment		6,734	1,308
Purchase of intangible assets	17	<u>(29,092)</u>	<u>(118,611)</u>
Net cash used in investing activities		<u>(2,686,399)</u>	<u>(2,008,757)</u>
Cash Flows from Financing Activities			
Dividends paid to stockholders		(2,141,157)	(1,638,603)
Dividends paid to non controlling interest		(327,948)	(329,936)
Redeemable preference shares issued	34	-	1,264,324
Issue of ordinary shares	24	<u>58,475</u>	<u>16,798</u>
Net cash used in financing activities		<u>(2,410,630)</u>	<u>(687,417)</u>
Effect of exchange rate on cash and cash equivalents		<u>724,931</u>	<u>260,191</u>
Net increase in net cash and cash equivalents		<u>2,168,302</u>	<u>7,288,299</u>
Cash and cash equivalents at beginning of year		<u>9,547,751</u>	<u>2,259,452</u>
CASH AND CASH EQUIVALENTS END OF YEAR	6	<u><u>11,716,053</u></u>	<u><u>9,547,751</u></u>

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Company Statement of Financial Position

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
ASSETS:			
Cash resources	6	544,079	269,379
Financial investments	8	27,912,725	22,922,310
Securities purchased under resale agreements	9	3,413,950	1,392,577
Lease receivables	11	2,081	4,819
Investment properties	12	665,000	326,175
Investment in associated company	13	2,725	2,725
Property, plant and equipment	14	1,012,727	1,254,883
Retirement benefit assets	15	249,033	184,482
Reinsurance contracts	16	53,612	57,848
Intangible assets	17	2,489,595	2,607,774
Other assets	19	3,625,352	2,941,025
Investment in subsidiaries	23	6,429,062	5,129,499
Taxation recoverable		521,123	415,036
Segregated funds' assets	20	8,014,361	6,295,831
Total Assets		54,935,425	43,804,363

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.


Company Statement of Financial Position (Cont'd)


31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	24	7,854,938	7,796,463
Capital reserve	25	2,675	2,675
Share option reserve	26	37,274	35,166
Investment and fair value reserves	27	(746,779)	(1,399,316)
Special investment reserve	29	157,614	141,576
Retained earnings		8,346,861	7,126,576
		15,652,583	13,703,140
Liabilities			
Due to banks and other financial institutions	31	2,086,027	1,493,635
Provisions	35	93,248	218,402
Taxation payable		10,782	96,816
Deferred income taxes	18	39,534	230,932
Retirement benefit obligations	15	454,684	397,849
Other liabilities	36	4,888,729	1,911,500
Policyholders' funds			
Segregated funds' liabilities	20	8,014,361	6,295,831
Insurance contracts liabilities	37	17,105,667	13,779,921
Investment contracts liabilities	38	5,043,777	4,389,509
Other policy liabilities	39	1,546,033	1,286,828
		31,709,838	25,752,089
Total Liabilities		39,282,842	30,101,223
Total Stockholders' Equity and Liabilities		54,935,425	43,804,363

Approved for issue by the Board of Directors on 1 March 2010 and signed on its behalf by:


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


 Richard Byles Director

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Company Income Statement

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Revenue:			
Gross premium revenue	41	15,597,567	18,574,163
Insurance premium ceded to reinsurers	41	(160,355)	(188,988)
Net premium revenue		15,437,212	18,385,175
Investment income	42	3,838,241	3,598,403
Impairment charge	43	(34,132)	(103,784)
Interest expense	44	(674,014)	(499,689)
		3,130,095	2,994,930
Fee income -			
Administration	45	595,057	574,512
Other	45	90,950	75,745
		686,007	650,257
Other operating income		891,250	710,276
		<u>20,144,564</u>	<u>22,740,638</u>
Benefits:			
Insurance benefits incurred		8,072,133	5,799,855
Insurance benefits reinsured		(72,615)	(58,941)
Net insurance benefits	46	7,999,518	5,740,914
Net movement in actuarial liabilities	37(b)	2,545,882	8,378,517
Expenses:			
Administration expenses	48	1,682,885	1,113,736
Salaries, pension contributions and other staff benefits	49(a)	1,698,897	1,660,792
Commission and sales expenses	49(b)	2,236,926	1,769,091
Depreciation	14	102,247	78,757
Amortisation of intangible assets	17	139,152	99,823
		<u>5,860,107</u>	<u>4,722,199</u>
		<u>16,405,507</u>	<u>18,841,630</u>
Profit before Taxation		3,739,057	3,899,008
Taxation	50	(403,637)	(583,560)
NET PROFIT		<u><u>3,335,420</u></u>	<u><u>3,315,448</u></u>

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Company Statement of Comprehensive Income

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	2009 \$'000	2008 \$'000
Net profit for the year	3,335,420	3,315,448
Other comprehensive income:		
Available-for-sale investments:		
Unrealised gains/(losses) on available-for-sale investments	728,757	(1,572,249)
Gains reclassified and reported in profit	<u>(34,160)</u>	<u>(110,976)</u>
	694,597	(1,683,225)
Owner occupied properties	-	112,698
Total income/(expenses) recognised directly in stockholders' equity, net of tax	<u>694,597</u>	<u>(1,570,527)</u>
Total comprehensive income for the year, net of tax	<u><u>4,030,017</u></u>	<u><u>1,744,921</u></u>

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share capital \$'000	Capital reserve \$'000	Share options reserve \$'000	Investment and fair value reserves \$'000	Special investment reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2007							
Total comprehensive income for the year	7,779,665	2,675	21,615	200,224	141,576	5,432,047	13,577,802
Transfer to retained earnings	-	-	-	(1,570,527)	-	3,315,448	1,744,921
Employee share option scheme – value of services provided	-	-	-	(29,013)	-	29,013	-
Employee share grants and options exercised	-	-	21,950	-	-	-	21,950
Transfer of Employee Benefit Administrator Limited accumulated deficit	16,798	-	(8,399)	-	-	-	8,399
Dividends paid to owners	-	-	-	-	-	71	71
Balance at 31 December 2008							
Total comprehensive income for the year	7,796,463	2,675	35,166	(1,399,316)	141,576	7,126,576	13,703,140
Transfer to special investment reserves	-	-	-	694,597	-	3,335,420	4,030,017
Transfer to retained earnings	-	-	-	(42,060)	-	(16,038)	-
Employee share option scheme – value of services provided	-	-	21,949	-	-	42,060	-
Employee share grants and options exercised	28,817	-	(19,841)	-	-	-	8,976
Dividends paid to owners	-	-	-	-	-	(2,141,157)	(2,141,157)
Issue of ordinary shares	29,658	-	-	-	-	-	29,658
Balance at 31 December 2009							
	7,854,938	2,675	37,274	(746,779)	157,614	8,346,861	15,652,583

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Company Statement of Cash Flows

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities			
Net profit		3,335,420	3,315,448
Adjustments for:			
Depreciation	14	102,247	78,757
Interest income	42	(3,351,983)	(2,190,422)
Interest expense	44	674,014	499,689
Income tax expense	50	403,637	583,560
Gain on disposal of investments		(59,717)	(105,047)
Impairment charge	43	34,132	103,784
Share based payments		30,949	21,949
Gain on revaluation of investment properties	12	1,011	(14,000)
Loss/(gain) on disposal of property, plant and equipment		516	(1,073)
Amortisation of intangible assets	17	139,152	99,823
Increase/(decrease) in policyholders' funds		663,960	(297,590)
Net movement in actuarial liabilities	37(b)	2,545,880	8,378,517
Retirement benefit obligations		(7,712)	69,138
Effect of exchange gain on foreign balances		(423,118)	(783,781)
		<u>752,968</u>	<u>6,443,304</u>
Changes in operating assets and liabilities:			
Purchase of investment properties	12	(8,847)	(48,091)
Securities sold under resale agreement		(4,201)	-
Purchase of investment securities		(9,093,023)	(10,920,292)
Proceeds from the sale of investment securities		5,535,992	4,444,274
Lease receivables		2,364	4,590
Due from/(to) related companies		(958,684)	167,575
Reinsurance contracts		4,236	(128)
Other assets, net		(101,842)	(394,911)
Other liabilities, net		<u>2,036,166</u>	<u>626,301</u>
		(2,587,839)	(6,120,682)
Interest received		3,130,509	2,058,270
Interest paid		(619,564)	(480,786)
Income tax paid		<u>(395,763)</u>	<u>(440,211)</u>
Net cash provided by operating activities		<u>3,615,731</u>	<u>4,775,343</u>

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Company Statement of Cash Flows (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities (Page 80)		<u>3,615,731</u>	<u>4,775,343</u>
Cash Flows from Investing Activities			
Acquisition, net of cash acquired	60 (b)	(1,299,563)	(1,668,350)
Purchase of property, plant and equipment	14	(123,691)	(116,565)
Proceeds from sale of property, plant and equipment		5,871	1,077
Purchase of intangible assets	17	<u>(20,973)</u>	<u>(5,630)</u>
Net cash used in investing activities		<u>(1,438,356)</u>	<u>(1,789,468)</u>
Cash Flows from Financing Activities			
Dividends paid to stockholders		(2,127,397)	(1,638,603)
Loan from subsidiary		1,786,558	-
Repayment of loans to financial institutions		-	(1,468,960)
Loan from financial institutions		-	1,403,315
Investment in subsidiaries		-	(74,652)
Issue of ordinary shares		<u>58,475</u>	<u>16,798</u>
Net cash used in financing activities		<u>(282,364)</u>	<u>(1,762,102)</u>
Effect of exchange rate on cash and cash equivalents		<u>107,807</u>	<u>47,552</u>
Net increase in net cash and cash equivalents		2,002,818	1,271,325
Cash and cash equivalents at beginning of year		<u>2,284,112</u>	<u>1,012,787</u>
CASH AND CASH EQUIVALENTS END OF YEAR	6	<u>4,286,930</u>	<u>2,284,112</u>

The accompanying notes on pages 81 - 162 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

- (a) Sagikor Life Jamaica Limited (SLJ, the company) is incorporated and domiciled in Jamaica. It is 41.90% (2008 – 42.02%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagikor Financial Corporation (Sagikor), which is incorporated and domiciled in Barbados. Sagikor has an overall interest of 59.20% (2008 - 59.37%) in Sagikor Life Jamaica Limited. The other significant shareholder in Sagikor Life Jamaica Limited is First Jamaica Investments Limited with a 24.44% holding (2008 - 24.51%).

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
Sagikor Life of the Cayman Islands Ltd. and its subsidiaries –	Life insurance	Grand Cayman	100%
Sagikor General Insurance (Cayman) Ltd.	Property and casualty and health insurance marketing and administration	Grand Cayman	75.2%
Sagikor Insurance Managers Ltd	Captives management	Grand Cayman	75.2%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	100%
Sagikor Property Services Limited (formerly LOJ Property Management Limited)	Property management, real estate sales and rentals	Jamaica	100%
Sagikor Pooled Investment Funds Limited (formerly LOJ Pooled Investment Funds Limited)	Pension fund management (Note 1(c))	Jamaica	100%
Sagikor Re Insurance Limited	Property and casualty insurance (captive)	Grand Cayman	100%
Sagikor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
Sagikor International Administrators Limited	Insurance brokerage	Jamaica	100%

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

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	86.1%
PanCaribbeanBank Limited (PCB)	Commercial banking	Jamaica	86.1%
Pan Caribbean Asset Management Limited (PCAM)	Unit trust management	Jamaica	86.1%
Manufacturers Investments Limited (MIL)	Investment management services	Jamaica	86.1%
Pan Caribbean Investments Limited (PCIL)	Inactive	Jamaica	86.1%
Pan Caribbean Securities Limited (PCSL)	Inactive	Jamaica	86.1%

During the year the Group acquired an additional 33.13% interest in PanCaribbean Financial Services from its ultimate parent company, Sagcor Financial Corporation See Note 60(b) for further details.

- (c) Sagcor Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of pension funds. At 30 September 2009, the audited assets totalled approximately \$40,374,790,000 (2008 - \$42,720,676,000). At 31 December 2009, the unaudited assets totalled approximately \$41,372,712,000 (2008 - \$35,923,122,000).
- (d) The company also operates a number of self-directed pension funds on behalf of clients. At 31 December 2009, the unaudited assets totalled approximately \$14,709,905,000 (2008 - \$12,338,391,000).

2. Summary of Significant Accounting Policies (Continued)

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 and interpretations effective 1 January 2009 that are relevant to the Group's operations

- IAS 1 Revised), Presentation of financial statements. The revised standard prohibits the presentation of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that is also in conformity with the revised standard. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.
- IAS 23 (Amendment), Borrowing costs. It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. This amendment does not have any impact in current year as the Group and the company does not have any qualifying assets.
- IAS 36 (Amendment), impairment of assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation on the basis of amendment does not have any impact on the current year's financial statements.
- IAS 38 (Amendment), Intangible assets. An asset may only be recognised in the event that payment has been made in advance of obtaining right of the access to goods or receipt of services. Deletion of wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight line method. This amendment does not have any impact on the current year's financial statements.

Notes to the Financial Statements (Cont'd)

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(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 and interpretations effective 1 January 2009 that are relevant to the Group's operations (continued)

IAS 40 (Amendment), 'Investment property' (and consequential amendments • to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. There has been no impact on the Group's financial statements in the current year, as there were no properties under construction at the time of adoption of this amendment.

- IFRS 2 (Amendment), Share based payment. This amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's or company's financial statements.
- IFRS 7 (Amendment), Financial instruments – disclosures (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IFRS 8, Operating Segments. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as the used for internal reporting purposes. The standard was early adopted by the Group effective 1 January 2007.
- IFRIC 15 Agreement for the Construction of Real Estate - The IFRIC issued IFRIC interpretation 15 in July 2008 and it is effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. There has been no impact on the Group's financial statements in the current year, as there were no agreements for the construction of real estate at the time of adoption of this amendment.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have been early adopted by the Group.

- IFRS 3 (Amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates'. These amendments introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and the future reported results. Also, under the amended standards, a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss.

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 statement of financial position date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 July 2009). This amendment clarifies that a plan amendment that result 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 give 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 amended to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from 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. There is also the deletion of guidance that states IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised. The Group will apply this amendment from 1 January 2010.
- IAS 24 (Amendment), 'Related party disclosures'. The amendment relaxes the disclosures of transactions between government-related entities and clarifies related-party definition. The amendment is not expected to have an impact on the Group or the Company's financial statements.
- IAS 32 (Amendment), 'Classification and separate financial statements'. The amended standard allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010 and should be applied retrospectively. The amendment is not expected to have an impact on the Group or Company's financial statements.
- IAS 38 (Amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The Group and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or the Company's financial statements.

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(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)

- IAS 39 (Amendment), Financial instruments: Recognition and measurement (effective for annual periods beginning on or after 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 Group will apply this amendment from 1 January 2010.

- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' (effective for annual periods beginning on or after 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. The Group is assessing the impact of future adoption of these amendments on its financial statements.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). All of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary described above is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The Group will apply this amendment from 1 January 2010.
- 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.

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) (continued)

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. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- IFRIC 17, Distribution of Non-Cash assets to owners (effective from 1 July 2009 and is required to be applied prospectively; earlier application is permitted). A dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The Group and the Company will adopt this interpretation from 1 January 2010.

(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.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

(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 are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such 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.

Translation differences on non-monetary items, 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 items, such as equities classified as available-for-sale financial assets, are included in the fair value and investment reserves in stockholders' equity.

(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.

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) Investments

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. Non-derivative financial assets may subsequently be re-classified.

(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.

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(f) Investments (continued)

Purchases and sales of financial assets held for trading and available-for-sale are recognised at the trade date – the date on which the Group commits the purchase or sells the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are realised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets carried at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised directly in stockholders' equity, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity are transferred to the statements of operations. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains/losses on financial assets.

The fair values of quoted investments are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. The fair values for these unquoted securities are established by methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models. Where fair value cannot be measured reliably, unquoted securities are recognised at cost less impairment.

Investments in subsidiaries are stated in the company's financial statements at cost.

(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.

Notes to the Financial Statements (Cont'd)

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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 repledge the collateral. The counterparty liability is included in amounts due to banks and other financial institutions, customer deposits, or securities sold under agreements to repurchase.

(i) Loans and allowance for impairment losses

Loans are stated net of unearned income and allowance for impairment losses.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognised, as it is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits

2. Summary of Significant Accounting Policies (Continued)

(j) 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.

(k) Acceptances and guarantees

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

(l) Impairment of assets

(i) Financial assets carried at amortised cost

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or 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 have 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of issuers or debtors in the group or national or local economic conditions that correlate with defaults on the assets in the group.

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31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets (continued)

(i) Financial assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group 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.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for loan loss 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 contract. As a practical expedience, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose 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 credit process that considers asset type, industry, 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 issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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 improved credit rating, the previously recognised impairment loss is reversed by adjusting the provision for loss account. The amount of the reversal is recognised in the income statement.

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.

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.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries, in part or in full, of amounts previously written-off are credited to the income statement.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets (continued)

(ii) Financial assets carried at fair value

The Group assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed. The impairment loss is 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 the income statement.

(iii) 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).

(m) Offsetting financial instruments

Reinsurance 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.

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2. Summary of Significant Accounting Policies (Continued)

(n) 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 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.

(o) 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.

(p) 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)

(p) 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 statement of financial position 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.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) 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 statement of financial position 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 statement of financial position date.

2. Summary of Significant Accounting Policies (Continued)

(q) 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 statement of financial position 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 statement of financial position date are discounted to present value.

(r) Segregated funds

The Group manages a number of segregated funds on behalf of policyholders. The investment returns on these unithised 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.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(s) 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(v)).

- (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 statement of financial position date are dealt with in the subsequent events note.

(t) 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%.

(u) 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%.

(v) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account 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 profit and loss account as interest expense.

2. Summary of Significant Accounting Policies (Continued)

(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).

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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 statement of financial position 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 statement of financial position 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 statement of financial position 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 with 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.

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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 statement of financial position 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) Derivatives embedded in insurance contracts and investment contracts

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through profit or loss.

- (v) Liability adequacy test

At each statement of financial position 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

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.

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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 statement of financial position 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.

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(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 52.

(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.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in the income statement.

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
- 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 \$1,525,658,000 (2008 - \$1,200,709,000).

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

(ii) *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 \$5,561,153,000 (2008 - \$3,467,110,000).

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 \$2,927,830,000 (2008 - \$1,874,574,000).

(iii) *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 \$38,244,000 for the Group and \$40,281,000 for the company. If the discount rate changed by 1% then the expense would change by \$19,410,000 for the Group and \$10,099,000 for the company.

(iv) *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.

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

(v) *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.

(vi) *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.

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5. Segmental Financial Information

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:

- (a) Individual Life Services - This includes provision of life insurance services to individuals.
- (b) 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.
- (c) General Insurance Services – This includes property and casualty insurance.
- (d) Banking and Asset Management – This includes development, commercial and merchant banking and asset management.
- (e) Other Services – This comprises property management, captives management and stockholders' funds.

Transactions between the business segments are on normal commercial terms and conditions.

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					Group
	Individual Life Services	Employee Benefits Services	General Insurance Services	Banking and Asset Management Services	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	6,973,912	14,958,234	783,022	3,626,990	1,530,368	27,872,526
Revenue from other segments	84,581	140,405	11,293	(46,543)	27,232	(216,968)
Total revenues	7,058,493	15,098,639	794,315	3,580,447	1,557,600	27,872,526
Benefits and expenses	(5,179,054)	(10,448,140)	(958,060)	(1,352,973)	(1,137,570)	(18,870,276)
Change in actuarial liabilities	194,084	(2,697,681)	-	-	-	(2,503,597)
Depreciation	(65,366)	(50,166)	(15,130)	(48,998)	(15,290)	(194,950)
Amortisation of purchased intangibles	-	(128,531)	(18,522)	(99,007)	-	(244,060)
Amortisation of software	(6,326)	(10,137)	(1,353)	(61,166)	(16,296)	(95,278)
Finance costs	-	(17,986)	(17,986)	(158,044)	(19,018)	(194,015)
Profit/(loss) before tax	2,001,831	1,747,998	(216,736)	1,860,259	369,426	5,770,350
Taxation	(280,244)	(188,095)	-	(481,422)	64,976	(894,765)
Net profit/(loss)	1,721,587	1,559,903	(216,736)	1,378,837	434,402	4,885,565
Segment assets -						
Intangible assets	1,304,126	1,597,070	389,981	1,740,929	38,406	5,070,512
Other assets	30,452,245	24,719,931	4,627,610	63,814,034	10,135,704	129,250,573
	31,756,371	26,317,001	5,017,591	65,554,963	10,174,110	134,321,085
Unallocated assets -						
Investments in associates (Note 13)						2,725
Deferred income taxes (Note 18)						826,072
Retirement benefit assets (Note 15)						316,535
						135,466,417
Segment liabilities	24,857,152	21,501,817	3,573,585	57,231,858	10,158,716	112,738,909
Unallocated liabilities -						
Deferred income taxes (Note 18)						372,856
Developmental loans						522,275
Retirement benefit obligations (Note 15)						500,407
						114,134,447
Other segment items -						202,954
Capital expenditure (Note 14)						

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5. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	Cayman	Total
	\$'000	\$'000	\$'000
	2009		
Revenue	23,633,818	4,238,708	27,872,526
Total assets	109,244,234	26,222,183	135,466,417
	2008		
Revenue	25,936,661	2,454,772	28,391,433
Total assets	101,382,269	16,409,146	117,791,415

The company is managed on a matrix basis, reflecting lines of business. The company is organised into three primary business segments:

- (a) Individual Life Services - This includes provision of life insurance services to individuals.
- (b) Employee Benefits Services – This includes group and creditor life, personal accident, group health, group annuities and pension funds investment.
- (c) Other Services - This comprise stockholders' funds.

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5. Segmental Financial Information (Continued)

	The Company			
	2009			
	Individual Life 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)
Profit before taxation	1,461,452	1,955,963	321,642	3,739,057
Taxation	(280,244)	(188,095)	64,702	(403,637)
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 23)				6,429,062
				54,935,425
Segment liabilities	12,316,766	21,376,625	5,095,233	38,788,624
Unallocated liabilities -				
Deferred taxation (Note 18)				39,534
Retirement benefit obligations (Note 15)				454,684
				39,282,842
Capital expenditure (Note 14)				123,691

5. Segmental Financial Information (Continued)

	The Company			
	2008			
	Individual Life Services	Employee Benefit Services	Other Services	Total
	\$'000	\$'000	\$'000	\$'000
Revenues	5,323,926	16,010,647	1,406,065	22,740,638
Benefits and expenses	(4,213,059)	(13,891,766)	(636,982)	(18,741,807)
Depreciation	(33,203)	(8,362)	(37,192)	(78,757)
Amortisation of purchased intangible	-	(70,492)	-	(70,492)
Amortisation of software	(4,555)	(7,411)	(17,365)	(29,331)
Profit before taxation	1,073,109	2,032,616	714,526	3,820,251
Income tax expense	(258,526)	(222,720)	(102,314)	(583,560)
Net profit	814,583	1,809,896	612,212	3,236,691
Segment assets -				
Intangible assets	855,862	1,702,637	49,275	2,607,774
Other assets	11,814,802	18,616,323	5,448,758	35,879,883
	12,670,664	20,318,960	5,498,033	38,487,657
Unallocated assets -				
Retirement benefit assets (Note 15)				184,482
Investments in associates (Note 13)				2,725
Investment in subsidiaries (Note 23)				5,129,499
				43,804,363
Segment liabilities	10,198,239	16,813,563	2,460,640	29,472,442
Unallocated liabilities -				
Deferred taxation (Note 18)				230,932
Retirement benefit obligations (Note 15)				397,849
				30,101,223
Capital expenditure (Note 14)				116,565

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 taxation 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 (Cont'd)

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6. Cash Resources

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balances with banks payable on demand	4,410,433	3,492,098	543,969	269,271
Cash in hand	79,885	91,766	110	108
	4,490,318	3,583,864	544,079	269,379
Short term deposits	1,402,051	1,779,864	544,648	915,157
Securities purchased under resale agreements (Note 9)	6,256,426	4,109,721	3,393,647	1,407,110
Investment securities (Note 8)	247,961	541,297	-	-
	<u>12,396,756</u>	<u>10,014,746</u>	<u>4,482,374</u>	<u>2,591,646</u>

The amounts of \$1,402,049,000 and \$544,648,000 (2008: \$1,779,864,000 and \$915,157,000) represent deposits with original maturity of less than 90 days out of the total Group and company short-term deposits of \$1,418,598 and \$561,197,000 (2008: \$1,809,780,000 and \$561,197,000) respectively.

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

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash resources	12,396,756	10,014,746	4,482,374	2,591,646
Repurchase agreements with other financial institutions	(485,259)	(159,461)	-	-
Bank overdrafts (Note 31)	(195,444)	(307,534)	(195,444)	(307,534)
	<u>11,716,053</u>	<u>9,547,751</u>	<u>4,286,930</u>	<u>2,284,112</u>

7. Cash Reserves at Bank of Jamaica

A prescribed minimum of 28% (2008 - 25%) of deposit liabilities are required to be maintained by the banking subsidiary in liquid assets, of which 14% (2008 - 13%) must be maintained as cash reserve with the Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 11% (2008 - 11%). They are not available for investment, lending or other use by the Group.

8. Financial Investments

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Short term deposits	1,418,598	1,809,780	561,197	945,073
Financial assets at fair value through profit or loss				
Government of Jamaica securities	-	302,135	-	-
Interest receivable	-	18,229	-	-
	-	320,364	-	-
Available-for-sale securities				
Government of Jamaica securities	38,881,066	37,344,887	2,122,697	3,773,427
Foreign governments	4,268,461	1,139,381	1,479,843	259,196
Corporate bonds	14,283,758	8,414,620	1,511,903	666,143
Credit Linked Notes	1,337,198	2,767,462	-	-
Quoted shares	1,993,797	1,827,061	1,165,143	1,224,605
Unquoted shares	74,275	71,767	-	-
Unit trusts	25,790	58,080	25,790	21,250
Interest receivable	1,709,561	1,312,236	127,300	113,240
	<u>62,573,906</u>	<u>52,935,494</u>	<u>6,432,676</u>	<u>6,057,861</u>
Loans and receivables				
Government of Jamaica securities	19,195,613	14,836,862	17,131,264	12,552,119
Foreign governments	64,995	57,146	-	-
Corporate debentures	17	50	17	50
Mortgage loans	2,132,114	1,974,723	2,095,656	1,935,584
Promissory notes	861,854	758,553	861,854	758,553
Loans	-	-	4,260	4,260
Policy loans	806,073	729,304	333,919	334,793
Interest receivable	562,754	411,412	491,882	334,016
	<u>23,623,420</u>	<u>18,768,050</u>	<u>20,918,852</u>	<u>15,919,375</u>
Held to maturity Investments				
Credit Linked Notes	1,745,692	1,554,655	-	-
Total Financial Investments	<u>89,361,616</u>	<u>75,388,343</u>	<u>27,912,725</u>	<u>22,922,310</u>

Included in Financial Investments are the following amounts which are pledged as collateral:

- Government of Jamaica Local Registered Stocks with a carrying value of \$8,082,000 (2008 - \$7,932,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited.
- Government of Jamaica Global bonds with a carrying value of US\$11,263,288 and Government of Trinidad and Tobago bonds with a carrying value of US\$14,362,960 which have been pledged by the company as security for margin loans with JP Morgan of US\$7,768,337.

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8. Financial Investments (Continued)

- (c) Government of Jamaica Global bonds with a carrying value of US\$4,500,000 and Government of Trinidad and Tobago bonds with a carrying value of US\$9,247,670 have been pledged by the company as security for margin loans of US\$7,617,454 with Oppenheimer.
- (d) Government of Jamaica Local Registered Stocks with a carrying value of J\$273,054,000, (2008 - J\$301,496,000) have been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.
- (e) Deed of Assignment of mortgages valued J\$608,566,940 (2008 - J\$438,517,192) which have been pledged by the company with the National Housing Trust (NHT) under joint financing mortgage programme as underlying security for funds received from the NHT.
- (f) One of the company's subsidiaries, Pan Caribbean Financial Services Limited, include \$18,221,416 (2008 \$18,079,991,000) which represents the total of those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.
- (g) Assets pledged by one of the company's subsidiaries, Pan Caribbean Financial Services Limited, with the Bank of Jamaica, Government of Jamaica Local Registered Stocks with a carrying value of J\$56,286,000 (2008 - J\$52,728,000) against possible shortfalls in its operating account.
- (h) One of the company's subsidiaries, Sagikor Life of the Cayman Islands Ltd, has Government of Jamaica Global bonds with a carrying value of US\$19,000,000, Government of Trinidad and Tobago Bonds with a carrying value of US\$10,581,667, Government of St Lucia bonds with a carrying value of US\$3,500,000, Government of Bahamas bonds with a carrying value of \$3,000,000, United States Treasury bills with a carrying value of US\$3,164,810 and International Corporate bonds with a carrying value of US\$8,509,844 pledged as security for margin loans of US\$22,990,557 with JP Morgan.
- (i) One of the company's subsidiaries, Sagikor Life of the Cayman Islands, has Government of Jamaica Global bonds with a carrying value of US\$5,500,000, Government of Trinidad and Tobago bonds with a carrying value of US\$12,200,000, International Corporate bonds with a carrying value of US\$35,002,000 and Equities with a carrying value of US\$3,325,309 pledged as security for margin loans of US\$21,652,785 with Oppenheimer.
- (j) One of the company's subsidiaries, Sagikor Life of the Cayman Islands, has Government of Bahamas bonds with a carrying value of US\$1,000,000, Government of Trinidad and Tobago bonds with a carrying value of US\$1,500,000, International Corporate bonds with a carrying value of US\$37,845,029 and equities with a carrying value of US\$3,213,447 pledged as security for margin loans of US\$23,623,704 with Smith Barney.
- (k) One of the company's subsidiaries, Sagikor Life of the Cayman Islands Ltd. has Government of Trinidad and Tobago bonds with a carrying value of US\$1,467,700 (2008 - US\$690,000), Government of Barbados bonds with a carrying value of US\$251,250 (2008 - US\$268,000) and United States Corporate bonds with a carrying value of US\$11,056,872 pledged with Credit Suisse NY to secure a US\$8,064,444 (2008 - US\$8,054,094) loan facility.

8. Financial Investments (Continued)

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

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Debt securities with an original maturity of less than 90 days (Note 6)	247,961	541,297	-	-

Reclassification of Financial Investments

In prior year, 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
	2009	2009	2008	2008
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica securities	11,496,413	9,808,552	11,531,253	8,778,954
Other securities	64,995	53,447	57,146	45,539
	11,561,408	9,861,999	11,588,399	8,824,493

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2009	2009	2008	2008
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica securities	9,306,619	8,273,468	9,246,512	7,294,023

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cumulative net fair value loss at beginning of year	(4,323,095)	(181,296)	(3,391,690)	(169,028)
Net fair value gains/(losses) for the year	1,378,574	(4,050,206)	1,320,029	(2,947,124)
Disposals	1,349	(17,136)	1,349	-
Effect of exchange rate changes	(342,417)	(74,457)	(326)	(275,538)
Cumulative net fair value loss at year end	(3,285,589)	(4,323,095)	(2,070,638)	(3,391,690)

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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 2009, the Group held \$8,139,641,000 (2008 - \$4,833,586,000) of securities, mainly representing Government of Jamaica domestic debt securities, as collateral for reverse repurchase agreements.

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Securities purchased under resale agreements				
Principal	6,428,318	4,429,905	3,397,848	1,387,111
Interest receivable	28,240	18,153	16,102	5,466
	<u>6,456,558</u>	<u>4,448,058</u>	<u>3,413,950</u>	<u>1,392,577</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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Securities purchased under agreements to resell with an original maturity of less than 90 days (Note 6)	<u>6,256,426</u>	<u>4,109,721</u>	<u>3,393,647</u>	<u>1,407,110</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			
	Assets 2009 \$'000	Liabilities 2009 \$'000	Assets 2008 \$'000	Liabilities 2008 \$'000
Derivatives held for trading -				
Currency forwards	-	-	2,589,991	2,635,231
Exchange traded funds – short sale	-	127,721	-	-
Foreign currency put option	7,103	-	-	-
Equity indexed options	<u>72,985</u>	<u>72,985</u>	<u>68,085</u>	<u>68,085</u>
	80,088	200,706	2,658,076	2,703,316
Derivatives designated as cash flow hedge				
Interest rate swap	<u>75,286</u>	-	<u>299,230</u>	-
	<u>155,374</u>	<u>200,706</u>	<u>2,957,306</u>	<u>2,703,316</u>

10. Derivative Financial Instruments and Hedging Activity (Continued)

(i) Currency forwards

Currency forwards represent commitments to buy and sell foreign currencies on a gross 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 gross basis. These contracts expired during the year.

(ii) Exchange traded funds – short sale

During the year, the company entered into transactions to sell euro currencies that were borrowed from broker. The company benefits if there is a decline in the asset price between the sale and repurchase date.

(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.

The Group has one currency put option in place at the end of year to sell a notional amount of £3,850,000. The contract will expire in January 2010.

(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 32). 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) Hedging activity – cash flow hedge

Interest rate swap

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

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 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 have been negotiated to match the terms of available-for-sale financial instrument. Both the interest rate swap and the floating rate available-for-sale financial instrument mature in 2015. The interest rate swap is settled on a net basis.

The fair value gains/(losses) recognised directly in stockholders' equity, in the fair value reserve, is \$(149,296,000) (2008 - \$199,487,000).

There was no ineffectiveness to be recorded from the cash flow hedge.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

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

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(expressed in Jamaican dollars unless otherwise indicated)

11. Loans and Leases, after Allowance for Credit Losses

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross loans	8,725,034	8,399,966	-	-
Less: Allowance for credit losses	(160,461)	(115,178)	-	-
	8,564,573	8,284,788	-	-
Loan interest receivable	89,037	86,279	-	-
	8,653,610	8,371,067	-	-
Lease receivables	34,689	75,625	2,081	4,819
	8,688,299	8,446,692	2,081	4,819

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

	Loans		Leases	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total non-performing loans/leases	205,724	234,114	32,385	-
Balance at beginning of year	115,178	108,312	-	-
Movement during the year -				
Charged against profit during the year	72,856	7,695	16,976	-
Recoveries of bad debts	-	(6,177)	-	-
Charged in the income statement	72,856	1,518	16,976	-
Write-offs	(36,303)	(5,693)	-	-
Currency revaluation adjustment	8,730	11,041	-	-
At end of year	160,461	115,178	16,976	-

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

Lease receivables:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross investment in finance leases -				
Not later than one year	24,553	35,286	1,727	4,072
Later than one year and not later than five years	47,447	58,820	-	323
Less: Unearned income	(21,829)	(20,359)	(3)	(307)
Net investment in finance leases	50,171	73,747	1,724	4,088
Net investment in finance leases -				
Not later than one year	23,791	34,986	1,724	3,772
Later than one year and not later than five years	26,380	38,761	-	316
	50,171	73,747	1,724	4,088
Less provision for credit losses	(16,976)	-	-	-
Interest receivable	1,494	1,878	357	731
	34,689	75,625	2,081	4,819

12. Investment Properties

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At beginning of year	326,175	264,084	326,175	264,084
Acquired during the year	28,738	48,091	8,848	48,091
Transferred from property, plant and equipment (Note 14)	635,934	-	297,355	-
Transferred from real estate developed for resale (Note 19)	33,633	-	33,633	-
Fair value gains/(losses)	16,858	14,000	(1,011)	14,000
At end of year	1,041,338	326,175	665,000	326,175

The properties as at 31 December 2009 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Rental income	31,644	6,207	12,163	6,207
Direct operating expenses	(16,370)	(3,248)	(11,310)	(3,248)

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

13. Investment in Associated Company

(a) Name of Company	Principal Activity	Equity Capital held by Company
St. Andrew Developers Limited	Real estate development (dormant)	33⅓%

The company is incorporated and resident in Jamaica and is unlisted.

(b) The investment in associated company is represented as follows:

	The Group and the Company	
	2009	2008
	\$'000	\$'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>

14. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements \$'000	Freehold Land & buildings \$'000	Furniture & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost or Valuation -					
At 1 January 2008	180,116	747,028	797,652	68,127	1,792,923
Revaluation adjustments	-	136,670	-	-	138,670
Acquired on acquisition	-	300,523	37,226	2,584	340,333
Additions	38,965	4,026	133,964	46,149	223,104
Disposals	-	-	(4,071)	(7,931)	(12,002)
Translation adjustment	-	34,125	19,760	594	54,479
At 31 December 2008	219,081	1,224,372	984,531	109,523	2,537,507
Revaluation adjustments	-	14,733	-	-	14,733
Transfer from real estate developed for resale	-	9,575	-	-	9,575
Transfer to Investment properties	-	(647,093)	-	-	(647,093)
Additions	77,616	-	115,789	9,549	202,954
Disposals	-	-	(941)	(10,985)	(11,926)
Translation adjustment	(1)	35,089	23,043	1,974	60,105
At 31 December 2009	296,696	636,676	1,122,422	110,061	2,165,855
Accumulated Depreciation -					
At 1 January 2008	51,888	-	471,666	39,341	562,895
Charge for the year	21,150	14,017	114,202	13,355	162,724
Relieved on revalued assets	-	(11,525)	-	-	(11,525)
Relieved on disposals	-	-	(3,998)	(7,931)	(11,929)
Translation adjustment	-	718	12,971	589	14,278
At 31 December 2008	73,038	3,210	594,841	45,354	716,443
Charge for the year	24,846	14,711	130,323	25,070	194,950
Relieved on revalued assets	-	(6,852)	-	-	(6,852)
Relieved on Transfer to investment properties	-	(11,159)	-	-	(11,159)
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
Net Book Value -					
31 December 2008	146,043	1,221,162	389,690	64,169	1,821,064
31 December 2009	198,796	636,676	382,768	43,480	1,261,720

Notes to the Financial Statements (Cont'd)

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(expressed in Jamaican dollars unless otherwise indicated)

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 2008	97,648	502,400	414,923	48,001	1,062,972
Revaluation adjustments	-	105,940	-	-	108,508
Acquired on acquisitions	-	303,091	37,192	2,584	340,299
Transferred to subsidiary	-	-	(36,383)	-	(36,383)
Additions	20,051	4,026	58,874	33,614	116,565
Disposals	-	-	(436)	(5,891)	(6,327)
At 31 December 2008	117,699	915,457	474,170	78,308	1,585,634
Revaluation adjustments	-	14,733	-	8,982	23,715
Transferred from real estate developed for resale	-	9,575	-	-	9,575
Transferred to investment properties	-	(303,091)	-	-	(303,091)
Additions	45,223	-	78,468	-	123,691
Disposals	-	-	(742)	(7,108)	(7,850)
At 31 December 2009	162,922	636,674	551,896	82,601	1,431,674
Accumulated Depreciation -					
At 1 January 2008	23,969	-	233,652	24,290	281,911
Charge for the year	12,676	7,400	49,000	9,681	78,757
Transferred to subsidiary	-	-	(19,404)	-	(19,404)
Relieved on revalued assets	-	(4,190)	-	-	(4,190)
Relieved on disposals	-	-	(432)	(5,891)	(6,323)
At 31 December 2008	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 transfers to investment properties	-	(5,736)	-	-	(5,736)
Relieved on revalued assets	-	(6,852)	-	-	(6,852)
Relieved on disposals	-	-	(493)	(970)	(1,463)
At 31 December 2009	51,045	-	319,910	47,992	418,947
Net Book Value -					
31 December 2008	81,054	912,247	211,354	50,228	1,254,883
31 December 2009	111,877	636,674	231,986	32,190	1,012,727

14. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, certain owner-occupied properties were independently revalued during 2009 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 \$21,585,000 (2008 - \$150,195,000), has been credited to investment and fair value reserves (Note 27).

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

	2009	2008
	\$'000	\$'000
Cost	27,296	85,134
Accumulated depreciation	(12,156)	(35,784)
Net book value	15,140	49,350
Carrying value of revalued assets	636,676	1,221,162

15. Retirement Benefits

(a) Pension Scheme

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Retirement benefit assets -				
Pension scheme	316,535	206,190	249,033	184,482
Retirement benefit obligations -				
Other post-retirement benefits	500,407	430,422	454,684	397,849

Pension schemes comprised the following -

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Retirement benefit assets	(316,535)	(206,190)	(249,033)	(184,482)

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

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 (2006) was 113%.
- (ii) Sagicor Life of the Cayman Islands Limited 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 Group 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Present value of funded obligations	4,230,160	3,787,130	3,963,942	3,563,974
Fair value of plan assets	(4,604,618)	(3,843,280)	(4,270,898)	(3,596,304)
	(374,458)	(56,150)	(306,956)	(32,330)
Unrecognised actuarial losses	37,735	(300,823)	57,923	(258,226)
Limitation of asset due to uncertainty of future benefits	20,188	150,783	-	106,074
Assets in the statement of financial position	(316,535)	(206,190)	(249,033)	(184,482)

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 (2008 - \$1,700,000,000).

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current service cost	168,484	144,589	152,273	130,087
Interest cost	513,399	419,933	480,375	398,420
Expected return on plan assets	(490,260)	(470,861)	(452,174)	(439,989)
Change in unrecognised asset	(130,595)	12,741	(106,074)	(36,753)
Net actuarial losses recognised in year	1,444	-	-	-
Total, included in staff costs (Note 49)	62,472	106,402	74,400	51,765

The actual return on plan assets was negative \$666,845,000 (2008 - negative \$176,281,000) and \$626,376,000 (2008 - negative \$154,940,000 (2008 - negative \$154,940,000) 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 January	3,843,280	3,617,191	3,596,304	3,386,043
Acquired on acquisition	-	416,390	-	416,390
Members' contribution	201,085	165,847	176,966	145,877
Employer's contribution	172,817	147,572	138,951	120,771
Benefits paid	(218,889)	(274,573)	(212,738)	(269,365)
Expected return on assets	490,260	470,861	452,174	439,989
Actuarial loss	116,065	(700,008)	119,241	(643,401)
At 31 December	4,604,618	3,843,280	4,270,898	3,596,304

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

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 January	(206,190)	19,462	(184,482)	69,006
Assumed on acquisition	-	(184,482)	-	(184,482)
Total expense - as above	62,472	106,402	74,400	51,765
Contributions paid	(172,817)	(147,572)	(138,951)	(120,771)
At 31 December	(316,535)	(206,190)	(249,033)	(184,482)

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Company	
	2009	2008
Discount rate J\$ benefits	16.00%	16.00%
Discount rate – US\$ Indexed benefits	9.00%	9.00%
Inflation	9.00%	10.00%
Investment fees	1.00%	1.00%
Administrative fees	1.00%	1.00%
Expected return on plan assets	10.00%	14.00%
Future salary increases	12.00%	13.00%
Future pension increases	3.50%	5.00%
Average expected remaining working lives (years)	8	10

Pension plan assets are comprised as follows:

	The Company			
	2009 \$'000	%	2008 \$'000	%
Acquired from Blue Cross Jamaica Limited	416,390	10		11
Equities	994,518	23	855,558	24
Mortgages and real estate	688,512	16	348,561	10
Money market fund	612,011	14	570,372	16
Fixed income fund	765,014	18	792,184	22
Foreign exchange	765,014	18	602,059	17
	4,241,459	99	3,585,124	99
Late deposit	29,439	1	11,180	1
	4,270,898	100	3,596,304	100
	\$'000			
Equities	49,513			
GOJ Bonds/LRS	187,318			
Repurchase agreements	124,862			
Corporate bonds	23,688			
Preference shares	10			
Leased assets	5,941			
Net current assets	25,058			
	<u>416,390</u>			

The expected Group and company contributions to post-employment plans for the year ending 31 December 2009 are \$205,965,000 and \$169,576,000 respectively.

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

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

	The Group				
	Pensions				
	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
As at 31 December					
Present value of defined benefit obligation	4,230,160	3,787,130	3,636,653	3,060,802	2,296,102
Fair value of plan assets	(4,604,618)	(3,843,280)	(3,617,191)	(3,042,437)	(2,451,215)
Fund status	(374,458)	(56,150)	19,462	18,365	(155,113)
Actuarial (gain)/loss on plan liabilities	(221,049)	(560,421)	38,739	344,500	(3,240)
Actuarial (gain)/loss on plan assets	(116,065)	700,008	36,179	(33,699)	(53,583)
	The Company				
	Pensions				
	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
As at 31 December					
Present value of defined benefit obligation	3,963,942	3,563,974	3,455,049	2,913,319	2,176,045
Fair value of plan assets	(4,270,898)	(3,596,304)	(3,386,043)	(2,874,515)	(2,346,033)
Fund status	(306,956)	(32,330)	69,006	38,804	(169,988)
Actuarial (gain)/loss on plan liabilities	(196,908)	(551,196)	42,654	344,464	(2,291)
Actuarial (gain)/loss on plan assets	(119,241)	643,401	50,513	(38,063)	(50,783)

(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 14.5% (2008 – 14.5%) per year.

The company has instituted a restructuring of its post-employment health benefits policy for pensioners, staff and agents. The effect of this restructuring has been taken into account in the actuarial valuation as at 31 December 2009.

Notes to the Financial Statements (Cont'd)**31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	680,187	588,965	643,538	548,801
Fair value of plan assets	(91,270)	(83,734)	(91,270)	(83,734)
Unrecognised actuarial losses	(88,510)	(74,809)	(97,584)	(67,218)
Liability in the statement of financial position	<u>500,407</u>	<u>430,422</u>	<u>454,684</u>	<u>397,849</u>

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current service cost	5,556	60,053	(801)	53,271
Expected return on plan assets	(7,536)	(9,633)	(7,536)	(9,633)
Interest cost	86,857	81,382	80,430	76,258
Curtailment loss	-	23,738	-	21,731
Net actuarial losses	1,973	10,319	1,611	9,073
Total included in staff costs (Note 49 (a))	<u>86,850</u>	<u>165,859</u>	<u>73,704</u>	<u>150,700</u>

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

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Liability at beginning of year	430,442	239,441	397,849	222,027
Assumed on acquisition	-	37,678	-	37,678
Total expense, as above	86,850	165,859	73,704	150,700
Contributions paid	(16,885)	(12,556)	(16,869)	(12,556)
Liability at end of year	<u>500,407</u>	<u>430,422</u>	<u>454,684</u>	<u>397,849</u>

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	28,345	44,224
Revised Interest Cost	65,207	87,649
Revised Accumulated Post Employment Benefit obligation	<u>525,701</u>	<u>713,912</u>

	The Group				
	Health and Life				
	2009	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Present value of defined benefit obligation	717,861	588,965	475,029	482,730	293,466
Fair value of plan assets	(91,270)	(83,734)	(74,101)	(64,890)	(57,680)
Fund status	<u>626,591</u>	<u>505,231</u>	<u>400,928</u>	<u>417,840</u>	<u>235,786</u>

Actuarial (gain)/loss on plan liabilities	15,674	(206,774)	56,360	129,501	76,074
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	The Company				
	Health and Life				
	2009	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Present value of defined benefit obligation	681,216	548,801	433,278	458,905	280,992
Fair value of plan assets	(91,270)	(83,734)	(74,101)	(64,890)	(57,680)
Fund status	<u>589,946</u>	<u>465,067</u>	<u>359,177</u>	<u>394,015</u>	<u>223,312</u>

Actuarial (gain)/loss on plan liabilities	31,977	(192,447)	39,631	121,438	77,218
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Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

16. Reinsurance Contracts

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Claims recoverable from reinsurers	137,412	1,591,202	53,612	57,848
Unearned premiums ceded to reinsurers	54,026	906,294	-	-
Reinsurers' share of actuarial liabilities	-	76,753	-	-
	<u>191,438</u>	<u>2,574,249</u>	<u>53,612</u>	<u>57,848</u>

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

17. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -					
At 1 January 2008	2,058,184	3,312,008	495,713	393,320	6,259,225
Additions	-	-	-	118,611	118,611
Acquired on acquisition	-	-	-	3,754	3,754
Intangible assets identified on acquisition of Blue Cross Jamaica Limited	-	377,000	-	-	377,000
Adjustment to goodwill for prior acquisition of Sagikor General Insurance	(29,089)	-	-	-	(29,089)
Exchange adjustment	89,222	38,293	3,109	8,380	139,004
At 31 December 2008	2,118,317	3,727,301	498,822	524,065	6,868,505
Additions	-	-	-	29,092	29,092
Acquired on acquisition (Note 60 (a))	601	-	-	-	601
Exchange adjustment	62,140	35,043	2,884	7,820	107,887
At 31 December 2009	<u>2,181,058</u>	<u>3,762,344</u>	<u>501,706</u>	<u>597,300</u>	<u>7,042,408</u>
Amortisation -					
At 1 January 2008	-	550,090	495,713	228,455	1,274,258
Amortisation charge	-	198,331	-	84,798	283,129
Exchange adjustment	-	11,040	3,109	5,181	19,330
At 31 December 2008	-	759,461	498,822	318,434	1,576,717
Amortisation charge	-	240,720	-	98,618	339,338
Exchange adjustment	-	11,536	2,884	5,098	19,518
At 31 December 2008	-	1,011,717	501,706	422,150	1,935,573
Net Book Value -					
31 December 2008	<u>2,118,317</u>	<u>2,967,840</u>	<u>-</u>	<u>205,631</u>	<u>5,291,788</u>
31 December 2009	<u>2,181,058</u>	<u>2,750,627</u>	<u>-</u>	<u>138,827</u>	<u>5,070,512</u>

17. Intangible Assets (Continued)

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

	The Group		The Company	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Sagikor Life Jamaica Employee Benefits Division	530,126	530,126	530,126	530,126
Sagikor Life Jamaica Individual Life Division	855,191	855,191	855,191	855,191
PanCaribbean Financial Services Limited	186,066	186,066	-	-
Sagikor Life of the Cayman Islands Ltd - Individual Life Division	445,630	399,637	-	-
Sagikor General Insurance Ltd.	164,045	147,297	-	-
	<u>2,181,058</u>	<u>2,118,317</u>	<u>1,385,317</u>	<u>1,385,317</u>

For the year ended 31 December 2009, management tested goodwill allocated to Sagikor Life Jamaica Individual Life Division, Sagikor Life Jamaica Employee Benefits Division, Sagikor Life of the Cayman Islands Ltd, Pan Caribbean Financial Services Limited and Sagikor General Insurance Limited for impairment.

The recoverable amounts of Sagikor Life Jamaica Individual Life Division, Sagikor Life Jamaica Employee Benefits Division and Sagikor 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 Pan Caribbean Financial Services Limited and Sagikor General Insurance Ltd CGUs 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
Sagikor Life Jamaica Individual Life Division	4.3	-	-	-
Sagikor Life Jamaica Employee Benefits Division	4.4	-	-	-
Sagikor Life of the Cayman Islands Ltd	8.3	-	-	-
Pan Caribbean Financial Services Limited	-	9.20%	9.00%	26.80%
Sagikor General Insurance Ltd	-	2.70%	7.00%	14.10%

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(expressed in Jamaican dollars unless otherwise indicated)

	The Company			
	Goodwill	Contractual Customer Relationship	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
Cost -				
At 1 January 2008	1,385,317	1,051,973	154,370	2,591,660
Transfer to subsidiary	-	-	(479)	(479)
Acquired on acquisition	-	377,000	3,754	380,754
Additions	-	-	5,630	5,630
At 31 December 2008	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
Amortisation -				
At 1 January 2008	-	191,843	78,542	270,385
Transfer to subsidiary	-	-	(417)	(417)
Amortisation charge	-	69,761	30,062	99,823
At 31 December 2008	-	261,604	108,187	369,791
Amortisation charge	-	107,458	31,694	139,152
At 31 December 2009	-	369,062	139,881	508,943
Net Book Value -				
31 December 2008	1,385,317	1,167,369	55,088	2,607,774
31 December 2009	1,385,317	1,059,911	44,367	2,489,595

Amortisation charges of \$339,338,000 (2008 - \$283,129,000) and \$139,147,000 (2008 - \$99,823,000) 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.

18. 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 Sagikor Property Services Limited.

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

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	(826,072)	(636,485)	(258,851)	(36,674)
Deferred income tax liabilities	372,856	418,647	298,385	267,606
	<u>(453,216)</u>	<u>(217,838)</u>	<u>39,534</u>	<u>230,932</u>

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

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January	(217,838)	169,717	230,932	73,481
Charged/(credited) to income statement (Note 50)	(35,540)	79,859	(25,647)	96,053
Tax credit relating to components in other comprehensive income	<u>(199,838)</u>	<u>(467,414)</u>	<u>(165,751)</u>	<u>61,398</u>
Balance as at 31 December	<u>(453,216)</u>	<u>(217,838)</u>	<u>39,534</u>	<u>230,932</u>

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(expressed in Jamaican dollars unless otherwise indicated)

18. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred income tax assets -				
Property, plant and equipment	(2,934)	(363)	-	(92)
Investment securities	(706,528)	(581,338)	(165,751)	-
Pensions and other post-retirement benefits	(80,233)	(31,133)	(68,203)	(20,275)
Interest payable	(13,609)	(5,841)	(13,609)	(5,450)
Tax losses unused	(3,259)	(398)	-	-
Other	(19,509)	(17,412)	(11,288)	(10,857)
	<u>(826,072)</u>	<u>(636,485)</u>	<u>(258,851)</u>	<u>(36,674)</u>
Deferred income tax liabilities -				
Property, plant and equipment	47,599	83,432	41,283	70,699
Trading securities	-	12,807	-	-
Interest rate swap	25,095	99,743	-	-
Impairment losses on loans	23,759	15,332	-	-
Interest receivable	92,182	65,838	92,173	65,818
Pensions and other post-retirement benefits	56,647	34,908	37,355	27,672
Unrealised gains on investment properties	127,574	100,624	127,574	100,624
Other	-	5,963	-	2,793
	<u>372,856</u>	<u>418,647</u>	<u>298,385</u>	<u>267,606</u>
Deferred income (asset)/liability	<u>(453,216)</u>	<u>(217,838)</u>	<u>39,534</u>	<u>230,932</u>

18. Deferred Income Taxes (continued)

These balances include the following:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred tax assets to be settled after more than 12 months	789,695	611,508	39,534	20,275
Deferred tax liabilities to be recovered after more than 12 months	<u>153,100</u>	<u>207,136</u>	<u>-</u>	<u>210,657</u>

19. Other Assets

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Broker receivables	-	1,106	-	-
Due from sales representatives	368,345	437,075	292,738	388,008
Real estate developed for resale -				
Opening balance	500,283	279,227	500,283	279,227
Cost of sales	(34,482)	(209,860)	(34,482)	(209,860)
Amounts acquired	-	228,518	-	228,518
Transferred to investment property (Note 12)	(33,633)	-	(33,633)	-
Additions during the year	16,167	202,398	16,167	202,398
	<u>448,335</u>	<u>500,283</u>	<u>448,335</u>	<u>500,283</u>
Premiums due and unpaid	1,232,972	1,526,300	1,142,071	1,055,183
Deferred acquisition commission	-	91,935	-	4,680
Due from related parties (Note 22(a))	510,901	807,763	1,305,203	567,160
Due from Government Employees Administrative Services Only Fund (GEASO)	72,395	177,679	72,395	177,679
Prepayments	254,884	148,011	175,372	143,862
Due from Cayman National Corporation	-	110,229	-	-
Customer settlements accounts	63,713	224,964	-	-
Other receivables	153,893	640,039	189,238	104,170
	<u>3,105,438</u>	<u>4,665,384</u>	<u>3,625,352</u>	<u>2,941,025</u>

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

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20. Segregated Funds

(a) The Group and the company manage accounts totaling approximately \$8,516,279 (2008 - \$6,560,697) and \$8,014,361 (2008 - \$6,295,831), 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Corporate debentures	746,504	337,913	712,619	337,913
Government securities	3,407,367	2,767,235	3,271,674	2,632,795
Government securities purchased under resale agreements and short-term loans	1,627,837	1,186,822	1,502,172	1,129,601
Investment properties	1,292,243	1,188,547	1,292,243	1,188,547
Quoted equities	949,191	754,781	770,109	681,845
Unit trusts	141,055	44,321	141,055	44,321
Other assets	352,082	281,078	324,489	280,809
	<u>8,516,279</u>	<u>6,560,697</u>	<u>8,014,361</u>	<u>6,295,831</u>

(c) Income by type on Segregated Funds' Investments

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Corporate debentures	97,986	7,961	97,543	7,961
Government securities	655,952	15,296	622,023	66,547
Government securities purchased under resale agreements and short-term loans	188,163	52,483	181,539	51,246
Investment properties	157,636	161,005	157,636	161,005
Quoted equities	176,108	(276,036)	132,046	(231,522)
Unit trusts	111,435	(236,996)	111,435	(236,996)
	<u>1,387,280</u>	<u>(276,287)</u>	<u>1,302,222</u>	<u>(181,759)</u>

21. Assets of Disposal Company Classified as Held For Sale and Discontinued Operations

The assets and liabilities related to Sagicor General Insurance Cayman (part of the general insurance services segment) have been presented as held for sale following the approval of the Board of Directors prior to the year end to sell the company.

On 23 February 2010, Sagicor Life of the Cayman Islands Limited entered into a Share Purchase Agreement with Bahamas First Holdings Limited for the divestiture of its 75.24% holding in Sagicor General Insurance (Cayman) Limited and its Captive Management subsidiary. At the same time, Sagicor Life of the Cayman Islands Limited will purchase 100% of the outstanding shares in the Captive Management down-stream subsidiary. These transactions are effective 1 January 2010 and subject to regulatory approval.

Analysis of the result of the discontinued operations is as follows:

(i) Income Statement		
	2009	2008
	\$'000	\$'000
Revenues	2,474,589	1,724,419
Expenses	(2,869,742)	(1,706,436)
Loss of discontinued operations	(395,153)	17,983
(Loss)/profit per share from discontinued operations	(0.10)	0.01
(ii) Assets of company classified as held for sale.		
	2009	2008
	\$'000	\$'000
Financial investments	1,757,051	-
Reinsurance contracts	1,530,650	-
Other assets	1,147,545	-
	<u>4,435,246</u>	<u>-</u>
(iii) Liabilities associated with company classified as held for sale.		
	2009	2008
	\$'000	\$'000
Insurance contract liabilities	304,902	-
Other policy liabilities	1,867,116	-
Other liabilities	1,326,381	-
	<u>3,498,399</u>	<u>-</u>
(iv) Statement of Cash Flows		
	2009	2008
	\$'000	\$'000
Operating cash flows	48,342	44,301
Investing cash flows	(16,116)	(34,509)
Financing cash flows	(23,582)	(62,569)
Total cash flows	<u>8,644</u>	<u>(52,777)</u>

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22. Related Party Balances and Transactions

The Group is controlled by Sagikor Financial Corporation, a company incorporated and domiciled in Barbados. The Group is controlled by Sagikor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 59.20% (2008 – 59.37%) of the ordinary stock units. First Jamaica Investment Limited owns 24.44% (2008 – 24.51%) of the ordinary stock units. The remaining 16.36% (2008 – 16.12%) of the stock units is widely held.

Related parties include the Pooled Investment Funds and the Segregated Funds managed by the Group.

Related companies include ultimate parent company, parent company and fellow subsidiaries.

(a) The statement of financial position includes the following balances with related parties and companies:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Due from related companies -				
Ultimate parent company	382,992	656,527	366,384	292,605
Parent company	40,248	40,248	40,248	40,248
Subsidiary companies	-	-	828,896	142,058
Segregated funds	17,986	18,739	-	-
Pooled Pension Investment Fund	64,632	85,549	64,632	85,549
Other managed funds	5,043	6,700	5,043	6,700
	<u>510,901</u>	<u>807,763</u>	<u>1,305,203</u>	<u>567,160</u>

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Due to related companies -				
Ultimate parent company	5,914	181,128	4,967	194,652
Subsidiary companies	-	-	1,820,919	53,815
Segregated funds	57,375	34,517	57,375	34,516
	<u>63,289</u>	<u>215,645</u>	<u>1,883,261</u>	<u>282,983</u>

Directors and key management personnel -				
Loans	9,689	5,606	-	-
Customer deposits	41,986	6,638	-	-
Securities sold under repurchase agreements	82,067	93,583	-	-
Structured Products	-	27,675	-	-
Derivative financial instrument assets	-	21,960	-	-
Derivative financial instrument liabilities	-	19,815	-	-

22. Related Party Balances and Transactions (Continued)

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

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Parent company -				
Investment income	62,800	8,525	62,800	8,525
Shared services fees	<u>149,583</u>	<u>107,593</u>	<u>122,115</u>	<u>107,593</u>
Fellow subsidiaries -				
Administration fee income	-	-	28,682	23,457
Management fee income	-	-	114,003	89,729
Shared services fees	<u>-</u>	<u>-</u>	<u>124,757</u>	<u>111,479</u>
Segregated funds -				
Investment management fee income	<u>142,918</u>	<u>123,560</u>	<u>135,910</u>	<u>118,117</u>

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22. Due from/to Related Companies – Balances and Transactions (continued)

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

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Pooled Investment Fund -				
Lease rental expense	208,745	152,205	199,571	152,205
Management fee income	351,874	349,479	351,874	349,479
Administration fee income	151,461	135,259	-	-
Directors and key management personnel -				
Interest expense	6,811	5,955	-	-
Other related parties -				
Interest and other income earned	-	8,525	132,190	12,278
Interest and other expenses paid	-	-	-	130,704
Key management compensation -				
Salaries and other short term benefits	415,845	422,071	241,275	245,451
Share based payments	34,119	29,208	30,949	21,950
Contributions to pensions and insurance schemes	21,151	15,541	15,585	15,541
	471,115	466,820	287,809	282,942
Directors' emoluments -				
Fees	21,022	25,273	10,291	11,170
Other expenses	2,346	2,055	1,902	1,893
Management remuneration (included above)	65,273	67,399	65,273	67,399
	88,641	94,727	77,466	80,462

23. Investment in Subsidiaries

	The Company	
	2009 \$'000	2008 \$'000
Balance as at 1 January	5,129,499	5,054,847
Acquired during the year	1,299,563	74,852
Balance at 31 December	6,429,062	5,129,499

Investments were made in the following subsidiaries:

	2009 \$'000	2008 \$'000
PanCaribbean Financial Services Limited	1,294,569	74,852
Sagicor International Administrators Limited	4,994	-
	1,299,563	74,852

24. Share Capital

	The Group and The Company	
	2009 \$'000	2008 \$'000
Authorised:		
13,598,340,000 (2008 – 13,598,340,000)		
Ordinary shares		
Issued and fully paid:		
3,760,992,000 (2008 – 3,750,264,000)		
Ordinary shares at no par	7,854,938	7,796,463
	Share Capital	
	No.'000	\$'000
At 31 December 2008	3,750,264	7,796,463
Share options exercised and stock grants	3,821	28,817
Staff share purchase scheme	6,907	29,658
At 31 December 2009	3,760,992	7,854,938

25. Capital Reserve

This represents the capital redemption reserve fund arising on the redemption of preference shares.

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26. Stock Option 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 Sagikor Life Jamaica Limited stock. 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			
	2009		2008	
	Options (thousands)	Weighted Average exercise price in \$ per share	Options (thousands)	Weighted Average exercise price in \$ per share
At beginning of year	16,195	7.42	19,334	6.79
Granted - 2007	16,841	7.92	-	-
- 2008	9,655	7.92	-	-
Expired	(13,169)	7.98	(985)	2.70
Exercised	(2,982)	3.90	(2,154)	3.90
At end of year	<u>26,540</u>	<u>8.04</u>	<u>16,195</u>	<u>7.42</u>
Exercisable at the end of the period	<u>14,536</u>	<u>8.94</u>	<u>13,026</u>	<u>7.93</u>

26. Stock Option Reserve (Continued)

Stock options outstanding at the end of the year for the company have the following expiry date and exercise price:

	2009 \$'000	2008 \$'000
2009	-	3,233
2010	2,190	3,884
2011	2,579	4,396
2012	2,970	-
2014	11,361	-
2015	7,440	-
	<u>26,540</u>	<u>11,513</u>

For options outstanding at the end of the year for the company, exercise prices range from \$7.92 to \$11.30 (2008 - \$9.00 to \$11.30). The remaining contractual terms range from 1 to 5 years (2008 - 1 to 3 years).

The weighted average share price for options exercised during the year was \$5.87 and proceeds of \$23,265,000 were received by the company.

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 \$37,274,000. The significant inputs into the model were share prices ranging from \$6.80 (for 2008 grants) to \$11.30 (for 2004 grants) at the grant date, dividend yield of 6.47%, standard deviation of the expected share price returns of 34%, option life disclosed above, and annual risk free interest rate ranging from 16.77% (for 2004 grants) to 17.49% (for 2008 grants). The expected volatility is based on statistical analysis of daily share prices over three years.

The Group and the company recognised cumulative expenses of \$63,283,000 and \$37,274,000 (2008 - \$61,299,000 and \$35,166,000) and share options expense of which \$25,119,000 and \$21,949,000 (2008 - \$29,208,000 and \$21,950,000) was recognised 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 Sagikor Life Jamaica Limited shares at 75% of the closing bid price on December 31, each year. During the year 4,000,000 shares were issued (2008 - no shares were issued) for total proceeds of \$18,000,000.

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26. Stock Option Reserve (Continued)

One of the company's subsidiaries, Pan Caribbean Financial Services Limited (PCFS), offers share 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 the PCFS before the options vest. Options were granted as follows:

- (i) 1,200,000 share options on 1 March 2005. These options expired on 25 February 2009. 75,000 of these shares were vested and were forfeited during the year.
- (ii) 1,200,000 share options on 1 March 2006. These options expire on 28 February 2010. The exercise price for the options is \$19.29. These options vest over four years – 25% each anniversary date of the grant. 150,000 shares have been taken up to date.
- (iii) 600,000 share 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 shares were forfeited during the year.
- (iv) 4,074,246 share options on 1 April 2007. These options expire on 31 March 2011. The exercise price for the options is \$18.00. These options vest over four years – 25% each anniversary date of the grant. Contracts for 283,000 of these shares were forfeited during the year.

Details of the share options outstanding are as follows:

	PCFS			
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
	2009	2009	2008	2008
	'000	\$	'000	\$
Balance at beginning of year	5,457	18.91	5,949	18.87
Exercised	-	-	(150)	19.29
Lapsed/forfeited	(658)	21.82	(342)	18.00
	<u>4,799</u>	<u>18.53</u>	<u>5,457</u>	<u>18.91</u>
Exercisable at the end of the year	<u>2,312</u>	<u>18.66</u>	<u>1,694</u>	<u>19.49</u>

For options outstanding at the end of the year for PCFS, the exercise price ranges from \$18.00 to \$21.75 (2008 - \$18 to \$36.50). The weighted average remaining contractual term is three years (2008 – four years).

No options were exercised during the current year. The weighted average share price at the date of exercise for options exercised during 2008 was \$19.29.

27. 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 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash flow hedges reserves	7,702	105,668	-	-
Owner-occupied properties	469,042	447,456	386,557	364,971
Unrealised gains/(losses), on available-for-sale securities	<u>(2,032,099)</u>	<u>(3,251,896)</u>	<u>(1,133,336)</u>	<u>(1,764,287)</u>
	<u>(1,555,355)</u>	<u>(2,698,772)</u>	<u>(746,779)</u>	<u>(1,399,316)</u>

28. 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.

29. Other Reserves

(a) Special Investment Reserve

This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(t)).

(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.

30. Dividends Declared

	The Group and The Company	
	2009	2008
	\$'000	\$'000
First interim dividends – 25 cents per share (2008 – 24 cents per share)	938,655	899,950
Second interim dividends - 32 cents per share (2008 - 20 cents per share)	<u>1,202,501</u>	<u>750,053</u>
	<u>2,141,156</u>	<u>1,650,003</u>

The dividends paid for 2009 and 2008 represented a dividend per stock unit of \$0.57 and \$0.44 respectively.

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31. Due to Banks and Other Financial Institutions

	Currency	Rate %	The Group		The Company	
			2009	2008	2009	2008
			\$'000	\$'000	\$'000	\$'000
Long Term Loans -						
PanCaribbean Financial Services Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayable over varying periods from 24 to 96 months	J\$	various	92,930	111,512	-	-
Repayable over varying periods from 48 to 96 months	US\$	various	25,041	60,120	-	-
European Investment Bank (EIB) -						
Repayable in 7 equal annual installments commencing 5 December 2008 and 2014	J\$	various	463,687	777,226	-	-
Repayable in 7 equal annual installments commencing 5 December 2008 and 2014	US\$	5.997	58,414	59,694	-	-
The National Export Import Bank of Jamaica Limited -						
Repayable in 42 monthly installments commencing May 2009 ending October 2012	J\$	9	9,393	11,603	-	-
PanCaribbean Bank Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayment over varying periods from 6 months to 108 months	J\$	7-10	285,602	163,083	-	-
Repayable over varying periods from 6 months to 108 months	US\$	5.35	291,210	-	-	-
The National Export-Import Bank of Jamaica Limited -						
Repayable over varying periods from 6 months to 108 months	J\$	9	6,510	80,671	-	-
Repayable over varying periods from 6 months to 54 months	US\$	4.5	-	32,086	-	-
Balance c/f			1,232,787	1,295,995	-	-

31. Due to Banks and Other Financial Institutions (Continued)

	Currency	Rate %	The Group		The Company	
			2009	2008	2009	2008
			\$'000	\$'000	\$'000	\$'000
Long Term Loans (continued)						
Balance b/f			1,232,787	1,295,995	-	-
Sagikor Life Jamaica Limited:						
National Housing Trust						
Repayment in 26 quarterly installments commencing 31 March 2010	J\$	8	9,716	10,823	9,716	10,823
Repayment in 17 quarterly installments commencing 31 March 2010	J\$	8	884	1,050	884	1,050
Repayment in 24 quarterly installments commencing 31 March 2010	J\$	8	115	130	115	130
Repayment over 12 years commencing 31 January 2010	J\$	1.75-6	505,437	433,355	505,437	433,355
Sagikor Life of the Cayman Island Ltd:						
Credit Suisse						
Repayment in 1 installment on 21 February 2011	US\$	7.25	720,380	645,081	-	-
Short Term Loans -						
Pan Caribbean Financial Services Limited:						
Oppenheimer & Co. Inc.						
Repayable in 1 installment on 16 February 2010	US\$	0.75	45,061	40,796	-	-
Sagikor Barbados						
Segregated Pension Funds						
Repayable in 1 installment on 25 January 2010	US\$	8	223,369	200,586	-	-
Balance c/f			2,737,749	2,627,816	516,152	445,358

Notes to the Financial Statements (Cont'd)

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31. Due to Banks and Other Financial Institutions (Continued)

	Currency	Rate %	The Group		The Company	
			2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short Term Loans (continued) -						
Balance b/f			2,737,749	2,627,816	516,152	445,358
Sagikor Life Jamaica Limited:						
JP Morgan Repayable on demand	US\$	0.74-1.03	693,980	447,939	693,980	447,938
Oppenheimer Repayable on demand	US\$	2.25	680,451	292,805	680,451	292,805
Sagikor Life of the Cayman Island:						
JP Morgan Repayable on demand	US\$	0.74 – 1.03	2,053,698	916,759	-	-
Oppenheimer Repayable on demand	US\$	2.25	1,934,198	1,295,424	-	-
Smith Barney Repayable on demand	US\$	1.11 – 1.26	2,110,601	-	-	-
Bank Overdrafts						
Sagikor Life Jamaica Limited:						
National Commercial Bank Jamaica Limited			195,444	293,870	195,444	293,870
RBTT Bank Jamaica Limited			-	13,664	-	13,664
			195,444	307,534	195,444	307,534
			10,406,121	5,888,277	2,086,027	1,493,635

31. 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.

Facility # 2

(i) A facility was established in the amount of €5,000,000. The loan was disbursed to PCFS in 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.

(ii) 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.

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31. Due to Banks and Other Financial Institutions (Continued)

(b) European Investment Bank (EIB)

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 (EXIM). Through this partnership PCB is provided with funds which are utilised to finance customers with viable projects within EXIM's guidelines.

PCB offers trade credit, short term 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 1.75% to 8%. This loan is secured by Deed of Assignment of mortgages valued J\$608,566,940.

(e) J P Morgan

Sagcor Life Jamaica Limited

This represents amount due to the broker for securities purchased by the company under margin loan facilities. The facilities attract interest rates ranging from 0.74% to 1.03%. These loans are repayable on demand and secured by Government of Jamaica Global Bonds totalling US\$11,263,288 and Government of Trinidad and Tobago Bonds totalling US\$14,362,960.

Sagcor Life of the Cayman Islands Ltd

This represents amount due to the broker for securities purchased by Sagcor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rates ranging from 0.74% to 1.03%. These loans are repayable on demand and secured by Government of Jamaica Bonds totalling US\$19,000,000, Government of Trinidad and Tobago International Bonds totalling US\$10,581,000, Government of St Lucia Bonds totalling US\$3,500,000, Government of Bahamas Bonds totalling US\$3,000,000, United States Treasury Bills totalling \$3,164,000 and Corporate Bonds totalling US\$8,509,000.

31. Due to Banks and Other Financial Institutions (Continued)

(f) Oppenheimer

Sagcor Life Jamaica Limited

This represents amount due to the broker for securities purchased by the company under margin loan facilities. The facilities attract interest rate of 2.25%. These loans are repayable on demand and secured by Government of Jamaica Global Bonds totalling US\$4,500,000 and Government of Trinidad and Tobago security totalling US\$9,247,000.

Sagcor Life of the Cayman Islands Ltd

This represents amount due to the broker for securities purchased by Sagcor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rate of 2.25%. These loans are repayable on demand and secured by Government of Jamaica Global Bonds totalling US\$5,500,000 Government of Trinidad and Tobago Bonds totalling US\$12,200,000, Equities totalling US\$3,325,000 and Corporate Bonds totalling US\$35,002,000.

(g) Smith Barney

Sagcor Life of the Cayman Islands Ltd

This represents amount due to the broker for securities purchased by Sagcor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rates ranging from 1.11% to 1.25%. These loans are repayable on demand and secured by Government of Bahamas Bonds totalling US\$1,000,000, Government of Trinidad and Tobago Bonds totalling US\$1,500,000, Equities totalling US\$3,213,000 and Corporate Bonds totalling US\$37,845,000.

(h) Credit Suisse

This represents a fixed rate loan at interest rate of 7.25%. The loan is secured by Government of Jamaica Global Bonds, Government of Barbados bonds and Government of Trinidad and Tobago bonds totalling US\$12,775,822. This loan is repayable in one instalment on 21 February 2011.

32. Customer Deposits and Other Accounts

These represent the balance of customer accounts held with the Pan Caribbean Financial Services Group. They are initially stated at the nominal amount when funds are received and subsequently stated at amortised cost using the effective interest method.

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

33. Structured Products

	The Group	
	2009	2008
	\$'000	\$'000
Principal protected notes	473,266	356,355
Credit linked notes	-	731,185
	<u>473,266</u>	<u>1,087,540</u>

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.

Certain principal protected notes are linked to the equity indexed options disclosed in Note 10. The credit linked notes are structured securities with embedded credit default swaps allowing the Group to transfer specific credit risks to the note purchaser. Under this structure, the coupon or price of the note is linked to the performance of a reference asset. It offers the Group a hedge against credit risk and gives investors higher yields on the notes for accepting exposure to specified credit events. The credit linked notes matured during the year.

34. Redeemable Preference Shares

	The Group	
	2009	2008
	\$'000	\$'000
Redeemable preference shares	1,264,324	1,264,324
Interest payable	6,995	6,866
	<u>1,271,319</u>	<u>1,271,190</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. The shares will be redeemed in 2013.

35. Provisions

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
At beginning of year	218,402	81,181	218,402	81,181
Provided during the year	-	140,000	-	140,000
Utilised during the year	<u>(125,154)</u>	<u>(2,779)</u>	<u>(125,154)</u>	<u>(2,779)</u>
At end of year	<u>93,248</u>	<u>218,402</u>	<u>93,248</u>	<u>218,402</u>

Provisions represent management's estimate of amounts likely to be paid based on claims against the Group which are still pending before the Courts, and restructuring costs, which relates to prior year only.

36. Other Liabilities

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Accounts payable and accruals	405,051	729,751	248,350	499,870
Accrued vacation	95,960	86,934	32,425	36,892
Annuities payable	1,908	3,188	1,908	3,188
Construction costs payable	283	2,034	283	2,034
Dividends payable	42,817	29,057	42,817	29,057
Due to related parties (Note 22)	63,289	215,645	1,883,261	282,984
Bonus accrual	125,089	132,279	117,576	125,700
Premiums not applied	2,029,375	514,208	1,961,345	472,213
Reinsurance payable	111,039	468,246	43,745	23,629
Mortgage principal payable	201,345	171,277	201,345	171,277
Customer settlement accounts	112,081	33,317	-	-
Items in course of payment	672,762	139,069	-	-
Unearned reinsurance commissions	5,104	176,683	-	-
Miscellaneous	543,509	662,007	355,674	264,656
	<u>4,409,612</u>	<u>3,363,695</u>	<u>4,888,729</u>	<u>1,911,500</u>

37. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Group annuities	13,460,122	9,873,276	13,283,367	9,761,430
Group insurance	3,147,191	3,498,840	3,090,962	3,217,935
Individual insurance	<u>2,091,824</u>	<u>2,045,907</u>	<u>731,338</u>	<u>800,556</u>
Total	<u>18,699,137</u>	<u>15,418,023</u>	<u>17,105,667</u>	<u>13,779,921</u>

Notes to the Financial Statements (Cont'd)**31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

37. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group			
	2009			
	Group	Individual	Group	
	Annuities	Insurance	Insurance	Total
	\$'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 37 (d))	2,793,407	(244,040)	(45,772)	2,503,595
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	32,713	980,087
Liabilities included in assets classified 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>
	The Group			
	2008			
	Group	Individual	Group	
	Annuities	Insurance	Insurance	Total
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	3,349,622	1,422,438	1,518,991	6,291,051
Normal changes in policyholders' liabilities (Note 37 (d))	6,509,431	34,068	1,739,043	8,282,542
Change in reinsurance recoverable	-	-	63,971	63,971
Assumed on acquisitions	-	432,871	146,182	579,053
Changes as a result of revaluation	14,223	156,530	30,653	201,406
Balance at end of year	<u>9,873,276</u>	<u>2,045,907</u>	<u>3,498,840</u>	<u>15,418,023</u>

37. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued)

	The Company			
	2009			
	Group	Individual	Group	
	Annuities	Insurance	Insurance	Total
	\$'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 37 (d))	2,742,071	(69,218)	(126,973)	2,545,880
Changes as a result of revaluation	<u>779,866</u>	<u>-</u>	<u>-</u>	<u>779,866</u>
	<u>13,283,367</u>	<u>731,338</u>	<u>3,090,962</u>	<u>17,105,667</u>
	The Company			
	2008			
	Group	Individual	Group	
	Annuities	Insurance	Insurance	Total
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	3,232,444	608,011	1,406,208	5,246,663
Normal changes in policyholders' liabilities (Note 37 (d))	6,528,986	183,987	1,665,544	8,378,517
Assumed on acquisitions	-	8,558	146,183	154,741
	<u>9,761,430</u>	<u>800,556</u>	<u>3,217,935</u>	<u>13,779,921</u>

Notes to the Financial Statements (Cont'd)**31 December 2009**

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37. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	The Group				
	2009				
	Pensions and Annuities		Other Liabilities	Capital and Surplus	Total
	Insurance \$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	96,220	-	-	1,997,642	2,093,862
Investment properties	-	-	79,409	961,929	1,041,338
Fixed income securities	18,634,431	15,383,151	56,454,215	3,588,325	94,060,122
Mortgages	724,701	1,370,955	-	36,458	2,132,114
Other assets	1,301,194	-	9,924,377	11,961,885	23,187,456
Segregated Fund Assets	8,516,279	-	-	-	8,516,279
	<u>29,272,825</u>	<u>16,754,106</u>	<u>66,458,001</u>	<u>18,546,239</u>	<u>131,031,171</u>
	2008				
	Pensions and Annuities		Other Liabilities	Capital and Surplus	Total
	Insurance \$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	104,482	-	-	1,852,414	1,956,896
Investment properties	-	-	-	326,175	326,175
Fixed income securities	14,499,211	11,336,040	50,894,762	3,887,737	80,617,750
Mortgages	755,282	1,180,303	-	49,151	1,984,736
Other assets	822,416	114,224	11,935,115	13,473,406	26,345,161
Segregated Fund Assets	6,560,697	-	-	-	6,560,697
	<u>22,742,088</u>	<u>12,630,567</u>	<u>62,829,877</u>	<u>19,588,883</u>	<u>117,791,415</u>

37. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities (continued):

	The Company				
	2009				
	Pensions and Annuities		Other Liabilities	Capital and Surplus	Total
	Insurance \$'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	2,186,502	27,017,434
Mortgages	724,701	1,370,955	-	-	2,095,656
Other assets	333,919	-	4,094,595	11,523,527	15,952,041
Segregated Fund Assets	8,014,361	-	-	-	8,014,361
	<u>18,576,424</u>	<u>16,528,114</u>	<u>4,440,553</u>	<u>15,649,185</u>	<u>54,935,425</u>
	2008				
	Pensions And Annuities		Other Liabilities	Capital and Surplus	Total
	Insurance \$'000	\$'000	\$'000	\$'000	\$'000
Quoted securities	104,482	-	-	1,141,373	1,245,855
Investment properties	-	-	-	326,175	326,175
Fixed Income securities	8,168,257	11,153,571	-	1,481,646	20,803,474
Mortgages	755,282	1,180,302	-	10,012	1,945,596
Other assets	427,219	114,224	1,920,067	10,762,596	13,224,106
Segregated Fund Assets	6,295,831	-	-	-	6,295,831
	<u>15,751,071</u>	<u>12,448,097</u>	<u>1,920,067</u>	<u>13,721,802</u>	<u>43,841,037</u>

Notes to the Financial Statements (Cont'd)

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37. Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group			
	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)	357,722	(1,548,374)
	<u>2,793,407</u>	<u>(244,040)</u>	<u>45,772</u>	<u>2,503,595</u>
	2008			
	Group Annuities \$'000	Individual Insurance \$'000	Group Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	(725,416)	(344,188)	-	(1,069,604)
Change due to the issuance of new policies and the decrements on in-force policies	7,238,629	655,243	1,739,043	9,632,915
Change due to other actuarial assumptions	(3,782)	(276,987)	-	(280,769)
	<u>6,509,431</u>	<u>34,068</u>	<u>1,739,043</u>	<u>8,282,542</u>

37. Insurance Contracts Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions (continued).

	The Company			
	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 decrements on in-force policies	3,431,033	34,798	339,370	3,805,201
Change due to other actuarial assumptions	(832,645)	357,721	(1,020,445)	(1,495,369)
	<u>2,742,071</u>	<u>(126,973)</u>	<u>(69,218)</u>	<u>2,545,880</u>
	2008			
	Group Annuities \$'000	Group Insurance \$'000	Individual Insurance \$'000	Total \$'000
Change in assumed investment yields and inflation rate	(712,367)	-	(269,511)	(981,878)
Change due to the issuance of new policies and the decrements on in-force policies	7,245,052	1,665,544	697,713	9,608,309
Change due to other actuarial assumptions	(3,699)	-	(244,215)	(247,914)
	<u>6,528,986</u>	<u>1,665,544</u>	<u>183,987</u>	<u>8,378,517</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.

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31 December 2009

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37. 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 1.5% and 4.6%.
- (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 15% of fund values available from policies in force.

37. 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 1.5% and 4.6%.
- (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
Every 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 statement of financial position date.

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(expressed in Jamaican dollars unless otherwise indicated)

38. Investment Contract Liabilities

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Fair value -				
Segregated funds (unit-linked)	8,516,279	6,560,697	8,014,361	6,295,381
Amortised cost -				
Amounts on deposit	9,896,327	6,204,093	2,197,527	1,786,958
Deposit Administration Funds	2,682,743	2,445,900	2,639,852	2,403,266
Other investment contracts	301,409	241,683	206,398	199,285
	<u>12,880,479</u>	<u>8,891,676</u>	<u>5,043,777</u>	<u>4,389,509</u>
	<u>21,396,758</u>	<u>15,452,373</u>	<u>13,058,138</u>	<u>10,685,340</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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	2,445,900	2,333,849	2,403,226	2,292,995
Deposits received	321,328	276,406	321,328	276,406
Interest earned	278,564	245,248	276,155	242,761
Service charges	(18,020)	(17,919)	(18,020)	(17,919)
Withdrawals	(349,904)	(397,384)	(342,837)	(390,977)
Revaluation adjustment	4,875	5,700	-	-
	<u>2,682,743</u>	<u>2,445,900</u>	<u>2,639,852</u>	<u>2,403,226</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 180 (2008 - 184) clients in the Company. The average interest rate paid by the Company during the year was 11.5% (2008 - 10.5%).

39. Other Policy Liabilities

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Insurance benefits payable	1,311,030	2,717,679	1,237,538	967,675
Provision for unearned premiums	59,042	1,184,503	698	48,675
Policy dividends and other funds on deposit	<u>581,044</u>	<u>517,562</u>	<u>307,797</u>	<u>270,478</u>
	<u>1,951,116</u>	<u>4,419,744</u>	<u>1,546,033</u>	<u>1,286,828</u>

40. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to \$1,730,609,000 (2008 - \$1,446,603,000) 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.

41. Premium Income

(a) Gross premiums by line of business:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Group insurance -				
Group creditor life	454,000	457,325	454,000	430,232
Group health - single premiums	-	1,447,440	-	1,447,440
Group health	7,455,439	4,944,597	5,672,806	3,815,252
Group life	<u>1,430,241</u>	<u>1,148,980</u>	<u>1,275,440</u>	<u>1,037,857</u>
	9,339,680	7,998,342	7,402,246	6,730,781
Individual life	6,299,351	5,552,540	5,413,836	4,896,799
Individual annuities	45,485	-	-	-
Bulk annuities - single premiums	1,699,227	6,140,524	1,699,227	6,140,524
Annuities and pensions	1,082,258	806,059	1,082,258	806,059
Property and casualty	<u>2,810,018</u>	<u>2,215,643</u>	<u>-</u>	<u>-</u>
	<u>21,276,019</u>	<u>22,713,108</u>	<u>15,597,567</u>	<u>18,574,163</u>

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41. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Group insurance -				
Group creditor life	-	23,029	-	-
Group health	239,521	140,626	79,624	37,159
Group life	5,894	54,910	(78,021)	14,515
Other	10,162	8,708	10,162	8,708
	<u>255,577</u>	<u>227,273</u>	<u>11,765</u>	<u>60,382</u>
Individual life	265,973	228,010	148,590	128,606
Property and casualty	<u>2,538,527</u>	<u>1,988,280</u>	<u>-</u>	<u>-</u>
	<u><u>3,060,077</u></u>	<u><u>2,443,563</u></u>	<u><u>160,355</u></u>	<u><u>188,988</u></u>
Net Premiums	<u><u>18,215,942</u></u>	<u><u>20,269,545</u></u>	<u><u>15,437,212</u></u>	<u><u>18,385,175</u></u>

(c) Net Premiums by geography:

	The Group	
	2009	2008
	\$'000	\$'000
Jamaica	15,437,212	18,385,175
Cayman Islands	<u>2,778,730</u>	<u>1,884,370</u>
	<u><u>18,215,942</u></u>	<u><u>20,269,545</u></u>

42. Investment Income

	Total Group		Total Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Interest income -				
Short term deposits	66,776	85,850	32,945	9,265
Corporate debentures	920,267	536,116	129,269	73,708
Investment securities	9,345,989	6,696,731	2,614,978	1,747,879
Loans	1,360,832	1,004,764	234,895	212,693
Policy loans	82,700	80,610	40,239	47,552
Government securities purchased				
under resale agreements	711,385	315,204	279,573	80,640
Other	<u>16,803</u>	<u>11,409</u>	<u>20,084</u>	<u>18,685</u>
	<u>12,504,752</u>	<u>8,730,684</u>	<u>3,351,983</u>	<u>2,190,422</u>
Dividends	80,404	82,765	407,777	361,507
Net foreign exchange income	18,626	1,313,077	18,764	885,451
Net gains on investment securities	567,908	404,254	59,717	105,047
Other investment income	<u>106,643</u>	<u>64,323</u>	<u>-</u>	<u>55,976</u>
	<u><u>13,278,332</u></u>	<u><u>10,595,103</u></u>	<u><u>3,838,241</u></u>	<u><u>3,598,403</u></u>

43. Impairment Charge

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Equity Investments	73,419	223,388	34,132	103,784
Real Estate Mutual Fund	-	19,187	-	-
Corporate Bonds	<u>53,844</u>	<u>32,310</u>	<u>-</u>	<u>-</u>
	<u><u>127,263</u></u>	<u><u>274,885</u></u>	<u><u>34,132</u></u>	<u><u>103,784</u></u>

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44. Interest Expense

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Customer deposits and repurchase liabilities	5,324,953	3,905,446	26,512	40,110
Due to banks and other financial institutions	144,047	136,303	-	9,149
Investment contracts	919,496	564,640	597,736	430,971
Other	81,824	70,080	49,766	19,459
	<u>6,470,320</u>	<u>4,676,469</u>	<u>674,014</u>	<u>499,689</u>

45. Fee Income

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Administration fees	850,083	833,992	595,057	574,512
Other				
Surrender charges	81,546	64,641	78,869	62,036
Wholesale banking fees	12,147	9,773	-	-
Credit related fees, net	51,718	59,113	6,960	9,389
Stockbrokerage fees	17,305	33,966	-	-
Treasury fees	6,525	7,111	-	-
Trust fees	52,245	34,914	-	-
Miscellaneous fees	25,820	26,432	5,121	4,320
	<u>247,306</u>	<u>235,950</u>	<u>90,950</u>	<u>75,745</u>
	<u>1,097,389</u>	<u>1,069,942</u>	<u>686,007</u>	<u>650,257</u>

46. Insurance Benefits and Claims

	The Group				The Company			
	Year ended 31 December 2009		2008		Year ended 31 December 2009		2008	
	Gross incurred \$'000	Reinsured \$'000	Net \$'000	Net Claims \$'000	Gross incurred \$'000	Reinsured \$'000	Net \$'000	Net Claims \$'000
Death and disability	1,656,698	(118,618)	1,538,080	1,215,065	1,415,713	(39,219)	1,376,494	1,136,748
Maturities	14,343	-	14,343	22,355	14,343	-	14,343	16,608
Surrenders and withdrawals	765,439	-	765,439	714,296	591,751	-	591,751	556,301
Annuities and pensions	1,277,332	-	1,277,332	918,019	1,262,599	-	1,262,599	907,383
Policy dividends and bonuses	44,592	-	44,592	44,982	8,453	-	8,453	8,939
Health insurance	6,098,186	(181,917)	5,916,269	3,635,801	4,582,999	(23,104)	4,559,895	2,938,334
Property and casualty insurance	243,861	(173,086)	70,775	172,429	-	-	-	-
Other benefits	212,509	(10,292)	202,217	191,312	196,275	(10,292)	185,983	176,601
	<u>10,312,960</u>	<u>(483,913)</u>	<u>9,829,047</u>	<u>6,914,259</u>	<u>8,072,133</u>	<u>(72,615)</u>	<u>7,999,518</u>	<u>5,740,914</u>

47. Finance Costs

Finance costs represent interest costs incurred on loans used for business development

48. Administration Expenses

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Auditors' remuneration -				
Current year	59,670	51,497	26,622	19,550
Prior year	5,100	1,974	5,100	700
Office accommodation	536,511	467,977	298,153	288,087
Communication and technology	440,013	385,729	408,167	283,825
Advertising and branding	246,228	240,179	112,444	144,456
Sales convention and incentives	94,025	120,264	89,981	118,308
Postage, printing and office supplies	117,387	117,753	68,120	84,032
Policy stamp duties and reimbursements	34,356	19,900	18,596	15,775
Regulators fees	112,933	98,107	68,834	57,292
Other expenses	<u>1,024,338</u>	<u>408,149</u>	<u>573,054</u>	<u>101,711</u>
	<u>2,691,646</u>	<u>1,911,529</u>	<u>1,682,885</u>	<u>1,113,736</u>

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49. Salaries, Pension Contributions and Other Staff Benefits

(a) Employees

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	2,557,432	2,167,875	1,217,954	1,237,804
Payroll taxes	228,753	173,318	120,229	120,908
Pension costs (Note 15)	62,472	106,402	74,400	51,765
Other post retirement benefits (Note 15)	86,850	165,859	73,704	150,700
Stock based payment	9,000	-	9,000	-
Stock option expense (Note 26)	25,119	29,208	21,949	21,950
Other	426,358	221,505	181,661	77,665
	<u>3,395,984</u>	<u>2,864,167</u>	<u>1,698,897</u>	<u>1,660,792</u>

	The Group		The Company	
	2009	2008	2009	2008
	No.	No.	No.	No.
Number of employees at year end -				
Full - time administrative	888	916	438	622
Part - time administrative	127	123	91	82
	<u>1,015</u>	<u>1,039</u>	<u>529</u>	<u>704</u>

(b) Contractors – sales agents

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commissions and bonuses	<u>2,863,767</u>	<u>2,227,600</u>	<u>2,236,926</u>	<u>1,769,091</u>
	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
Number of insurance sales agents at year end	<u>494</u>	<u>480</u>	<u>443</u>	<u>399</u>

50. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current year taxation -				
Premium tax @ 3%	273,989	242,900	273,989	242,900
Investment income tax @ 15%	155,295	244,607	155,295	244,607
Income tax at 33 1/3%	491,041	472,661	-	-
	920,325	960,168	429,284	487,507
Deferred income tax (Note 18) -				
Deferred tax charge relating to the origination and reversal of temporary differences	(35,540)	79,859	(25,647)	96,053
	<u>884,785</u>	<u>1,040,027</u>	<u>403,637</u>	<u>583,560</u>

- (i) Premium tax charges for the company include tax on deposits relating to the segregated funds totalling \$1,989,688,000 (\$1,730,772,000). 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.
- (ii) 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.
- (iii) Investment tax applicable to the Health Insurance business of the company is 15% of taxable profits of that line of business.
- (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 \$63,467,000 (2008 - \$25,077,000).
- (v) Income tax at 33 1/3% is payable on taxable profits of Sagicor Property Services Limited and Pan Caribbean Financial Services Limited.

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50. Taxation (Continued)

(b) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Premium tax -				
Gross premium income	21,276,019	22,713,108	15,597,567	18,574,163
Tax at 3%	638,281	681,393	467,927	557,225
Adjusted for:				
Income not subject to tax	(423,983)	(490,417)	(253,629)	(366,248)
Premium income relating segregated funds	59,691	51,924	59,691	51,923
	<u>273,989</u>	<u>242,900</u>	<u>273,989</u>	<u>242,900</u>
Investment income tax -				
Gross investment income	13,278,332	10,595,103	3,838,241	3,598,403
Tax at 15%	1,991,750	1,589,265	575,736	539,760
Adjusted for:				
Deductible expenses	(323,960)	(199,454)	(323,960)	(199,454)
Income not subject to tax	(137,930)	(144,419)	(137,930)	(144,419)
Net investment income not subject to investment tax	(1,416,014)	(1,049,505)	-	-
Expenses not deductible for tax purposes	47,101	51,315	47,101	51,315
Net effect of other charges and allowances	(31,299)	93,458	(31,299)	93,458
	<u>129,648</u>	<u>340,660</u>	<u>129,648</u>	<u>340,660</u>
Income tax -				
Profit before taxation	5,770,350	5,582,278	-	-
Tax at 33½%	1,923,450	1,860,759	-	-
Adjusted for:				
Premium and investment income not subject to income tax	(1,442,485)	(1,405,652)	-	-
Prior year over accrual	(1,066)	-	-	-
Adjustment for tax losses	-	(4,259)	-	-
Net effect of other charges and allowances	1,249	5,619	-	-
	<u>481,148</u>	<u>456,467</u>	<u>-</u>	<u>-</u>
Tax expense	<u>884,785</u>	<u>1,040,027</u>	<u>403,637</u>	<u>583,560</u>

51. 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.

	2009	2008
	\$'000	\$'000
Net profit attributable to stockholders	<u>4,390,112</u>	<u>3,928,094</u>
Weighted average number of ordinary stock units in issue ('000)	<u>3,755,995</u>	<u>3,749,907</u>
Basic earnings per stock unit	<u>\$1.17</u>	<u>\$1.05</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:

(a) An Employee Share Ownership Plan.

(b) Effective 1 May 2003, the Group instituted a share based compensation plan for Executives. A new long-term Incentives 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.

	2009	2008
	\$'000	\$'000
Net profit attributable to stockholders (\$'000)	<u>4,390,112</u>	<u>3,928,094</u>
Weighted average number of ordinary stock units in issue ('000)	3,755,995	3,749,907
Adjusted for -		
Share option and share based plans ('000)	<u>38,260</u>	<u>3,333</u>
Weighted average number of ordinary stock units for diluted earnings per stock unit ('000)	<u>3,794,255</u>	<u>3,753,240</u>
Fully diluted earnings per stock unit	<u>\$1.16</u>	<u>\$1.05</u>

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52. 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 at the statement of financial position 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 statement of financial position 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.

52. 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
	2009	2009	2008	2008
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Investment securities – held-to-maturity	1,745,692	1,563,758	1,554,655	1,499,338
Investment securities – loans and receivables	23,751,692	22,001,143	18,768,050	15,180,319
Loans, net of provision for credit losses	<u>8,688,299</u>	<u>9,567,112</u>	<u>8,446,692</u>	<u>7,298,900</u>
Financial Liabilities				
Customer deposits and other accounts	8,782,312	7,280,570	7,419,989	5,895,584
Due to banks and other financial institutions	<u>10,406,121</u>	<u>10,502,435</u>	<u>5,888,277</u>	<u>5,725,396</u>
	The Company			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2009	2009	2008	2008
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Investment securities – loans and receivable	20,918,852	19,834,428	15,919,375	13,143,061
Loans, net of provision for credit losses	<u>2,081</u>	<u>2,081</u>	<u>4,819</u>	<u>4,819</u>
Financial Liabilities				
Due to banks and other financial institutions	<u>2,086,027</u>	<u>2,086,027</u>	<u>1,493,635</u>	<u>1,493,635</u>

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52. 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 2009, 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).

	2009			
	The Group			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investment securities	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>
	2008			
	The Group			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading securities	-	320,364	-	320,364
Investment securities	6,398,505	40,825,162	5,711,828	52,935,495
Derivative financial instruments	-	2,658,076	299,230	2,957,306
	<u>6,398,505</u>	<u>43,803,602</u>	<u>6,011,058</u>	<u>56,213,165</u>
Financial Liabilities				
Derivative financial instruments	-	2,703,316	-	2,703,316

52. Fair Values of Financial Instruments (Continued)

	2009			
	The Company			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investment securities	<u>3,842,786</u>	<u>2,211,834</u>	<u>378,056</u>	<u>6,432,676</u>
	2008			
	The Company			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investment securities	<u>1,474,419</u>	<u>4,583,442</u>	<u>-</u>	<u>6,057,861</u>

There were no transfers between Level 1 and 2 in the year.

Reconciliation of level 3 items -

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	6,011,058	2,975,454	-	-
Total gain - other comprehensive income	16,240	287,152	172	-
Total gain – profit and loss and loss account	75,111	282,618	-	-
Purchases	599,789	3,421,404	507,195	-
Settlements	<u>(1,860,308)</u>	<u>(775,570)</u>	<u>(129,312)</u>	<u>-</u>
Balance at end of year	<u>4,841,890</u>	<u>6,011,058</u>	<u>378,056</u>	<u>-</u>

The gains or losses recorded in the income statement are included in Note 42.

If the fair value measurements were adjusted by reasonable possible alternative assumptions then the interest rate swap would decrease or increase by \$150,163,000 and \$58,160,000 respectively.

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53. 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.

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.

53. 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.

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53. 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.

53. 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 53 (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 37).

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

Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2008				
0 – 200	78,323,289	14	65,880,817	14
200 - 400	61,129,221	11	47,156,909	10
400 - 800	54,560,884	10	46,773,697	10
800 - 1000	49,273,034	9	44,543,457	10
More than 1,000	288,844,431	52	249,466,855	54
Unknown	19,507,090	4	10,974,550	2
Total	551,637,949	100	464,796,285	100

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53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

	The Company			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2009				
0 - 200	10,164,546	2	10,115,589	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
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
2008				
0 - 200	10,975,241	3	10,915,865	3
200 - 400	15,427,277	4	15,407,550	4
400 - 800	37,307,186	9	36,853,107	11
800 - 1000	46,288,018	12	43,282,818	12
More than 1,000	284,582,075	72	248,333,128	70
Total	394,579,797	100	354,792,468	100

The table below represents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figured are shown gross and net of reinsurance.

53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

(i) Frequency and severity of claims (continued)

	The Group			
Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2009	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
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
	329,008,991	100	324,773,958	100
Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2008	Before Reinsurance \$'000	%	After Reinsurance \$'000	%
0 - 200	19,246,662	6	16,842,405	6
200 - 400	13,912,306	5	11,555,924	4
400 - 800	27,227,767	9	26,398,017	9
800 - 1,000	18,037,266	6	18,037,266	6
More than 1,000	222,719,564	74	222,457,738	75
	301,143,565	100	295,291,350	100

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53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

(i) Frequency and severity of claims (continued)

	The Company			
	Total Benefits Insured			
	Before	%	After	%
	Reinsurance		Reinsurance	
	\$'000		\$'000	
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>
Group Life Benefits				
Assured per Life ('000)				
2008				
0 - 200	2,001,778	1	2,001,778	1
200 - 400	11,160,727	4	11,160,727	4
400 - 800	26,390,610	9	26,390,610	9
800 - 1,000	18,037,266	6	18,037,266	6
More than 1,000	222,719,563	80	222,457,736	80
	<u>280,309,944</u>	<u>100</u>	<u>280,048,117</u>	<u>100</u>

53. 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.

	The Group	
	Total Benefits Insured	
	\$'000	%
Annuity Payable per annum per annuitant		
('000)		
2009		
0 - 20	19,235	2
20 - 40	21,336	0
40 - 80	50,259	0
80 - 100	59,395	0
More than 100	963,903	0
Total	<u>1,114,128</u>	<u>2</u>
Annuity Payable per annum per annuitant		
('000)		
2008		
0 - 20	14,730	2
20 - 40	20,718	3
40 - 80	49,117	6
80 - 100	22,160	3
More than 100	709,740	86
Total	<u>816,465</u>	<u>100</u>

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53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

	The Company	
	Total Benefits Insured	
Annuity Payable per annum per annuitant ('000)	\$'000	%
2009		
0 - 20	9,592	1
20 - 40	13,657	2
40 - 80	50,259	6
80 - 100	59,395	3
More than 100	963,903	88
Total	1,096,806	100

	Total Benefits Insured	
Annuity Payable per annum per annuitant ('000)	\$'000	%
2008		
0 - 20	9,087	1
20 - 40	12,991	2
40 - 80	49,117	6
80 - 100	22,160	3
More than 100	709,741	88
Total	803,096	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.

53. 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 37(e) for detail policy assumptions.

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53. 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 53 (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 53 (b) for retention limits.

53. 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 37(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 53 (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.

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53. 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.

53. 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
Property and casualty insurance	
Property risks	<ul style="list-style-type: none"> • maximum retention of CI\$120,000 for single event; • maximum retention of CI\$1,000,000 (2008 - CI\$1,000,000) for catastrophic event.
Motor and liability risks	<ul style="list-style-type: none"> • maximum retention of CI\$200,000 for single event; • treaty limits apply.
Miscellaneous accident risks	<ul style="list-style-type: none"> • maximum retention of CI\$50,000 for a single event; • treaty limits apply.
Engineering business risks	<ul style="list-style-type: none"> • maximum retention of CI\$75,000; • treaty limits apply for material damage and for liability claims.
Property, motor, liability and engineering risk	<ul style="list-style-type: none"> • catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits; • treaty limits apply to catastrophic excess of loss coverage.
Health insurance contracts with individuals	Retention per individual to a maximum of CI\$166,667.
Health insurance contracts with groups	Retention per individual to a maximum of CI\$166,667 and J\$1,000,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J\$35,000,000 (2008 – J\$35,000,000).
Life insurance contracts with groups	Retention per individual to a maximum of J\$35,000,000 (2008 – J\$35,000,000).

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53. Insurance and Financial Risk Management (Continued)

(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 37 (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.
- (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.

53. 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 (continued)
A decrease of 10% in the value of the assets would reduce the asset management fees to \$122,319,000 per annum (2008 - \$106,414,000).

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 2009. As described in Note 61, the Group's and the Company participated in the Jamaica Debt Exchange (JDX) which resulted in significant changes to the Group's and the Company's investment portfolio in February 2010.

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53. 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	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 impairment 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 company	-	-	-	-	-	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

53. 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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53. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2008						
	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	3,583,142	-	-	-	-	722	3,583,864
Cash Reserve at Bank of Jamaica	182,062	-	-	-	-	-	182,062
Financial investments	1,663,280	31,395,683	9,781,496	5,482,447	23,362,833	3,702,604	75,388,343
Securities purchased under resale agreements	-	4,429,905	-	-	-	18,153	4,448,058
Derivative financial instruments	-	-	299,230	-	-	2,658,076	2,957,306
Loans & leases, after allowance for impairment losses	-	1,620,895	1,979,209	2,989,135	1,797,339	60,114	8,446,692
Reinsurance contracts	-	-	-	-	-	2,574,249	2,574,249
Other assets	-	-	-	-	-	4,665,384	4,665,384
Segregated funds' assets	21,387	2,418,727	273,253	228,295	1,371,695	2,247,340	6,560,697
Non-financial assets:							
Intangible assets	-	-	-	-	-	5,291,788	5,291,788
Deferred income taxes	-	-	-	-	-	636,485	636,485
Taxation recoverable	-	-	-	-	-	700,333	700,333
Investment properties	-	-	-	-	-	326,175	326,175
Investment in associated company	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,821,064	1,821,064
Retirement benefit assets	-	-	-	-	-	206,190	206,190
Total assets	5,449,871	39,865,210	12,333,188	8,699,877	26,531,867	24,911,402	117,791,415

53. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2008						
	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	-	37,144,429	1,601,832	487,339	-	723,553	39,957,153
Due to banks and other financial institutions	219,619	1,314,608	2,528,542	1,020,246	720,422	84,840	5,888,277
Customer deposits	-	2,133,402	3,354,104	658,449	1,152,400	121,634	7,419,989
Structured products	-	-	-	1,087,540	-	-	1,087,540
Derivative financial instruments	-	-	-	-	-	2,703,316	2,703,316
Redeemable preference shares	-	-	-	1,264,324	-	6,866	1,271,190
Other liabilities	-	-	-	-	-	3,363,695	3,363,695
Segregated funds' liabilities	-	50,769	195,513	472,326	5,842,089	-	6,560,697
Insurance contracts liabilities	-	205,299	626,041	3,274,877	9,389,457	1,922,349	15,418,023
Investment contracts liabilities	-	4,983,231	3,708,184	200,261	-	-	8,891,676
Other policy liabilities	-	247,105	285	616	269,556	3,902,182	4,419,744
Non-financial liabilities:							
Provision	-	-	-	-	-	218,402	218,402
Taxation payable	-	-	-	-	-	153,763	153,763
Deferred income taxes	-	-	-	-	-	418,647	418,647
Retirement benefit obligations	-	-	-	-	-	430,422	430,422
Total liabilities	219,619	46,078,843	12,014,501	8,465,978	17,373,924	14,049,669	98,202,534
On Statement of financial position interest sensitivity gap	5,230,252	(6,213,633)	318,687	233,899	9,157,943	10,861,733	19,588,881
Cumulative interest sensitivity gap	5,230,252	(983,381)	664,694	430,795	8,727,148	19,588,881	

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53. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2009						
	Immediately Rate Sensitive \$'000	Within 3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Non- Interest bearing \$'000	Total \$'000
Assets:							
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	-	-	-	-	-	6,429,062	6,429,062
Intangible assets	-	-	-	-	-	2,489,595	2,489,595
Retirement benefit assets	-	-	-	-	-	249,033	249,033
Investment in associated company	-	-	-	-	-	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	19,486,317	54,935,425
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	11,560,086	15,652,583
Cumulative interest sensitivity gap	1,001,425	1,715,805	843,137	(1,900,538)	4,560,451	15,652,583	

53. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2008						
	Immediately Rate Sensitive \$'000	Within 3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Non- Interest bearing \$'000	Total \$'000
Assets:							
Cash resources	269,271	-	-	-	-	108	269,379
Financial investments	824,673	2,784,829	790,419	1,782,829	15,046,119	1,693,441	22,922,310
Securities purchased under resale agreements	-	1,387,111	-	-	-	5,466	1,392,577
Lease receivables	-	1,777	2,152	159	-	731	4,819
Reinsurance contracts	-	-	-	-	-	57,848	57,848
Other assets	-	-	-	-	-	2,941,025	2,941,025
Investments in subsidiaries	-	-	-	-	-	5,129,499	5,129,499
Taxation recoverable	-	-	-	-	-	415,036	415,036
Segregated funds' assets	21,387	2,361,506	265,435	228,295	1,245,073	2,174,135	6,295,831
Non-financial assets:							
Intangible assets	-	-	-	-	-	2,607,774	2,607,774
Deferred income taxes	-	-	-	-	-	36,674	36,674
Investment properties	-	-	-	-	-	326,175	326,175
Investment in associated company	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,254,883	1,254,883
Retirement benefit assets	-	-	-	-	-	184,482	184,482
Total assets	1,115,331	6,535,223	1,058,006	2,011,283	16,291,192	16,830,002	43,841,037
Liabilities							
Due to banks and other financial institutions	-	1,051,360	9,457	55,688	377,130	-	1,493,635
Other liabilities	-	-	-	-	-	1,911,500	1,911,500
Segregated funds' liabilities	-	50,769	195,513	472,326	5,577,223	-	6,295,831
Insurance contracts liabilities	-	202,271	603,660	3,171,960	8,160,588	1,641,442	13,779,921
Investment contracts liabilities	-	1,291,911	377,181	2,720,417	-	-	4,389,509
Other policy liabilities	-	21	285	616	269,556	1,016,350	1,286,828
Non-financial liabilities:							
Provision	-	-	-	-	-	218,402	218,402
Taxation payable	-	-	-	-	-	96,816	96,816
Deferred income taxes	-	-	-	-	-	267,606	267,606
Retirement benefit obligations	-	-	-	-	-	397,849	397,849
Total liabilities	-	2,596,332	1,186,096	6,421,007	14,384,497	5,549,965	30,137,897
On Statement of financial position interest sensitivity gap	1,115,331	3,938,891	(128,090)	(4,409,724)	1,906,695	11,280,037	13,703,140
Cumulative interest sensitivity gap	1,115,331	5,054,222	4,926,132	516,408	2,423,103	13,703,140	

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53. 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					
	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
	2008					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	1.82	-	-	-	-	1.82
Securities sold under agreements to repurchase	-	10.52	7.82	8.76	6.56	8.42
Investments ⁽¹⁾	-	11.42	15.66	10.75	10.63	11.13
Loans	-	11.65	13.11	12.04	12.80	12.39
Mortgages ⁽²⁾	-	11.59	11.59	11.59	11.59	11.59
Policy loans	-	-	-	-	12.82	12.82
Investment contracts	-	10.48	10.48	10.48	10.48	10.48
Bank overdraft	23.65	-	-	-	-	23.65
Deposits	4.89	14.41	11.77	6.00	8.25	8.70
Amounts due to banks and other financial institutions	4.56	6.28	6.95	7.37	5.83	6.69

(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.

53. 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 54.

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 53 (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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53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (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 statement of financial position 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 securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

53. 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 balance-sheet 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.

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 statement of financial position 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:

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(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)**(d) Credit risk (continued)**

	The Group			
	2009		2008	
	Loans and leases	Impairment provision	Loans and leases	Impairment provision
	\$'000	\$'000	\$'000	\$'000
Standard	8,288,602	-	8,323,283	-
Potential Problem Credit	272,837	-	52,031	-
Sub-Standard	111,335	27,211	31,695	9,316
Doubtful	92,694	42,333	-	-
Loss	100,268	107,893	154,861	105,862
	<u>8,865,736</u>	<u>177,437</u>	<u>8,561,870</u>	<u>115,178</u>
	The Company			
	2009		2008	
	Loans and leases	Impairment provision	Loans and leases	Impairment provision
	\$'000	\$'000	\$'000	\$'000
Standard	608	-	3,346	-
Potential Problem Credit	1,473	-	1,473	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	<u>2,081</u>	<u>-</u>	<u>4,819</u>	<u>-</u>

53. Insurance and Financial Risk Management (Continued)**(d) Credit risk (continued)**

	Maximum exposure			
	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'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)	6,192,152	5,574,984	1,105,166	1,214,311
Trading securities	-	320,840	-	-
Securities purchased under agreements to resell	6,456,558	4,448,057	3,413,950	1,392,577
Investment securities	86,341,342	76,215,505	27,351,528	21,977,236
Loans, net of provision for credit losses	8,653,610	8,371,067	-	-
Lease receivables	34,689	75,625	2,081	4,819
Other assets	3,105,438	4,665,384	3,626,712	2,925,712
	<u>110,783,789</u>	<u>99,671,462</u>	<u>35,499,437</u>	<u>27,514,655</u>
Credit risk exposures relating to off-statement of financial position items are as follows:				
Loan commitments	804,280	1,053,969	24,450	88,554
Guarantees and letters of credit	1,170,560	926,601	-	-
	<u>1,974,840</u>	<u>1,980,570</u>	<u>24,450</u>	<u>88,554</u>

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 2009 and 2008, 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.

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(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases

(iii) Credit quality of loans and leases are summarised as follows:

	The Group	
	2009	2008
	\$'000	\$'000
Neither past due nor impaired -		
Standard	7,184,518	6,506,987
Potential problem credit	-	-
Sub-Standard	-	-
Doubtful	-	-
Loss	-	-
Past due but not impaired	1,359,945	1,922,812
Impaired	304,297	132,071
Gross	8,848,760	8,561,870
Less: provision for credit losses	(160,461)	(115,178)
Net	8,688,299	8,446,692

The majority of past due loans are not considered impaired.

Aging analysis of past due but not impaired loans and leases:

	The Group	
	2009	2008
	\$'000	\$'000
Less than 30 days	879,493	1,129,792
31 to 60 days	452,800	713,257
61 to 90 days	26,179	78,290
More than 90 days	1,473	1,473
	1,359,945	1,922,812

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(iv) 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 \$26,202,000 (2008 - \$24,721,000).

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 \$4,804,726,000 (2008 - \$7,489,587,000) and \$322,920,000 (2008 - \$521,757,000) respectively.

(v) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Investments securities	127,263	274,885	34,132	103,784
Loans and leases	304,287	182,071	-	-
Mortgage loans	225,709	112,543	202,282	88,451

The fair value of collateral that the Group and company held as security for individually impaired loans was \$861,729,000 (2008 - \$574,903,000) and \$314,466,000 (2008 - \$145,431,000) respectively.

There are no financial assets other than those listed above that were individually impaired.

(vi) 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 \$16,427,000 (2008 - \$16,539,000) and \$nil (2008 - \$nil) respectively.

Notes to the Financial Statements (Cont'd)**31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)**(d) Credit risk (continued)****Loans and leases (continued)****(vii) Repossessed collateral**

The Group and the company can obtain assets by taking possession of collateral held as security.

Reposessed 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 reposessed properties for business use.

The Group and the Company have no reposessed collateral.

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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica	59,822,370	54,038,540	19,253,961	16,325,546
Foreign government	4,333,456	1,196,527	1,479,843	259,196
Corporate	15,810,032	14,139,438	1,541,970	691,703
Financial institutions	5,934,706	5,451,723	1,105,276	1,214,453
Corporate equities	2,068,072	1,898,828	1,156,143	1,224,605
Mortgages	2,132,114	1,974,723	2,095,656	1,935,584
Policy loans	806,073	729,304	333,919	334,793
Promissory notes	861,854	758,553	861,854	758,553
	91,768,677	80,187,636	27,837,622	22,744,433
Interest receivable	2,272,315	1,741,877	619,182	447,256
	<u>94,040,992</u>	<u>81,929,513</u>	<u>28,456,804</u>	<u>23,191,689</u>

53. Insurance and Financial Risk Management (Continued)**(d) Credit risk (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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Debt securities:				
Government of Jamaica debt securities	63,819,557	55,640,890	19,735,615	16,730,443

Deposits and Cash:

Bank of America	1,425,219	1,050,343	-	-
Citibank NA	298,531	415,189	-	-
National Commercial Bank Jamaica Limited	244,986	258,627	202,505	258,627
The Bank of Nova Scotia Jamaica Limited	47,052	553,791	11,802	67,252

Reinsurance Assets:

Swiss Re - rated A+ (superior) by A.M Best	428,111	426,185	30,216	33,396
Munich Re - rated A+ (superior) by A.M Best	389,419	303,929	23,396	18,037
Everest Re - rated A+ (superior) by A.M Best	226,071	122,058	-	-

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.

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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.

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.

53. Insurance and Financial Risk Management (Continued)

(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.

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.

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The disclosures provided in this note are based on the Group's and the Company's investment portfolio as at 31 December 2009. As described in Note 61, the Group's and the Company participated in the Jamaica Debt Exchange (JDX) which resulted in significant changes to the Group's and the Company's investment portfolio in February 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.

	The Group					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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 & 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
Non-financial liabilities:						
Provision	-	93,248	-	-	-	93,248
Taxation payable	43,152	-	-	-	-	43,152
Deferred income taxes	-	372,856	-	-	-	372,856
Retirement benefit obligations	-	-	-	500,407	-	500,407
	59,079,033	21,776,336	10,929,870	23,594,471	5,914	115,385,624
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	61,870,554	21,776,336	10,929,870	23,899,373	407,890	118,884,023
Undiscounted Financial Liabilities - 31 December 2008						
Securities Sold under Repurchase Agreements	36,607,488	3,857,081	120,179	-	-	40,584,748
Due to Banks and other Financial Institutions	781,302	3,111,692	1,193,241	1,548,350	-	6,634,585
Customer deposits & other accounts	2,270,341	3,442,465	1,098,128	1,058,201	-	7,869,135
Structured products	-	-	1,122,784	186,710	-	1,309,494
Derivative financial instruments	2,635,231	-	22,468	45,617	-	2,703,316
Redeemable preference shares	39,510	118,530	2,061,392	-	-	2,219,432
Other liabilities	3,209,331	508,389	-	500,874	259,529	4,478,123
Segregated funds' liabilities	50,769	195,513	472,326	5,842,089	-	6,560,697
Insurance contracts liabilities	205,299	626,041	3,274,877	11,311,806	-	15,418,023
Investment contracts liabilities	5,026,747	3,753,093	207,345	-	-	8,987,185
Other policy liabilities	247,105	3,902,467	616	269,556	-	4,419,744
Total undiscounted liabilities	51,073,123	19,515,271	9,573,356	20,763,203	259,529	101,184,482

53. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Undiscounted Financial Liabilities - 31 December 2009						
Other Liabilities	4,883,757	-	-	-	4,967	4,888,724
Due to banks and other financial institutions	199,086	1,419,702	147,304	770,274	-	2,536,366
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
Non-financial liabilities:						
Provision	-	93,248	-	-	-	93,248
Taxation payable	10,782	-	-	-	-	10,782
Retirement benefits obligations	-	298,385	-	-	-	298,385
Deferred income taxes	-	-	-	454,688	-	454,688
Total undiscounted liabilities	11,546,981	3,098,278	5,522,874	19,859,189	4,967	40,032,289
Undiscounted Financial Liabilities - 31 December 2008						
Other Liabilities	1,716,849	-	-	-	194,651	1,911,500
Due to banks and other financial institutions	316,715	773,739	144,162	627,255	-	1,861,871
Segregated funds' liabilities	50,769	195,513	472,326	5,577,223	-	6,295,831
Insurance contracts liabilities	202,271	603,661	3,171,960	9,802,029	-	13,779,921
Investment contracts liabilities	4,113,921	115,456	207,345	-	-	4,436,722
Other policy liabilities	21	1,016,635	616	269,556	-	1,286,828
Total undiscounted liabilities	6,400,546	2,705,004	3,996,409	16,276,063	194,651	29,572,673

(e) Liquidity risk (continued)

	The Group					
	2009					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash resources	4,489,318	-	-	-	1,000	4,490,318
Financial investments	6,376,038	10,202,441	19,708,012	50,853,276	2,221,849	89,361,616
Securities purchased under resale agreements	6,449,049	4,201	-	3,308	-	6,456,558
Derivative financial instruments	15,799	8,737	87,464	43,374	-	155,374
Loans & leases, after allowance for impairment losses	2,544,183	1,957,512	2,509,658	1,676,946	-	8,688,299
Cash Reserve at Bank of Jamaica	413,744	-	-	-	-	413,744
Reinsurance contracts	-	191,438	-	-	-	191,438
Other assets	1,261,633	365,345	-	423,240	1,055,220	3,105,438
Segregated funds' assets	1,874,480	360,876	1,082,456	2,518,003	2,707,464	8,516,279
Non-financial assets:						
Property, plant and equipment	-	-	-	-	1,261,720	1,261,720
Deferred income taxes	-	826,072	-	-	-	826,072
Intangible assets	-	-	-	5,070,512	-	5,070,512
Retirement benefit assets	-	-	-	316,535	-	316,535
Investment properties	-	-	-	-	1,041,338	1,041,338
Investment in associated company	-	-	-	-	2,725	2,725
Taxation recoverable	1,133,205	-	-	-	-	1,133,205
	24,530,449	13,916,622	23,387,590	60,905,194	8,291,316	131,031,171
Assets classified as held for sale and discontinued operations	1,757,051	1,530,650	-	-	1,147,545	4,435,246
Total assets	26,287,500	15,447,272	23,387,590	60,905,194	9,438,861	135,466,417

(e) Liquidity risk (continued)

[illegible]

(e) Liquidity risk (continued)

[illegible]

(e) Liquidity risk (continued)

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.

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.

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53. 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			
	2009			
	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash resources	1,227,418	2,861,411	401,489	4,490,318
Financial Investments	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 instruments	-	155,374	-	155,374
Loans, after allowance for impairment losses	1,950,201	6,738,098	-	8,688,299
Cash reserve at Bank of Jamaica	124,448	267,105	22,191	413,744
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:				
Property, plant and equipment	1,153,853	45,612	62,255	1,261,720
Deferred income taxes	828,072	-	-	828,072
Intangible assets	4,230,217	833,198	7,097	5,070,512
Retirement benefit assets	316,535	-	-	316,535
Taxation recoverable	1,133,205	-	-	1,133,205
Investment properties	1,041,338	-	-	1,041,338
Investment in associated company	2,725	-	-	2,725
	61,403,149	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	61,403,149	68,663,590	5,401,678	135,466,417
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 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	10,420,867	8,278,270	-	18,699,137
Investment contracts	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 financial position	4,281,087	12,805,883	4,247,000	21,331,970

53. Insurance and Financial Risk Management (Continued)

(f) Market risk

Currency risk (continued)

On and off statement of financial position financial instruments (continued)

	The Group			
	2008			
	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash resources	953,366	2,113,350	517,148	3,583,864
Financial Investments	43,902,297	30,424,175	1,061,871	75,388,343
Derivative instruments	-	2,076,668	880,638	2,957,306
Securities purchased under resale agreements	1,928,581	2,516,516	2,961	4,448,058
Loans, after allowance for impairment losses	1,888,684	6,558,008	-	8,446,692
Due from related companies	425,462	382,301	-	807,763
Cash reserve at Bank of Jamaica	47,835	126,640	7,587	182,062
Reinsurance assets	111,936	18,723	2,443,590	2,574,249
Other assets	2,358,085	476,025	1,023,511	3,857,621
Segregated funds' assets	4,578,764	1,972,392	9,541	6,560,697
Non-financial assets:				
Investment in associated company	2,725	-	-	2,725
Taxation recoverable	700,333	-	-	700,333
Investment properties	326,175	-	-	326,175
Property, plant and equipment	1,426,483	323,187	71,394	1,821,064
Deferred income taxes	636,485	-	-	636,485
Intangible assets	4,444,950	781,662	65,176	5,291,788
Retirement benefit assets	206,190	-	-	206,190
Total assets	63,938,351	47,769,647	6,083,417	117,791,415
Liabilities				
Securities sold under repurchase agreements	18,403,826	21,395,704	157,623	39,957,153
Customer deposits and other accounts	845,343	6,133,520	441,126	7,419,989
Other liabilities	2,300,707	146,842	916,146	3,363,695
Due to banks and other financial institutions	1,906,573	3,981,704	-	5,888,277
Derivative instruments	-	897,252	1,806,064	2,703,316
Structured products	74,741	1,012,799	-	1,087,540
Redeemable preference shares	1,271,190	-	-	1,271,190
Segregated funds' liabilities	6,191,844	368,853	-	6,560,697
Insurance contracts	6,751,245	8,666,778	-	15,418,023
Investment contracts	4,143,389	4,748,287	-	8,891,676
Other policy liabilities	1,286,838	1,442,644	1,690,262	4,419,744
Non-financial liabilities:				
Provisions	218,402	-	-	218,402
Retirement benefit obligations	430,422	-	-	430,422
Taxation payable	153,763	-	-	153,763
Deferred income taxes	418,647	-	-	418,647
Total liabilities	44,396,930	48,794,383	5,011,221	98,202,534
Net on statement of financial position financial position	19,541,421	(1,024,736)	1,072,196	19,588,881

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53. 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
Assets				
Cash and bank	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 assets	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
Property, plant and equipment	1,012,727	-	-	1,012,727
Intangible assets	2,489,595	-	-	2,489,595
Investment in subsidiaries	5,488,339	940,723	-	6,429,062
Investment in associated company	2,725	-	-	2,725
Taxation recoverable	521,123	-	-	521,123
Retirement benefit asset	249,033	-	-	249,033
Total assets	36,083,719	18,845,555	6,151	54,935,425
Liabilities				
Other liabilities	3,066,946	1,821,783	-	4,888,729
Due to banks and other financial institutions	711,582	1,374,445	-	2,086,027
Segregated funds' liabilities	7,885,682	128,679	-	8,014,361
Insurance contracts	10,420,867	6,684,800	-	17,105,667
Investment contracts	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	28,993,423	10,289,419	-	39,282,842
Net on statement of financial position financial position	7,090,296	8,556,136	6,151	15,652,583

53. 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			
	2008			
	Jamaican \$	US\$	Other	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and bank	266,607	2,522	250	269,379
Financial Investments	12,684,694	10,237,616	-	22,922,310
Securities purchased under resale agreements	696,174	693,442	2,961	1,392,577
Lease receivables	4,819	-	-	4,819
Reinsurance assets	57,848	-	-	57,848
Other assets	2,941,025	619	-	2,941,025
Segregated funds' assets	4,578,763	1,707,527	9,541	6,295,831
Intangible assets	2,607,774	-	-	2,607,774
Non-financial assets:				
Property, plant and equipment	1,254,883	-	-	1,254,883
Investment in associated company	2,725	-	-	2,725
Taxation recoverable	415,036	-	-	415,036
Retirement benefit Asset	184,482	-	-	184,482
Investment in subsidiaries	4,224,776	904,723	-	5,129,499
Investment properties	326,175	-	-	326,175
Total assets	30,245,162	13,546,449	12,752	43,804,363
Liabilities				
Other liabilities	1,911,500	-	-	1,911,500
Due to banks and other financial institutions	730,763	762,872	-	1,493,635
Segregated funds' liabilities	6,191,843	103,988	-	6,295,831
Insurance contracts	6,751,245	7,028,676	-	13,779,921
Investment contracts	4,143,389	246,120	-	4,389,509
Other policy liabilities	1,286,634	194	-	1,286,828
Non-financial liabilities:				
Provisions	218,402	-	-	218,402
Taxation payable	96,816	-	-	96,816
Deferred income taxes	230,932	-	-	230,932
Retirement benefit obligations	397,849	-	-	397,849
Total financial liabilities	21,959,373	8,141,850	-	30,101,223
Net on statement of financial position financial position	8,285,789	5,404,599	12,752	13,703,140

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54. Sensitivity Analysis

Actuarial liabilities comprise 53.9% 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 37 (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:

- Lapse rates
- Mortality and morbidity
- Operating expenses and taxes

54. Sensitivity Analysis (Continued)

(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 excluding the Industrial Alliance Cayman portfolio which was acquired during 2008. DCAT testing has not been completed for:

- Sagicor Re Insurance Limited
- Sagicor General Insurance (Cayman) Ltd.;

These insurers have net actuarial liabilities totalling \$304,902,000 or 1.6% (2008: \$230,994,000 or 1.5%) of the Group actuarial liabilities (insurance contracts).

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54. 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 2010 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2009 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 2009 liabilities, but will produce net lower liabilities over the next five years.

54. 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 \$19,004,039,000 at the statement of financial position date.

Variable	Change in Variable	The Group	
		2009 Change in Liability \$'000	2008 Change in Liability \$'000
Worsening of mortality/morbidity	+3% for 5 yrs.	1,525,658	1,200,709
Improvement in annuitant mortality	-3% for 5 yrs.	303,408	332,833
Lowering of investment return	-0.5% for 10 yrs.	5,561,153	3,467,110
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,486,125	1,330,513
Worsening of lapse rate	x2 or x0.5	2,927,830	1,874,574
High Interest	+0.5% for 10 yrs.	(4,856,050)	(4,927,835)
Variable	Change in Variable	The Company	
		2009 Change in Liability \$'000	2008 Change in Liability \$'000
Worsening of mortality/morbidity	+3% for 5 yrs.	1,360,674	1,091,691
Improvement in annuitant mortality	-3% for 5 yrs.	299,431	230,116
Lowering of investment return	-0.5% for 10 yrs.	5,169,215	3,185,079
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,464,975	1,311,794
Worsening of lapse rate	x2 or x0.5	2,444,711	1,594,300
High Interest	+0.5% for 10 yrs.	(4,589,056)	(4,695,010)

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54. 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 statement of financial position date are set out below.

	The Group	
	Carrying Value	Effect of 20% change at 31 December 2009
	\$'000	\$'000
Available for sale equity securities:		
Listed on Jamaica Stock Exchange	1,360,337	272,067
Listed on US stock exchanges	724,581	144,916
Other	107,960	21,592
	<u>2,192,878</u>	<u>438,575</u>
The Company		
	Carrying Value	Effect of 20% change at 31 December 2009
	\$'000	\$'000
Available for sale equity securities:		
Listed on Jamaica Stock Exchange	1,165,143	233,029
Other	25,790	5,158
	<u>1,190,933</u>	<u>238,187</u>

54. 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 statement of financial position date is considered in the following tables.

	The Group					
	2009			2008		
	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	Balances denominated in other than JMD \$'000	Effect of a 15% depreciation at 31 December 2008 \$'000	Effect of a 5% appreciation at 31 December 2008 \$'000
Statement of financial position:						
Assets	74,065,268	85,175,058	70,362,005	53,853,064	61,931,024	51,160,411
Liabilities	57,012,384	65,564,242	54,161,765	53,805,604	61,876,445	51,115,324
Net position	<u>17,052,883</u>	<u>19,610,815</u>	<u>16,200,239</u>	<u>47,460</u>	<u>54,579</u>	<u>45,087</u>
Income statement:						
Net income	-	1,867,852	(622,617)	-	(428,984)	142,995
Equity	<u>-</u>	<u>690,080</u>	<u>(230,027)</u>	<u>-</u>	<u>436,103</u>	<u>(145,368)</u>
	The Company					
	2009			2008		
	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	Balances denominated in other than JMD \$'000	Effect of a 15% Depreciation at 31 December 2008 \$'000	Effect of a 5% appreciation at 31 December 2008 \$'000
Statement of financial position:						
Assets	18,815,706	21,638,062	17,874,921	13,559,201	15,593,081	12,881,241
Liabilities	8,468,499	9,738,774	8,045,074	8,141,850	9,363,128	7,734,758
Net position	<u>10,347,207</u>	<u>11,899,288</u>	<u>9,829,847</u>	<u>5,417,351</u>	<u>6,229,954</u>	<u>5,146,483</u>
Income statement						
Net income	<u>-</u>	<u>1,552,081</u>	<u>(517,360)</u>	<u>-</u>	<u>812,603</u>	<u>(270,868)</u>

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54. 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.

	2007 \$'000	2008 \$'000	2009 \$'000	Total \$'000
Gross				
Estimate of ultimate claims incurred:				
At the end of the reporting year	226,014	2,357,399	249,816	2,833,229
One year later	192,381	2,382,972	-	2,575,353
Two years later	233,077	-	-	233,077
Most recent year	233,077	2,382,972	249,816	2,865,865
Cumulative payments to date	(130,922)	(2,328,262)	(142,104)	(2,601,288)
Liability recognised in the statement of financial position	102,155	54,710	107,712	264,577
Liability in respect of prior years and ULAE				353,485
Total liability				618,062

The reinsurers' share of the amounts in the foregoing table is set out below.

	2007 \$'000	2008 \$'000	2009 \$'000	Total \$'000
Reinsurers' share				
Estimate of ultimate claims incurred:				
At the end of the reporting year	143,920	2,140,342	161,605	2,445,867
One year later	118,198	2,187,157	-	2,305,355
Two years later	141,799	-	-	141,799
Most recent year	141,799	2,187,157	161,605	2,490,561
Cumulative payments to date	(80,484)	(2,150,027)	(95,377)	(2,325,888)
Recoverable recognised in the statement of financial position	61,315	37,130	66,228	164,673
Recoverable in respect of prior years				185,103
Total recoverable from reinsurers				349,776

54. 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 (8% increase and 8% decline), 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 86.10% (2008 – 52.47%).

	The PCFS Group			
	Effect on Net Profit 2009 \$'000	Effect on Equity 2009 \$'000	Effect on Net Profit 2008 \$'000	Effect on Equity 2008 \$'000
Change in percentage (%)				
J\$ - 8%, US\$ - 3% (2008 – 8%)	(749,648)	3,159,694	239,399	4,723,458
J\$ + 2%, US\$ + 1% (2008 – 5%)	(233,734)	(756,505)	(95,192)	(2,116,334)

55. 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.

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55. 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:

	2009	2008
	\$'000	\$'000
Stockholders' equity	19,862,709	15,543,820
Non controlling interest	1,469,261	4,045,061
Business development loans payable	522,275	467,684
Total statement of financial position capital resources	<u>21,854,245</u>	<u>20,056,565</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) Sagikor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated quarterly 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 statement of financial position date is an MCCSR of 135% (2008 - 135%). The MCCSR for the Sagikor Life Jamaica Limited Company as of 31 December 2009 and 2008 is set out below.

	2009	2008
Sagikor Life Jamaica Limited	<u>147.4%</u>	<u>156.6%</u>

55. Capital Management (Continued)**(b) Sagikor 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 statement of financial position date. However, the (MCCSR for Sagikor Cayman, is based on the Canadian Regulatory Standards is set out below.

	2009	2008
Sagikor Life of the Cayman Islands Limited	<u>169.3%</u>	<u>183.9%</u>

(c) Pan Caribbean Financial Services Limited

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statements 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.

Investments in associate is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

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- statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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55. Capital Management (Continued)

(c) Pan Caribbean Financial Services Limited (continued)

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 2009 and 2008. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The regulated companies within this Group are Pan Caribbean Financial Services Limited (PCFS), Pan Caribbean Bank Limited (PCB) and Pan Caribbean Asset Management Limited (PCAM).

	PCFS	PCFS	PCB	PCB	PCAM	PCAM
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tier 1 capital	5,663,413	4,938,126	2,531,820	1,330,066	191,648	170,912
Tier 2 capital	1,479,137	1,475,028	70,635	29,416	5,310	5,310
Total regulatory capital	7,142,550	6,413,154	2,602,455	1,359,482	196,958	176,222
Total required capital	2,831,707	2,469,063	798,805	863,729	95,824	86,459
Risk-weighted assets:						
On-statement of financial position	8,966,812	10,873,705	5,005,824	5,830,908	256,622	103,955
Off-statement of financial position	-	-	1,253,540	1,367,229	-	-
Foreign exchange exposure	2,757,128	1,823,225	1,728,690	1,439,149	-	-
Total risk-weighted assets	11,723,940	12,696,930	7,988,054	8,637,286	256,622	103,955
Actual capital base to risk weighted assets	61%	51%	33%	16%	77%	169%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

The increase of the regulatory capital in PanCaribbean Bank Limited (PCB) in 2009 is mainly due to the transfer from retained earnings reserve to retained earnings reserve and reserve fund.

Derivative Products

The Banking 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.

56. 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 2009, these subsidiaries had financial assets under administration of approximately \$74,946,025,000 (2008: \$66,126,730,000).

57. Commitments

In the normal course of business, the Group has entered into commitments at the statement of financial position 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 2009				
Loan commitments	505,934	298,349	-	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
	1,345,879	693,076	25,231	2,064,186
At 31 December 2008				
Loan commitments	752,781	262,943	38,245	1,053,969
Guarantees, acceptances and other financial facilities	568,452	327,318	30,831	926,601
Operating lease commitments	41,487	27,422	-	68,909
	1,362,720	617,683	69,076	2,049,479
	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 2009				
Loan commitments	24,450	-	-	24,450
At 31 December 2008				
Loan commitments	88,554	-	-	88,554

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

58. 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 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 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 and the third parties lodged counterclaims against SGC. Indemnity costs, unpaid invoices, damages and Court awards were paid. The Courts have yet to quantify the final costs related to a portion of awards made to date against SGC. Based on discussions with legal counsel, SGC recorded a provision of CI\$3,958,000 at 31 December 2009 for the amount not yet fully quantified.

In addition, counterclaims related to abuse of process were lodged by the third parties against SGC. The Courts have yet to rule on such counterclaims. Although SGC believes that the likelihood of a favorable outcome is probable, certain contingent liabilities could attach if the Courts ruled in favour of the third parties and if CNC seeks to deny responsibility for any of these counterclaims.

58. Contingent Liabilities (Continued)

(b) Hurricane Ivan claims (continued)

It is the Group's view, supported by legal advice received, that there is legal basis for relying on the warranty under the agreement in respect of certain of the counterclaims in the Windsor Village litigation. The Group also intends to rely on the understanding arrived at between the parties prior to law suits being filed.

(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.

59. Pledged Assets

The carrying values of the assets 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance with regulators	335,955	360,038	-	-
Investment securities and securities sold under repurchase agreements	64,817,908	51,851,435	51,463,461	45,107,149
	<u>65,153,863</u>	<u>52,211,473</u>	<u>51,463,461</u>	<u>45,107,149</u>
	The Company			
	Asset		Related Liability	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance with regulators	273,054	301,496	-	-
Investment securities	6,427,996	4,745,250	1,374,431	740,743
	<u>6,701,050</u>	<u>5,046,746</u>	<u>1,374,431</u>	<u>740,743</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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment securities	<u>18,221,416</u>	<u>18,079,991</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (Cont'd)

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

60. Acquisitions

(a) Guardian Life Limited Cayman portfolio

On 2 February 2009, Sagikor Life of the Cayman Islands Ltd. acquired the Cayman Individual Life portfolio of Guardian Life Limited. The net assets acquired, purchase consideration and goodwill arising are set out below:-

	Fair value of net assets acquired	Acquirees carrying value
	\$'000	\$'000
Assets:		
Cash	137,831	137,831
Policy loans	43,288	43,288
Premiums due	830	830
Reinsurance asset	3,983	3,983
	<u>185,932</u>	<u>185,932</u>
Liabilities:		
Insurance reserves	145,552	145,552
Policy benefits payable	5,764	5,764
Other policy liabilities	2,169	2,169
	<u>153,485</u>	<u>153,485</u>
Net assets acquired	32,447	<u>32,447</u>
Purchase consideration	33,048	
Goodwill arising on acquisition (Note 17)	601	
	<u>601</u>	
Cash and cash equivalents acquired	137,832	
Purchase consideration	<u>(33,048)</u>	
	<u>104,784</u>	

The acquired portfolio contributed gross revenue of \$14,383,000 and net income of \$76,283,000 for the period 2nd February 2009 to 31st December, 2009. If the acquisition had occurred on 1st January, 2009, the acquired business would have contributed gross revenue of \$15,690,000 and profit would have been \$77,260,000.

60. Acquisitions (Continued)

(b) PCFS Share holdings

On 11th November, 2009 Sagikor Life Jamaica Limited and its subsidiary Sagikor Life of the Cayman Islands Limited purchased 181,539,399 (or 33.13%) of the issued shares in PanCaribbean Financial Services (PCFS) from the ultimate parent company, Sagikor Financial Corporation. As a consequence of this transaction, Sagikor Life Jamaica Limited increased its interest in PCFS from 52.97% to 69.47% and Sagikor Life of the Cayman Islands Limited holds a 16.66% interest. In aggregate the Sagikor Life Jamaica Group controls 86.10% of PCFS. A negative goodwill of \$467,954,000 was realized by the Sagikor Life Jamaica Group from the share purchase. The Group incurred costs of approximately \$35,637,000 associated with the acquisition.

The negative goodwill amount was computed as follows:

	The Company	The Group
Net book value of PCFS at acquisition date (\$'000)		9,157,335
Additional interest acquired	16.00%	33.13%
Net assets acquired (\$'000)		3,033,825
Total cost of shares acquired (\$'000)	1,299,563	2,565,871
Negative goodwill in equity (\$'000)		<u>467,954</u>

61. Subsequent Event

During January 2010, the Sagikor Life Jamaica Limited Board of Directors approved the company's participation in the Jamaica Debt Exchange programme (JDX).

The JDX is an initiative of the Government of Jamaica (GOJ) to exchange the majority of existing GOJ domestic debt instruments for new debt instruments having longer maturities and lower coupon rates. While the old notes were all callable by GOJ, a majority of the new notes will be non-callable. The settlement date for the new notes was 24 February 2010.

As a large holder of long term Government of Jamaica (GOJ) bonds, the JDX programme had a negative impact on our reserves and therefore on our profits for 2009. Operating efficiencies effected during the year and conservative asset yield assumptions, softened the impact considerably. The full impact on our reserves has been taken in the 2009 results. Lower interest rates and compressed purchasing power in the market will negatively affect our earnings going forward.

Following the JDX, there has been a reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. This shift may result in a future reduction in the discount rate used to measure the Group's and the company's obligations under its defined benefit pension and other post employment benefit plans.

Notes to the Financial Statements (Cont'd)**31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

61. Subsequent Event (Continued)

- (i) The total face value of bonds exchanged by the Group were:

	The Group	The Company
	\$'000	\$'000
J\$ Denominated bonds	33,264,906	10,666,717
US\$ Denominated and indexed bonds	8,958,856	134,974
	<u>42,223,762</u>	<u>10,801,691</u>

The face value of bonds exchanged for funds under management was \$120,785,000 and \$23,586,000 for the Group and the company respectively.

- (ii) Interest rates were reduced as follows:

	J\$ Portfolio	US\$ Portfolio
Sagicor Life Jamaica Limited	18.55% to 13.54%	9.08% to 6.94%
Pan Caribbean Financial Services Limited	18.23% to 12.54%	8.83% to 8.15%
PanCaribbean Bank Limited	<u>12.64% to 12.16%</u>	<u>7.76% to 7.51%</u>

- (iii) Durations were increased as follows:

	J\$ Portfolio	US\$ Portfolio
Sagicor Life Jamaica Limited	4.82 years to 6.91 years	0.93 years to 5.3 years
Pan Caribbean Financial Services Limited	0.59 years to 0.91 years	1.8 years to 2.53 years
PanCaribbean Bank Limited	<u>0.89 years to 2.11 years</u>	<u>1.57 years to 1.91 years</u>

BRANCHES

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Branch Manager
Mavis Ferguson
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Ramoth Watson

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David Reid
Aaron Greaves
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Odine DaCosta

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Branch Manager

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Agency Manager

Jean Hamilton

Unit Manager

Monica Robotham

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Branch Manager

Mark Lindsay

SUBSIDIARIES**SAGICOR PROPERTY SERVICES LIMITED**

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Jamaica W1
Tel: (876) 929-9182-4
Fax: (876) 929-9187

SAGICOR INSURANCE BROKERS LIMITED

28-48 Barbados Avenue
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Fax: (876) 929-4730

EMPLOYEE BENEFITS ADMINISTRATORS LIMITED

28-48 Barbados Avenue
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Fax: (876) 929-4730

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.
3rd Floor Harbour Place
103 South Church Street, George Town
Grand Cayman KY1-1105
Cayman Islands
Tel: (345) 949-7028
Fax: (345) 949-7457

SAGICOR INTERNATIONAL ADMINISTRATORS LIMITED

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Fax: (876) 929-4730

PAN CARIBBEAN FINANCIAL SERVICES LIMITED

The Pan Caribbean Building
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Tel: (876) 929-5583
Fax: (876) 926-4385

SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.

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Cayman Islands
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Fax: (345) 949-8262

SAGICOR GENERAL INSURANCE (CAYMAN) LTD.

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Grand Cayman KY 1-1105
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Fax: (345) 949-7457

ASSOCIATED COMPANIES**LESTED DEVELOPMENTS LIMITED**

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Fax: (876) 929-4730

Proxy Form

Sagicor Life Jamaica Limited



I..... ofbeing a member
of Sagicor Life Jamaica Limited hereby appoint.....

ofor 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 Wednesday, the 9th day of June 2010 at 3:00 p.m. and at any adjournment thereof.

The Proxy will vote on the under mentioned resolutions as indicated:

Resolutions

1. **To receive the Audited Accounts for the year ended December 31, 2009 and the Reports of the Directors and Auditors.**

For

☐

Against

☐

2. **To elect Director – in accordance with Article 98(f)**

☐☐

Director Dr. the Hon. R.D. Williams having attained the age of sixty-five years and notwithstanding Article 98(f) the Board of Directors has by invitation asked him to continue in office as Director for a period of two (2) 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 2012.

To elect Directors – in accordance with Article 99.

Dr. the Hon. R.D. Williams

☐☐

Mr. Paul Facey

☐☐

Mr. Stephen Facey

☐☐

3. **To fix the remuneration of the Directors.**

☐☐

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

☐☐

5. **To ratify interim dividends and declare them final**

☐☐

NOTE: If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

As witness my hand thisday of 2010

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.

A proxy need not be a member of the Company.

