



KEEPING PROMISES

Sagicor Life Jamaica Limited

Annual Report 2011

Sagicor

OUR
Vision

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

OUR
Philosophy

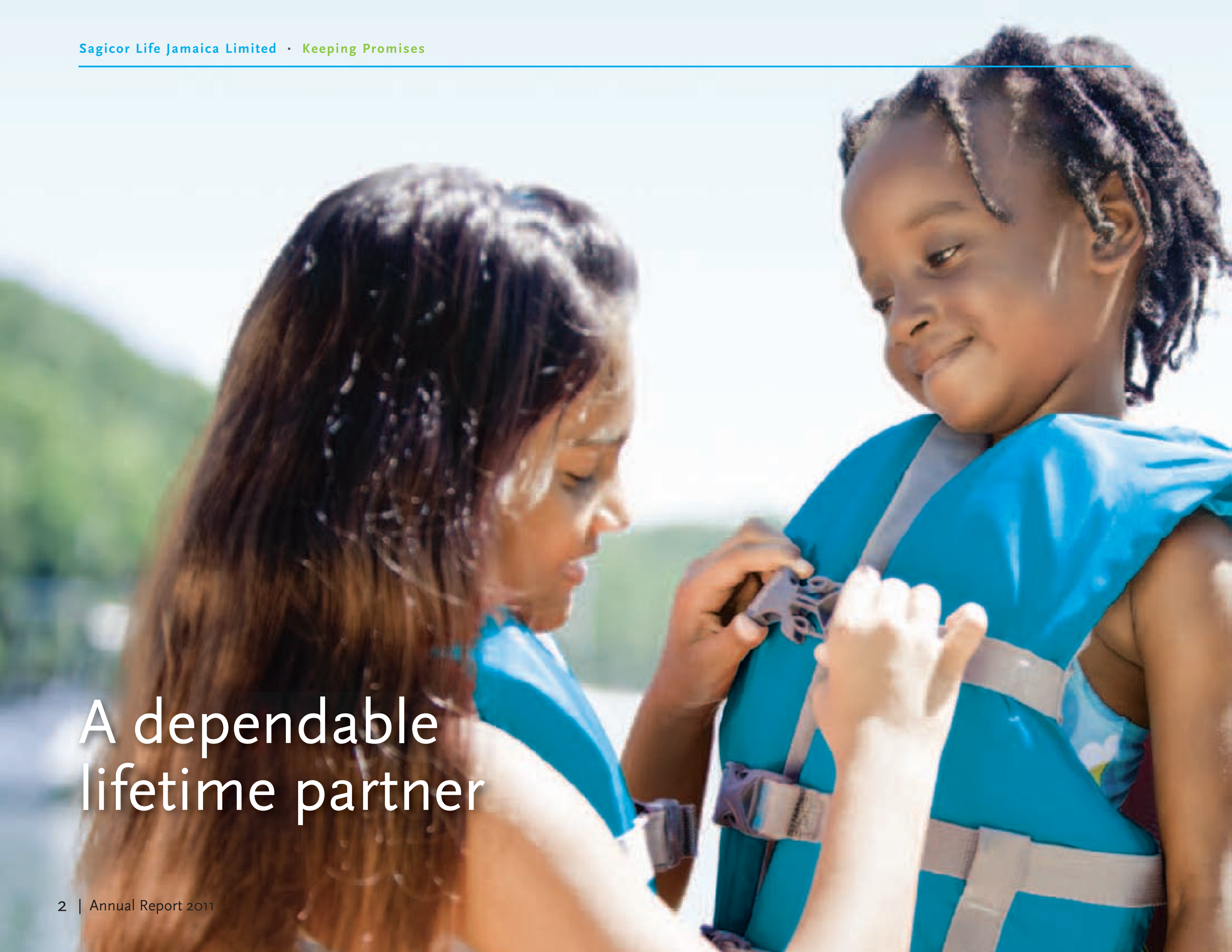
To provide quality products and services to our customers while delivering strong return on our shareholders' investments.

OUR
Values

Our values dictate who we are...our SCRIPT guides our action.

Sagicor values
Communication
Respect
Integrity
Performance
Teamwork

Contents



A dependable lifetime partner

When we reported to you, our shareholders, in 2010 we identified a number of strategic intents in order to remain a successful company and to meet challenges in 2011. They were:

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

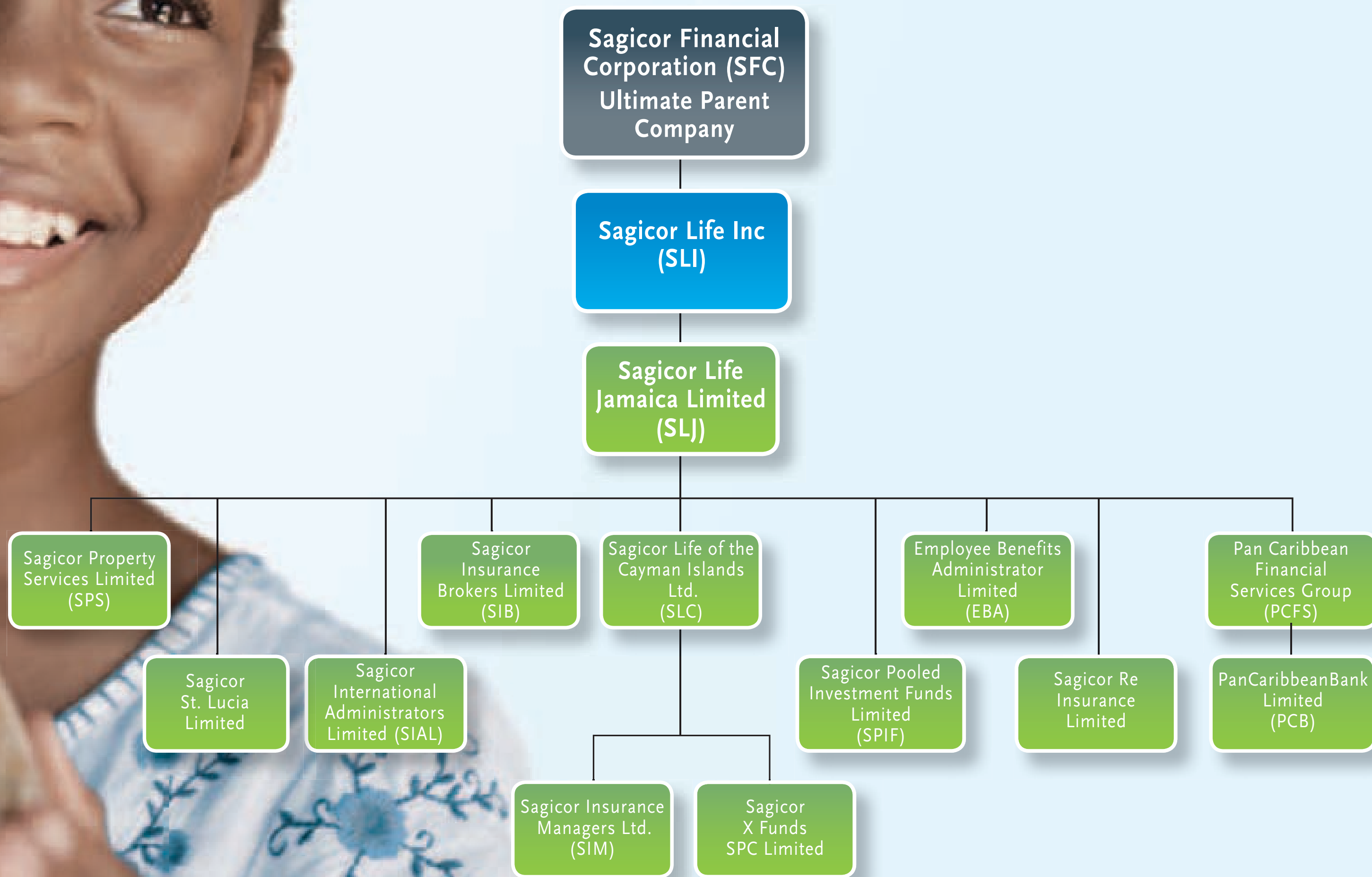
This year we are pleased that delivering on these resulted in increased customer loyalty by 14% over 2010.

Keeping promises is at our core.

Sagicor's Brand Essence Wheel

A dependable lifetime partner who is not afraid to stand up for what's right, and is fiercely loyal to family and friends.
A coach and a mentor who is happy to offer advice, is well-loved and respected in the community and always **keeps promises**.

Sagicor Today



We are diverse in our lines of business

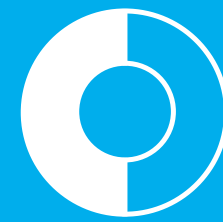
Employee Benefits

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

Overview

On Revenues of $14.5 billion, a profit contribution of $2.0 billion was generated during 2011. Revenue was up 20% on prior year, helped by a large single premium. The Division wrote $3.53 billion of new business during the year compared to $1.94 billion in 2010.

Contribution to Group Revenue

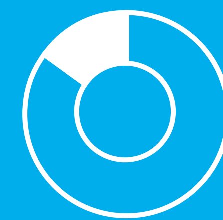


Investments

Sagicor Investments exists to assist individual investors in attaining their personal goals. We allow you to follow your own investment philosophy by tailoring products to meet your goals and match your appetite for risk. Sagicor manages the investments portfolios for all Group Companies with the exception of the Pan Caribbean Financial Services.

Overview

By year-end 2011, the Division managed total assets of $146.25 billion on behalf of individual policyholders, group insurance clients, pension clients, annuitants and shareholders. We manage our investments portfolios using disciplined Asset/Liability Management (ALM) principles.

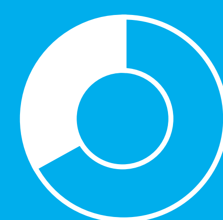


Individual Insurance

The Individual Insurance Division provides individual clients with Life & Health Insurance policies, Individual Pensions, Investment opportunities, and other insurance related solutions through our wide range of products, and a large distribution network of Financial Advisors and Broker/Agency channels in Jamaica and the Cayman Islands.

Overview

In 2011, the Net Profit produced was $2.57 billion, up from $1.66 billion in 2010. These results were generated from Revenues of $9.49 billion and $8.52 billion, respectively. During 2011, earned premium income was $8.32 billion, an increase of 12% over the 2010 amount of $7.40 billion. Premium income represents about 90% of total revenue.

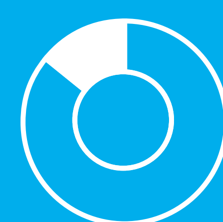


Banking

PanCaribbean is focused on helping you make the most of your money. Through a diverse network of investment and banking solutions for both individuals and corporations, its hallmark is offering smart, insightful advice that matches personal objectives with the best financial opportunities available today.

Overview

The Pan Caribbean Financial Services Group (PCFS Group) delivered very good results in 2011. After tax profits were $1.72 billion, an increase of 13% above the prior year's $1.52 billion. These earnings were derived from revenues of $4.1 billion, up 10% from $3.71 billion in 2010. The book value of the PCFS Group's shareholders' equity at December 2011 was $11.96 billion. The return on average shareholders' equity was 15%.



Dr. The Hon. R.D. Williams
Chairman

Richard O. Byles
President & CEO

On behalf of the Board of Directors of Sagicor Life Jamaica (SLJ), we are pleased to share with you the 2011 performance of our Group of Companies. Our Team delivered net profits of $5.52 billion, which is 18% above 2010 and our eleventh consecutive year of growth.

Statement of the Chairman & the President

We thank our clients and customers for the confidence placed in us to provide for all their financial needs through Health Insurance, Life Insurance, Pension Management, and Commercial and Investment Banking. We provided $9.1 billion of insurance and annuity benefits to our customers and their families in 2011. Our investment funds outperformed their respective benchmarks for the most part and some were the best performers in their asset class.

Customer Service Excellence

In 2011 we made a strategic commitment to consistently deliver a world-class customer experience. A number of initiatives focused on lifting our service delivery and customer experience were implemented. We are pleased to report significant progress in this area:

- **Achieved 97% call answer rate at our new contact centre and 95% call resolution rate**
- **Improved health benefits processing turnaround time to 95% in 5 days**
- **Increased customer loyalty by 14% over prior year**

Customer service excellence will remain our key strategic priority for 2012. We will embark on initiatives to improve the convenience and efficiency with which customers can access our products and services, reduce wait times in branches, introduce new products to provide additional financial protection options, and provide competitive investment propositions and improve our ability to meet the needs of each client through a Single Customer View.

Strong Balance Sheet

Underpinning our promise to deliver benefits to our customers is a strong balance sheet. In 2011 our assets grew 13% to $161 billion and the capital of SLJ improved by 12% to $28.3 billion after paying a dividend of $2.44 billion to our 8,312 shareholders. SLJ continues to exceed the risk-adjusted capital required by our regulators.

Sound Governance

We are pleased to report that the Board of Directors and its various Committees met regularly and executed their responsibilities with diligence. They deliberated on matters of proper governance, management performance, business strategy and risk management.

Spending Time, Shaping Lives

We are proud of our nation-building efforts during the year. It is especially pleasing to highlight a few programmes which emphasise the development of our youth. Sagicor continued its sponsorship of the JTA/Sagicor National Primary, All-age and Junior High Schools' Athletics Championships. We also embarked on a Sagicor School Tour aimed at connecting with primary schools across the island to provide reading material, health checks and to share positive messages to help motivate and encourage these young citizens. Since the launch, our Sagicor volunteers have shared with 10,000 boys and girls in 22 schools and conducted over 2,200 health screenings.

Our Condolence

The Board extends its deep sympathy to the family and friends of our former Director and colleague, Mr. W.G. Bryan Ewen. Bryan served as a Director of Sagicor Life Jamaica Limited during the period November 1, 2005 to July 11, 2008. Our Group benefited tremendously from his sharp intellect and wide experience, especially in the areas of accounting and financial services management.

Outlook for 2012

Since the necessary fiscal reforms have not yet been completed, Jamaica's economy remains fragile. Tough decisions must be taken as quickly as possible to stave off a major economic crisis like we have seen in parts of Europe recently. In the current environment, it will take extraordinary efforts to grow our business. We shall give it our best in this, Jamaica's 50th year of independence.

Dr. The Hon. R.D. Williams
Chairman

Richard O. Byles
President & CEO

Group 10-Year Financial Statistics

YEAR END RESULTS TO DECEMBER 31, 2011

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
SALES:											
Insurance Amounts											
Individual Life - Sums Assured	$m	150,624	116,311	119,432	86,120	75,435	67,603	54,426	40,702	34,834	13,102
Group Life - Sums Assured	$m	2,358	1,462	5,053	5,212	4,180	1,427	1,793	6,675	867	1,224
Total New Insurance Amount	$m	**152,982**	**117,773**	**124,485**	**91,332**	**79,615**	**69,030**	**56,219**	**47,377**	**35,701**	**14,326**
New Annualised Premiums											
Individual Life	$m	2,110	1,998	1,943	1,432	1,352	1,401	1,131	853	637	357
Group Life and Health	$m	184	194	311	604	327	223	207	274	136	137
Group Health Single Premiums	$m	56	356	-	1,447						
Annuities	$m	1,139	1,279	1,302	810	831	605	387	417	213	188
Bulk Annuities Single Premiums	$m	2,153	-	1,699	6,141						
Group Pensions	$m	-	111	-	-	418	7	2	18	50	6
Total New Annualised Premiums	$m	**5,642**	**3,938**	**5,255**	**10,434**	**2,928**	**2,236**	**1,727**	**1,562**	**1,036**	**688**
IN FORCE:											
Insurance Amount											
Individual Life - Sums Assured	$m	734,195	666,096	622,513	527,376	442,844	378,018	321,222	260,354	166,357	125,509
Group Life - Sums Assured	$m	441,618	468,407	571,731	424,576	376,715	348,574	283,115	186,740	86,482	55,179
Property and Casualty	$m	22,957	19,584	134,787	118,864	100,081	73,413	62,388			
Total Insurance Amounts in Force	$m	**1,198,770**	**1,154,087**	**1,329,031**	**1,070,815**	**919,640**	**800,005**	**666,725**	**447,094**	**252,839**	**180,688**
Number of Individual Life policies in force		380,591	364,725	354,795	335,931	322,884	307,365	294,178	271,577	264,731	229,154
Number of New Individual Life policies		57,450	51,741	52,624	47,547	43,081	42,685	36,107	33,014	21,881	15,787

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Financial Position & Strength:											
Total Assets[1]	$m	161,099	143,159	135,466	117,791	87,070	79,058	70,911	20,274	16,363	10,867
Pension Funds under Management[2]	$m	74,399	64,569	55,336	46,709	50,705	41,825	35,991	26,473	20,026	14,408
Other Funds under Management	$m	22,304	20,081	19,610	19,418	25,001	20,531	20,330			
Total Assets Under Management	**$m**	**257,802**	**227,809**	**210,412**	**183,918**	**162,776**	**141,414**	**127,232**	**46,747**	**36,389**	**25,275**
Invested Assets	$m	133,651	118,500	105,551	88,612	67,548	60,383	52,849	11,798	9,273	5,748
Policyholders' Funds (including Segregated Funds)	$m	47,917	42,735	42,047	35,290	20,893	18,042	17,357	11,763	10,534	7,904
Shareholders' Equity	$m	28,290	25,203	19,863	15,544	15,507	14,412	11,652	6,151	3,840	1,360
Market Capitalization	$m	37,610	25,650	25,575	21,001	29,985	32,863	36,649	28,744	9,831	4,472
Operating Results:											
Total Revenue	$m	28,670	25,657	27,873	28,391	16,964	14,769	12,123	7,050	5,603	4,039
Total Policyholder Benefits and Reserves[3]	$m	12,316	10,469	12,333	15,197	6,260	5,224	4,095	2,385	1,913	1,447
Total Commissions, Expenses, and Taxes	$m	10,599	10,317	10,654	8,652	7,283	6,491	5,158	3,231	2,482	1,733
Net profit, attributable to Shareholders	$m	5,523	4,671	4,390	3,928	2,957	2,572	2,449	1,434	1,209	858
Financial Ratios:											
Return on average assets	%	4	4	4	4	4	4	7	10	13	14
Return on average shareholders' equity	%	21	21	25	25	20	20	27	29	47	92
Share price	$	10.00	6.82	6.80	5.60	8.00	8.81	9.86	11.30	3.90	2.70
Earnings per share	$	1.47	1.24	1.17	1.05	0.79	0.69	0.71	0.57	0.53	0.52
Price earnings ratio		6.81	5.49	5.81	5.33	10.13	10.76	13.89	19.82	7.36	5.19
Dividends per share	$	0.65	0.43	0.57	0.44	0.30	0.27	0.20	0.10	0.16	-
Administration Expenses and Depreciation to Revenue	%	23[4]	24[4]	22[4]	23[4]	23	24	24	26	27	24
Commissions and Related Sales Expenses to net premium income	%	17[4]	17[4]	16[4]	17[4]	18	18	17	20	19	18

Footnotes:

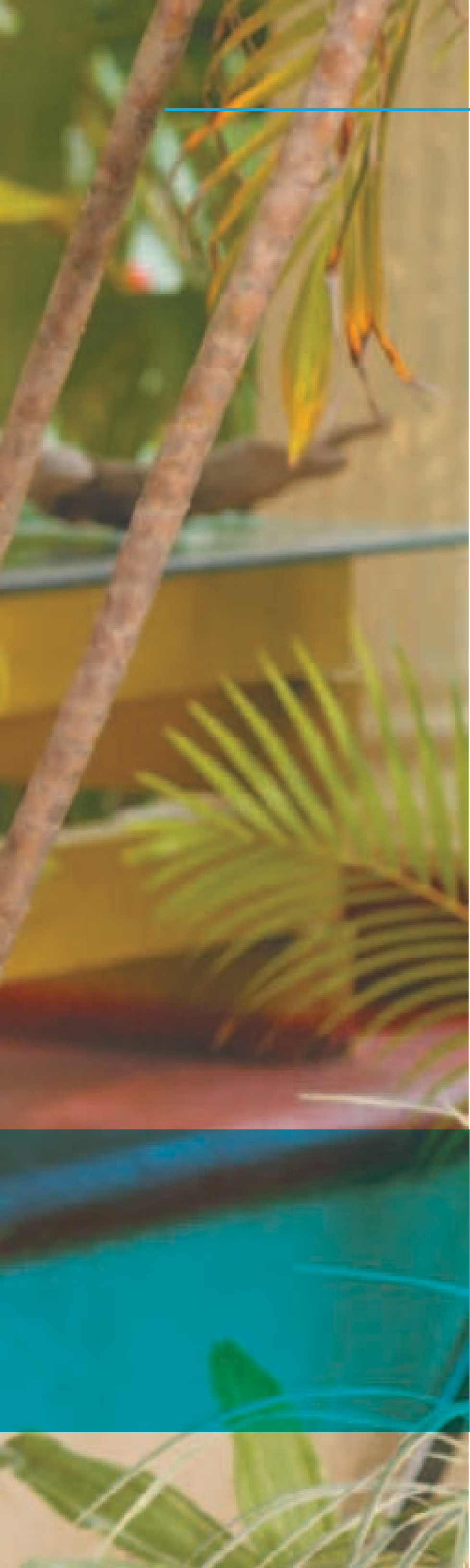
1 - Includes Segregated Funds

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

EMPLOYEE BENEFITS DIVISION



"We stand prepared to meet challenges and continue the growth of revenue and profits by offering services and benefits that meet the changing needs of our clients."

Errol McKenzie
Executive Vice President - Employee Benefits Division

Providing competitive advantage and the highest level of service

Report of the Directors

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2011. The Financial Statements reflect the consolidated results of Sagicor Life Jamaica Limited (SLJ) and its subsidiaries.

	2011 J$000's	2010 J$000's
Operating Results:		
Group Profit before tax	6,638,676	5,473,101
Taxation	(884,209)	(601,634)
Net Profit after tax	**5,754,467**	**4,871,467**
Attributable to:		
Stockholders of the Company	5,522,830	4,671,171
Minority Interest	231,637	200,296
Stockholders' Equity:		
Stockholders' equity brought forward	25,203,044	19,862,709
Share capital, opening	**7,854,938**	**7,854,938**
Shares issued	-	-
Share capital, ending	**7,854,938**	**7,854,938**
Reserves, opening	3,847,192	989,621
Net gains/losses recognised in equity	18,338	2,238,624
Value of employee services rendered	(9,603)	42,215
Disposal of Subsidiary	-	5,551
Other movements	603,537	571,181
Reserves, ending	**4,459,464**	**3,847,192**
Retained earnings, opening	13,500,914	11,018,150
Net profit	5,522,830	4,671,171
Transfers (to)/from reserves	(603,537)	(571,181)
SLJ dividends paid	(2,444,643)	(1,617,226)
Retained earnings, ending	**15,975,564**	**13,500,914**
Stockholders' equity carried forward	**28,289,966**	**25,203,044**

Directors

The Directors retiring by rotation are: Dodridge Miller, Hilary Beckles and Jacqueline Coke Lloyd. R. D. Williams retired by special resolution as a result of his age, over sixty-five, and is being asked to stay on to 2015.

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 34 cents per share and 31 cents per share were paid on April 7, 2011 and October 31, 2011 respectively.

Dr. the Hon. R.D. Williams
Chairman
28 February, 2012

Delivering on Our Promise

Serving Our Customers

In 2011 Sagicor Life Jamaica committed to providing our customers with the best service through every channel. Through team training exercises, process improvements, service innovation, improved communication and aesthetic enhancements we managed to significantly improve customer experience. Our customers have responded and expressed just how satisfied they are. We continue our mission of providing exceptional service to our customers by raising the bar even higher in the coming year.

November 9, 2011

Mr. Byles,

Today I visited your main office on Knutsford Blvd. to take some money from my policy. On arrival I was met with the usual packed waiting area. I was eager to see what measures were put in place to reduce the waiting time or what was the general improvement in customer service that Mr. Byles (President) spoke of on a recent television interview.

I was served by a very polite, extremely helpful representative, Debbie-Ann McDonald. She listened, she spoke quite confidently about the company. The entire experience was pleasant.

I really need to acknowledge this because if it were the opposite, then I would have made it known.

Mr. President, you can continue to speak in the way you do about customer service at Sagicor.

I am a satisfied customer.

Regards,
Suzette Brown
Individual Insurance Client

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FORTY-FIRST ANNUAL GENERAL MEETING of the Company will be held on Tuesday, May 22, 2012 at 3.00 pm at the Sagicor Life Jamaica Auditorium, 28-48 Barbados Avenue, Kingston 5, to consider and if thought fit to pass the following Resolutions:

ORDINARY BUSINESS

1. **To receive the Reports of the Directors and Auditors and the Audited Accounts for the year ended December 31, 2011.**

   Resolution No.1

   "THAT the Reports of the Directors and Auditors and the Audited Accounts for the year ended December 31, 2011 be and are hereby adopted."

2. **To elect Directors.**

   Article 99 of the Company's Articles of Incorporation provides that one third of the Directors shall retire from office at each Annual General Meeting.

   Directors Dr. Dodridge D. Miller, Professor Sir Hilary M. Beckles and Jacqueline Coke-Lloyd retire under this Article and being eligible, offer themselves for re-election.

   Additionally, **Article 98(f)** of the Company's Articles of Incorporation provides that the office of a Director shall be vacated if the Director attains the age of sixty-five years, provided that if a Director shall attain that age during his term of office, he shall be entitled to retain his position of Director until the next Annual General Meeting. Notwithstanding the foregoing, the Board at its absolute discretion may invite a former Director or any other person who has attained the age of sixty-five years to be a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.

   Director, Dr. the Hon. R. D. Williams has been invited by the Directors to serve as a Director of the Company pursuant to the provisions of this Article.

Resolution No. 2

i) "THAT Director, Dr. Dodridge D. Miller who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company."

ii) "THAT Director, Professor Sir Hilary M. Beckles who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company."

iii) "THAT Director, Jacqueline Coke-Lloyd who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company."

iv) "THAT 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 three (3) years from the date of this Annual General Meeting until the end of the Board of Directors' meeting prior to the Annual General Meeting in 2015."

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

   Resolution No. 3

   "THAT the amount of $25,320,000.00 included in the Audited Accounts of the Company for the year ended December 31, 2011 as remuneration for their services as Directors be and is hereby approved."

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

   Resolution No. 4

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

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

   Resolution No. 5

   "THAT the interim dividends of 34 cents paid on April 7, 2011 and 31 cents paid on October 31, 2011 be and are hereby ratified and declared final for 2011."

DATED THIS 28th DAY OF FEBRUARY 2012

BY ORDER OF THE BOARD

Janice A.M. Grant Taffe
Corporate Secretary

REGISTERED OFFICE
28-48 Barbados Avenue
Kingston 5, Jamaica

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

Corporate Data

DIRECTORS:

Dr. the Hon. R.D. Williams
Chairman

Richard O. Byles
President & CEO

Prof. Sir Hilary M. Beckles
Jeffrey C. Cobham
Marjorie Fyffe-Campbell
Jacqueline Coke-Lloyd
Richard Downer
Paul A.B. Facey
Stephen B. Facey
Paul Hanworth
William Lucie-Smith
Dr. Dodridge D. Miller

LEADERSHIP TEAM:

Richard O. Byles
President & CEO

Errol D. McKenzie
Executive Vice President,
Employee Benefits Division

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

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

Rohan D. Miller
Executive Vice President
& Chief Investment Officer

Mark Chisholm
Executive Vice President,
Individual Insurance Division

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
PanCaribbeanBank Limited
Cayman National Bank Ltd.

Attorneys

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Jamaica, W.I.

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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

Board of Directors

Dr. The Hon. R.D. Williams OJ, CD, Hon. LLD, JP

Citizen of Jamaica / Director since 1969

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

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

Richard O. Byles B.Sc., M.Sc.

Citizen of Jamaica / Director since 2004

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

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

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

Prof. Sir Hilary Beckles B.A. (Hons) PhD

Citizen of Barbados / Director since 2006

Professor Sir Hilary M. Beckles earned his PhD from Hull University, United Kingdom and received an honorary Doctorate of Letters from the same university in 2003. He is currently the Principal of the Cave Hill Campus of UWI, since 2002. He is a member of the Board of Directors of both Sagicor Financial Corporation (SFC) and Cable and Wireless (Barbados) Limited, and also serves on the editorial boards of several academic journals. Sir Hilary has published widely on Caribbean economic history, cricket history and culture, and higher education. He has lectured in Africa, Asia, Europe and the Americas.

Paul Facey B.Sc., MBA

Citizen of Jamaica / Director since 2005

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

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

Paul Hanworth M.A., M.Sc., A.C.A., C.P.A

Citizen of Jamaica / Director since 2008

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

Mr. Hanworth is a Certified Public Accountant (USA) and a Chartered Accountant (England) who holds an MSc in Management from Hartford Graduate Centre and a M.A. (Hons) from Cambridge University.

Stephen B. Facey B.A., M. Arch

Citizen of Jamaica / Director since 2005

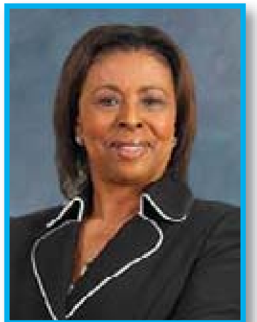
Mr. Stephen B. Facey is the President and CEO of Pan-Jamaican Investment Trust Limited and Chairman of Jamaica Property Company Limited, and a Director of Pan-Jamaican Investment Trust Limited, First Jamaica Investments Limited, Hardware & Lumber Limited, and the Kingston Restoration Company Limited.

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

He is the President of the New Kingston Civic Association.

Marjorie Fyffe-Campbell B.Sc. M.Sc.

Citizen of Jamaica / Director since 2003



Mrs. Marjorie Fyffe-Campbell is a Management Executive with over twenty-two years' experience in Finance and Accounting at the Executive Management level. She is a graduate of the University of the West Indies with a B.Sc. and an M.Sc. in Accounting, and is a Member of the Institute of Chartered Accountants of Jamaica. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica. Mrs. Fyffe-Campbell is a part-time Lecturer in Financial and Management Accounting at the Mona School of Business of the University of the West Indies, where she is pursuing a Doctorate in Business Administration with emphasis on corporate governance.

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

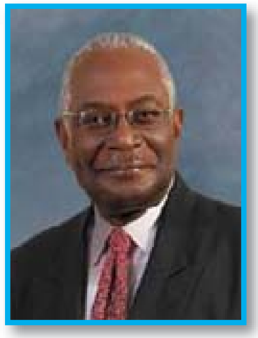
Jacqueline Coke-Lloyd

Citizen of Jamaica/ Director since 2010

Jacqueline Coke-Lloyd is presently the Principal Director of Make Your Mark Consultants with over 25 years of expertise in General Management, Human Resource Management and Industrial Relations. Mrs. Coke-Lloyd is the former CEO of Jamaica Employers' Federation (JEF). She is a graduate of the University of Technology, Jamaica and the International Training Centre of the International Labour Organization (ILO), Turin, Italy. Mrs. Coke-Lloyd has served on the Boards of the National Housing Trust, Jamaica Productivity Centre, Young Entrepreneurs Association, International Labour Organization (ILO) and Caribbean Employers' Confederation. She serves on Sagicor's Human Resource & Compensation and Audit Committees. Other associations and affiliations of Mrs. Coke-Lloyd are the Women's Leadership Initiative, United States Department of State International Council on Women's Business Leadership.

Jeffrey Cobham B.A., Dip. Mgmt.

Citizen of Barbados / Director since 2003



Mr. Jeffrey Cobham sits on the Boards of Sagicor Property Services Limited, Sagicor Life of the Cayman Islands Ltd., Pan Caribbean Financial Services Limited, and several other companies. He chairs the Audit/Risk Committees of Sagicor Life Jamaica Limited, Salada Foods Jamaica Limited and Pulse Investments Limited.

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

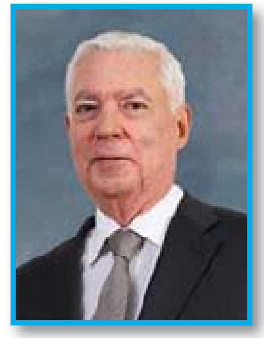
William Lucie-Smith

Citizen of Trinidad and Tobago / Director since 2010

Mr. William Lucie-Smith was appointed to the Board of Directors of Sagicor Life Jamaica effective September 14, 2010. He is a retired Senior Partner of Pricewaterhouse Coopers, Trinidad & Tobago and a Director of Sagicor Financial Corporation since June 2005. He also serves as a Director of the Barbados based Sagicor Life Inc., Sagicor USA, Sagicor at Lloyd's, and a number of other subsidiaries within the Group. He holds an MA from Oxford University and is a Chartered Accountant.

Richard Downer CD, FCA

Citizen of Jamaica / Director since September 2008

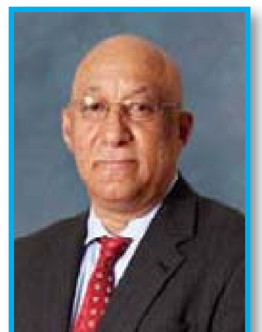


Mr. Richard Downer, a former Senior Partner of PricewaterhouseCoopers in Jamaica, currently serves on the Board and the Audit/Risk & Investment Committees. He is a director of Pan Caribbean Financial Services Limited, chairman of its Audit committee and a director of PanCaribbeanBank. He is a member of the Rating Committee of CariCRIS Limited and a director of ICD Limited. In the public sector he serves on the boards and audit committees of the National Education Trust, the Overseas Examination Commission and the Tourism Enhancement Fund.

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

Dr. Dodridge Miller FCCA, MBA, LLM, Hon. LLD

Citizen of Barbados / Director since 2001



Dr. Dodridge Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation in July 2002. A citizen of Barbados, Mr. Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LLM in Corporate West Indies and, in October 2008, he was conferred with an honorary Doctor of Laws degree by the University of the West Indies. He has more than 25 years' experience in the banking, insurance and financial services industries. Prior to his appointment as Group President and Chief Executive Officer, he has previously held the positions of Treasurer and Vice President – Finance and Investment, Deputy Chief Executive Officer and Chief Operating Officer. Mr. Miller joined the Group in 1989. He is also the Chairman of Sagicor at Lloyd's, a Director of Sagicor Life Inc, Sagicor USA, Pan Caribbean Financial Services and a number of other subsidiaries within the Group.

Leadership Team

Richard O. Byles B.Sc. M.Sc.
President and Chief Executive Officer

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

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

Errol McKenzie MBA, HIAA, FLMI, JP
Executive Vice President, Employee Benefits

Errol joined the company in July 1975, and has served the company in various capacities in Investment, Internal Audit, and Employee Benefits Divisions. He has direct responsibility for the Group Insurance Business and Pension Services. Errol has been the leader of the Employee Benefits Division since 1993. The Division, over twenty years, has enjoyed continuous growth through mergers and acquisitions and the continuous marketing of a range of customer-centric business solutions to Corporate Jamaica and the Government, assisting a growing number of institutions and groups to provide appropriate benefits to their human resources. The Company today enjoys the role as the market leader in the group insurance and pension business in Jamaica.

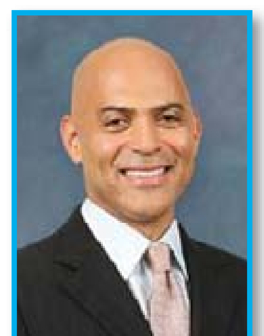
Rohan D. Miller B.Sc. (Hons), MBA
Executive Vice President, Investments and Chief Investment Officer

Rohan joined the Investments Division as Manager in May 1993, and was promoted to Vice President and Chief Investment Manager in January 2003. In 2006, Rohan assumed full responsibility for the division, which includes Treasury Management, Investment Management, Investment Services, Property Management and Real Estate Development. He was promoted to Chief Investment Officer and Executive Vice President, on March 1, 2011.

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

Donovan has been CEO of PanCaribbean since 1993. Prior to joining PanCaribbean, he worked with Bank of America in Corporate Banking. Under his leadership, the company has grown through a series of mergers and acquisitions into a diversified financial services group today. He is Chairman of the Jamaica Stock Exchange, and currently sits on the boards of Pan-Jamaican Investment Trust Ltd and Jamaica Producers Group Limited. He previously served in the public sector as Deputy Chairman of the National Water Commission and as a director of the National Insurance Fund and Jamaica Social Investment Fund. He was formerly a Vice President of both the Private Sector Organization of Jamaica and the Jamaica Bankers Association.

Philip Armstrong B.Sc.
Deputy CEO - Pan Caribbean Financial Services Limited



Philip brings over 18 years of securities, derivatives and financial expertise to PanCaribbean. He previously worked as an equity derivatives trader with Societe Generale, NY. He joined Manufacturers Sigma in 2002 from Citibank Jamaica, where he was Resident Vice President.

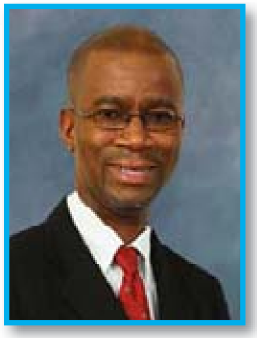
Philip is the Deputy CEO of Pan Caribbean Financial Services Limited and Managing Director of PanCaribbeanBank Limited and is also an ex-officio member of Sagicor Jamaica's Investment Committee. He is a graduate of Embry Riddle Aeronautical University and is currently a Director of British Caribbean Insurance Company and the Vice President of the Jamaica Bankers Association.

Kristine Bolt B.Sc., M.Sc.
Vice President, Productivity & Customer Experience

Kristine joined Sagicor Life Jamaica in January 2009. She has worked in the financial services industry for over 14 years, spending most of this time working in the area of process efficiency. As this impacts customers, her role naturally expanded over the years to embrace customer experience as well. Kristine works across all divisions of the company to help streamline processes in order to improve operational efficiency and deliver a better service experience to its customers.

She has a B.Sc. in Actuarial Science from the University of the West Indies and an M.Sc. in Industrial Engineering from the University of California, Berkeley.

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



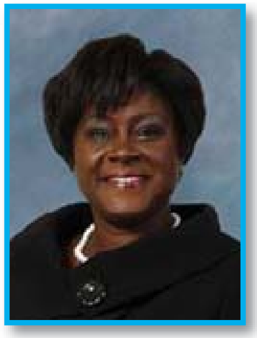
Willard joined the company in August 1991 and has served the group in various capacities in Information Technology, Employee Benefits Division and Employee Benefits Administrator Ltd. His responsibilities include providing actuarial support for pension clients and setting pricing/reserving policy for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

Mark Chisholm MBA (Hons.), J.P.
Executive Vice President, Individual Insurance Division

Mark joined the company in January 1989 in Premium Accounts. In April 2009 he was promoted to Vice President of Individual Insurance with direct oversight for Insurance Operations and sales for both Jamaica and the Cayman Islands.

Mark is now the Executive Vice President of the Division. He is also a Senior Lecturer at the Mona School of Business, University of the West Indies.

Janice Grant Taffe LL.B.,(Hons.)
Vice President, Legal Counsel & Corporate Secretary



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

She has served on several industry committees established to introduce legislation on the Insurance Act and Pensions Acts and serves as a member of the Continuing Legal Education Committee of the Jamaican Bar Association.

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

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

Karl Williams B.Sc., Executive MBA,
Vice President, Group Human Resources

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

Subsidiaries

SAGICOR PROPERTY SERVICES LIMITED
78 Hagley Park Road
Kingston 10
Jamaica WI
Tel: (876) 929-8920-9
Fax: (876) 929-4730
Courtney Bert
Assistant Vice President

SAGICOR INSURANCE BROKERS LIMITED
28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730
Dave Hill
General Manager

EMPLOYEE BENEFITS ADMINISTRATORS LIMITED
28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730
Latoya Mayhew-Kerr
General Manager

SAGICOR POOLED INVESTMENT FUNDS LIMITED
28 – 48 Barbados Avenue
Kingston 5
Tel: (876) 929-8920-9
Fax: (876) 929-4730

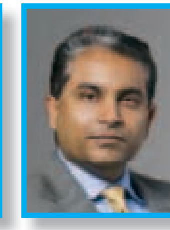
SAGICOR RE INSURANCE LIMITED
1st Floor, Harbour Place,
103 South Church Street,
George Town, Grand Cayman
KY1-1102,
Cayman Islands
Phone: 1-(345) 949-8211
Fax: 1-(345) 949-6297

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

PAN CARIBBEAN FINANCIAL SERVICES LIMITED
The Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica WI
Tel: (876) 929-5583
Fax: (876) 926-4385
Donovan H. Perkins
President & CEO

SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.
1st Floor, Harbour Place,
103 South Church Street,
George Town, Grand Cayman
KY1-1102,
Cayman Islands
Phone: 1 (345) 949-8211
Fax: 1 (345) 949-8262
Michael Fraser
President

SAGICOR INSURANCE MANAGERS
1st Floor, Harbour Place,
103 South Church Street,
George Town, Grand Cayman
KY1-1102,
Cayman Islands
Phone: 1-(345) 949-8211
Fax: 1-(345) 949-6297
James Rawcliffe
Vice President



SAGICOR ST. LUCIA LIMITED
McNamara Corporate
Services Inc.
20 Micoud Street
Castries
St. Lucia
Tel: (758) 452-2662
Fax: (758) 458-0007
Richard O. Byles, Ravi Rambarran
- Directors

SAGICOR X FUNDS SPC LIMITED
McNamara Corporate
Services Inc.
20 Micoud Street
Castries
St. Lucia
Tel: (758) 452-2662
Fax: (758) 458-0007
Richard O. Byles, Ravi Rambarran
- Directors

ASSOCIATED COMPANIES

ST. ANDREW DEVELOPERS LIMITED
60 Knutsford Boulevard
Kingston 5
Tel: (876) 929-4510
Fax: (876) 929-5766

Vice Presidents & Assistant Vice Presidents

Carol Lawrence
VP Group Insurance Services

Lorna Bond
AVP Management Accounting

Audrey Flowers-Clarke
AVP Individual Insurance Operations

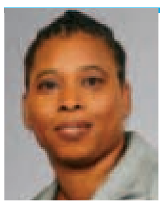
Christopher King
AVP Actuarial

Nicola Leo-Rhynie
VP Employee Benefits Marketing

Vendryes Braham
AVP Shared Services IT

Vinnate Hall
AVP Internal Audit

Nadia Lewis
AVP EBD - Underwriting



Jacqueline Somers-King
VP Banking, Investment and Subsidiary Accounting

Mark Clarke
AVP IT Local Services

Megan Irvine
AVP Employee Benefits Marketing

Brenda-Lee Martin
AVP Investments

Corrine Bellamy
AVP Employee Benefits Administrator Limited – Actuarial

Angela Ching
AVP Shared Services IT

Horace Johnson
AVP Actuarial

Merrick Plummer
AVP Sales & Distribution Individual Insurance

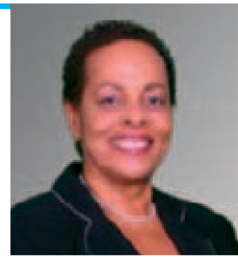
Courtney Bert
AVP Sagicor Property Services Limited

Jacqueline Donaldson
AVP Group Human Resources

Jacinth Kelly
AVP Corporate & Insurance Accounting

Branch Managers

Olivine Barnes
Spanish Town Branch



Dale Greaves-Smith
Mandeville Branch

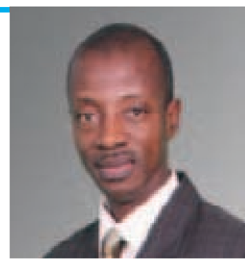
Randolph McLean
Knutsford Branch

Roaan Brown
Belmont Dukes Branch

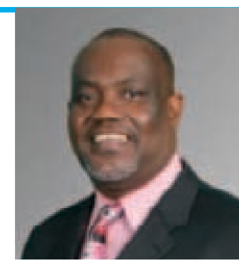
Michael Lawe
Liguanea Branch

Patrick Sinclair
Montego Bay Branch

Mavis Ferguson
Ocho Rios Branch

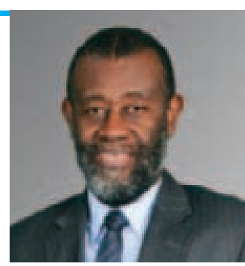


Mark Lindsay
Holborn Branch



Marston Thomas
Half Way Tree Branch

Pete Forrest
Corporate Circle Branch

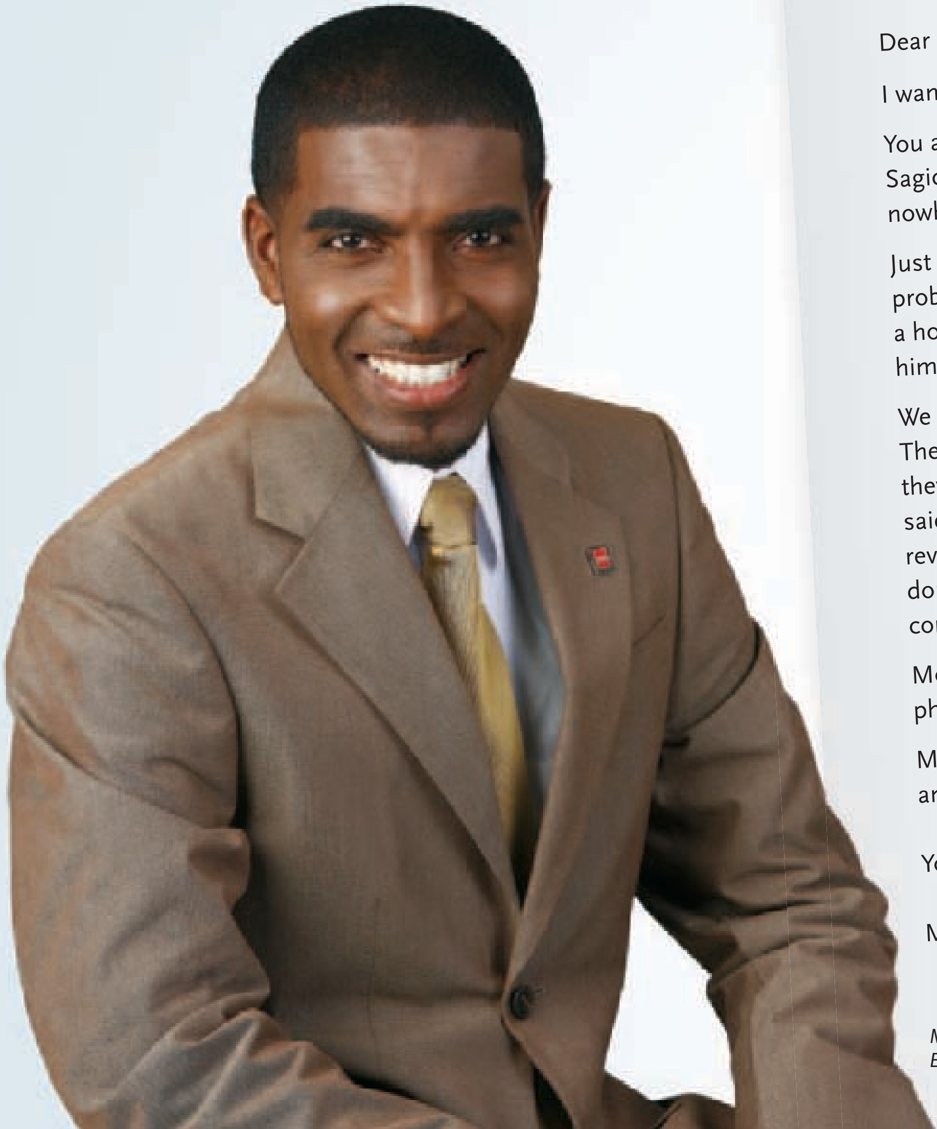


Donovan McCalla
New Kingston Branch

Marvin Walters
Senators Branch

Delivering on Our Promise

Providing Peace of Mind



October 30, 2011

Richard O. Byles
Sagicor Life Jamaica
28-48 Barbados Avenue
Kingston 5

Dear Mr. Byles,

I want to say a big BIG thank you to Sagicor.

You all have made me a lifetime customer, an ambassador and a promoter of the Sagicor brand. Your team has helped me in such a way that I am convinced there is nowhere to go but Sagicor.

Just mid last year, my son was born with a transposition of the great arteries problem, meaning his arteries and heart weren't connected properly. He also had a hole in his heart. My wife and I were told that he would require surgery to keep him alive. Without immediate surgery, he was going to die.

We had to find One Hundred Thousand U.S. Dollars (US$100,000.00) overnight. The Ministry of Health decided due to the exceptional nature of the case that they would cover eighty percent of the cost. Sagicor stepped up to the plate and said "We will cover the rest" even though my policy provided for less. Your team reviewed the matter and decided this required special intervention, and it was done. The surgery was a success and Sagicor will always be forever, as far as I'm concerned, number one.

Most companies try to raise themselves above the bar, but Sagicor is the bar. I have physical testimony, analytical evidence, and my son to prove that.

My family and I cannot find the words to say thank you enough. All the best to you and the entire team.

Yours truly,

Michael Maragh

Michael Maragh
Employee Benefits Client

INVESTMENTS

"Sagicor is one of the industry's leading fund managers. We utilise the expertise of our diverse family of investment managers, providing clients with innovative investment solutions across a wide range of asset classes and investment styles."

Rohan Miller
Executive Vice President, Investments and Chief Investment Officer

We recognise that every investor has unique investment horizons

Management Discussion & Analysis

OUR PERFORMANCE

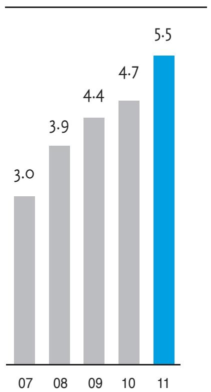
The Sagicor Life Jamaica (SLJ) Group is a leading financial services group in Jamaica, commanding the largest market share in many of the lines of business it operates. Despite improvement in some macro-economic variables, the Jamaican macro-economic recovery remained fragile. The Cayman economy made some gains, but overall growth was marginal. The environment in which the Sagicor Life Jamaica Group operates was therefore challenging.

The Group continued a growth trend, producing improved financial results for the eleventh consecutive year. Consolidated net profit of $5.75 billion was produced, of which the Sagicor Life Jamaica Stockholders' portion was $5.52 billion and the earnings per share was $1.47. This represents an 18% improvement in earnings attributed to Stockholders. The return on Stockholders' Equity, which stood at $28.29 billion, was 21%. Total assets of the Group grew by 13% to reach $161.10 billion.

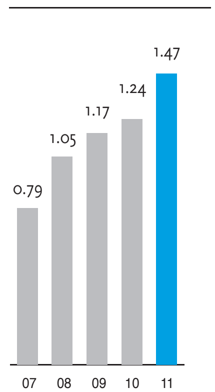
Financial performance highlights for 2011:

- Total revenue of $28.67 billion; 12% better than the prior year amount
- Net profit attributable to Stockholders of $5.52 billion; 18% better than prior year
- Earnings Per Share (EPS) of $1.47; up 18% on prior year
- A Group efficiency ratio of 21% compared to 24% in 2010
- Assets of the Group of $161.10 billion; 13% more than prior year
- Total assets under management of $257.80 billion; 13% more than the $227.81 billion at 2010
- Stockholders' Equity of $28.29 billion; up 12% over the 2010 amount
- Return on Stockholders' Equity of 21%; same as the 21% for 2010
- Paid dividends to Stockholders of $2.44 billion ($0.65 per share); 51% more than the amount paid in 2010 ($0.43 per share)
- SLJ share price jumped from $6.82 at December 2010 to $10.00 by December 2011

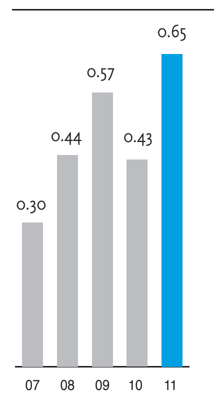
Net Profit attributable to Shareholders
(in billions)



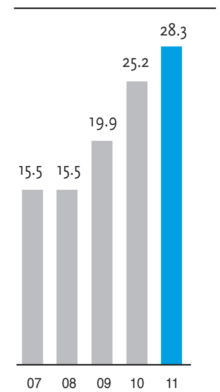
Earnings Per Share
(in dollars)



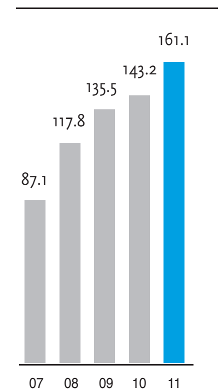
Dividends Per Share
(in dollars)



Stockholders' Equity
(in billions)



Total Assets
(in billions)



Management Discussion & Analysis (Cont'd)

Key 2011 performance drivers:

- Strong insurance and annuities, new business and improved conservation of business inforce
- Strong Revenues, especially from earned insurance premiums and gains realised from the sale of securities
- Insurance benefits within expected levels
- Administration cost efficiencies
- Continued expansion of our banking operations

ECONOMIC REVIEW

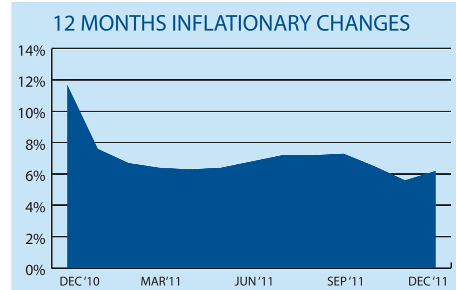
Jamaica

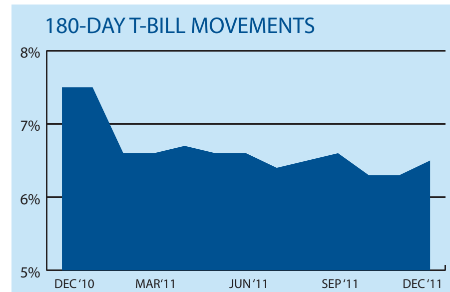
2011 was the first full financial year since the Jamaica Debt Exchange programme (JDX) of early 2010, and Jamaica continued to face significant challenges during 2011. Much of the stabilization that started in 2010, continued into 2011. Interest rates continued to fall during the year, average savings rates declined by 34 bps to reach 2.13% at December 2011; the 6-month Treasury Bill rate declined by 102 bps to 6.5% by December 2011; the average lending rate also fell by 65 bps to 18.3% by the year-end. Inflation was relatively low at 6% for the 2011 calender year. While interest rates fell, asset prices increased and the Jamaica Stock Exchange main index rose 12%. For the twelve-month period ending December 2011, the Jamaican dollar depreciated by 1.3% versus an appreciation of 4% during 2010. Following three consecutive years of negative growth, real GDP grew by 1.5% in 2011, primarily from increases in agriculture and bauxite/alumina production.

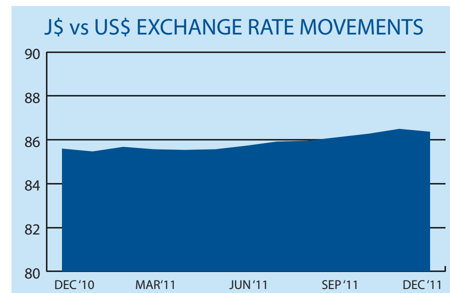
However, the overall performance of the economy during 2011 can be charactarised as being mixed. Unemployment remained high at 12.8% and the fiscal situation deteriorated. The primary surplus for FY2011/12 is projected to drop to 3% of GDP as against a target of 5.2% and 5.6% for FY2010/11; the deficit of the public sector is estimated to increase to 7.3% of GDP and the ratio of the debt to GDP to remain high, at 140% of GDP. The negative trends in public finances reflect both lower tax revenues and higher government expenditures in 2011. In addition, delays in the implementation of the structural reform programme adversely affected fiscal performance.

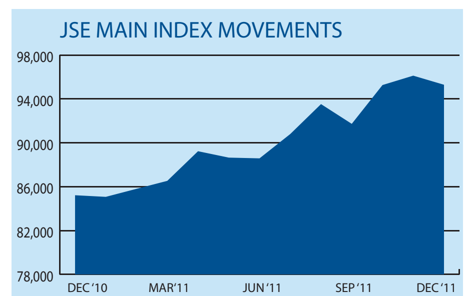
High oil prices is the main contributing factor to a projected increase in the external current account deficit to over 10% of GDP. Sluggish official inflows and foreign direct investment, combined with central bank foreign exchange sales, led to the decline in net international reserves to US$1.97 billion at end of December. Meanwhile, in the banking system, the non-performing loan ratio rose to 9%, while credit to the private sector rose by 12%, primarily on account of consumer credit.

Short-term growth is expected to remain low at about 1% and, on present trends, the public sector and external current account deficits are projected to widen and the public debt to rise. On the external side, risks to external stability and growth can arise from volatile commodity import prices (including oil) and









Management Discussion & Analysis (Cont'd)

a slowdown in global growth, in particular in the United States.

Jamaica must attain higher and sustainable rates of economic growth, while reducing macroeconomic risks, including from the high public debt and high unemployment. The 27-month Stand-By Arrangement with the IMF which expires in May 2012 was not fully completed. The new Government is working to quickly put a new IMF programme in place. The key elements of this new programme are reported to be:

- A growth-oriented environment aimed at improving productivity and competitiveness, while raising efficiency.
- Strong macroeconomic policies through significantly higher primary fiscal surpluses, fiscal and financial reforms, and further strengthening financial sector regulation and supervision.
- A framework to ensure social cohesion, including implementation of tax reform and improvements in tax administration.

The Cayman Islands

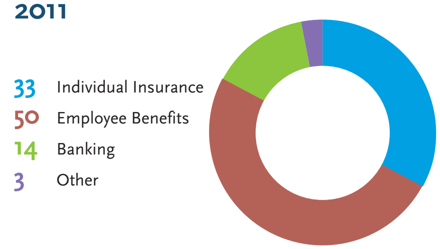
In the Cayman Islands, the macro-economic performance improved during 2011, but there were still signs of weakness. Real GDP grew at an estimated annualized rate of 1.2% compared to a year ago when the economy was estimated to have contracted by 5.8%. Inflation was about 1.4%, influenced mainly by higher fuel prices. The weighted average lending rate fell by 39 bps to 6.62% and the weighted average savings rate declined by 5 bps from a year ago to 0.35%; while prime lending rates remained stable at 3.25%. Air arrivals grew 7.5% while cruise passengers declined by 10.1%. The central government's overall fiscal deficit narrowed to CI$17.0 million from CI$61.3 million. However, the total outstanding debt of the central government increased to CI$622.3 million from CI$495.2 million a year ago.

OUR OPERATING RESULTS

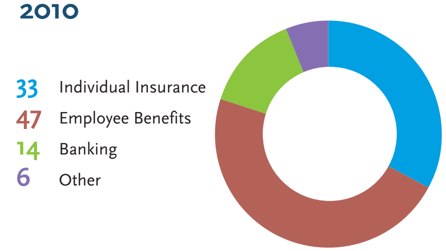
The Group Net Profit attributed to Stockholders of $5.52 billion was earned from Revenue of $28.67 billion. Net profit increased over the prior year by 18%.

Consolidated Revenue of $28.67 billion was up on prior year by 12%. The growth in Revenue was influenced by a healthy increase in Life insurance premium income and a large single premium annuity plan written during the third quarter. Net Premium Income, in aggregate, was therefore 17% more than that for 2010. Net Investment Income was lower than in the prior year which included two months of pre-JDX returns. In addition, interest rates have been on a downward trend since JDX. A large impairment charge of $834.21 million was recorded on securities. The Group's capital gains

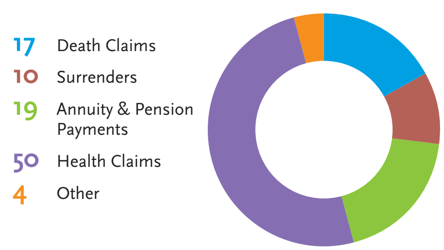
Revenue by business segment (%)
2011



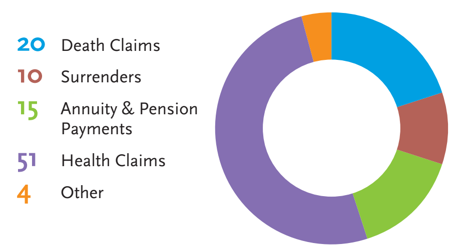
Revenue by business segment (%)
2010



Benefits by expense type (%)
2011



Benefits by expense type (%)
2010



Management Discussion & Analysis (Cont'd)

realized from the sale of securities during the year were significant as was the case in the prior year. Interest expense for 2011 was less than the 2010 amount. As interest rates fell the cost of borrowing and rates credited to amounts on deposit were reduced. Fees and Other Revenues were ahead of prior year by 31%. Substantial unrealized foreign exchange losses were recorded in 2010, from the strengthening of the J$ but there was a small gain in 2011.

Benefits paid to policyholders (net of reinsurance) in 2011 totalled $9.05 billion, 6% more than the amount paid in 2010. The expense for Death claims was $1.53 billion and was 7% less than the 2010 amount. The expense for Individual Life insurance policies surrendered of $862.3 million remained level with the prior year amount. The cost of annuities paid of $1.68 billion grew with the larger portfolio. Heath claims expense from Group insurance policies of $4.35 billion was 5% more than in 2010 and the ratio of these claims to premiums was higher in 2011 by a few percentage points. Living benefits were $387 million and about 8% higher than last year.

Net movement in Actuarial Liabilities was $3.26 million compared to $1.96 billion in 2010. The 2011 amount includes reserves set-aside for single premium annuities received during the year.

Group Administrative expenses of $6.13 billion were 2% less than in 2010. Notwithstanding higher compensation and accommodation costs in 2011, the 2010 full year numbers included costs which did not repeat at the same level in 2011. These items include a legal claim in Cayman, restructuring costs and retirement benefits costs. At the SLJ Group level, the efficiency ratio of administrative expenses to total revenue for the year was 21%; normalizing the effect of large single premiums the ratio would be 23% as compared to 24% for 2010.

Total comprehensive income includes net profit and movements in reserves held in Equity. Total comprehensive income for 2011 was $5.81 billion as against $7.36 billion for 2010. The 2010 total comprehensive income included the uplift in fair values of GOJ bonds with the JDX programme. The Group's total comprehensive income for 2011 reflects smaller fair value increases as more long-term bonds are held and these are carried at amortized cost. In the current year, there were also fair value declines on United States equity securities.

Cash generated from operations during the year was $905.88 million. Cash used for capital expenditure and investing activities, was $290.57 million. Cash distributed to Stockholders and that used to redeem the remaining preference shares held in the PCFS subsidiary totalled $3.14 billion. At the year-end cash and near cash investments were therefore $3.34 billion, down from the $5.88 billion at the end of 2010. The lower liquidity at the year-end reflect the continued investment in longer-term securities to match our long-term liabilities and provide some protection against declining interest rates.

OUR FINANCIAL CONDITION AND MANAGED FUNDS

Total assets of the Group stood at $161.10 billion, reflecting a 13% growth from $143.16 billion as at December 2010. These assets include the segregated funds portfolio which grew by almost 20% from $9.81 billion at the end of 2010 to $11.62 billion at 2011. Invested assets make up about 90% of the Group's asset base. Total assets under management as at December 2011, including pension fund assets managed on behalf of clients and unit trusts, amounted to $257.80 billion, a 13% growth over the prior year amount of $227.81 billion.

Stockholders' Equity as at December 2011 was $28.29 billion, compared to $25.20 billion as at December 2010. This 12% increase was due to the growth in Retained Earnings. The Sagicor Life Jamaica Limited (SLJ) Board of Directors declared dividends of $2.44 billion to stockholders or a dividend per share of $0.65 during

Management Discussion & Analysis (Cont'd)

2011. This was a 50% increase over the prior year amounts of $1.62 billion and $0.43 respectively. The amount distributed during 2011 to Stockholders represents a dividend pay-out ratio of 44% using the 2011 consolidated net profit allocated to stockholders. Market capitalisation at the year-end was $37.61 billion, an increase of 47% over the amount of $25.65 at the end of 2010.

CAPITAL ADEQUACY

The Jamaica Insurance Act and Regulations require life insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) of at least 150%. The MCCSR measures the ratio of available capital to required capital for insurance companies. SLJ company showed a ratio of 160.4% at December 31, 2010, compared to the ratio for last year, which was 203.1%. At the same time, the ratio for Sagicor Life Cayman was 574.6%, up from 292.8% at 2010. During December 2011, SLJ acquired the 17% interest in PCFS which was being held by the subsidiary, Sagicor Life of the Cayman Islands Ltd. This transfer, along with the increased market value of the non-Life subsidiary, PCFS, was mainly responsible for the SLJ MCCSR ratio reduction and the increase seen in Sagicor Life Cayman.

The capital adequacy of the PCFS Banking Group is managed in accordance with techniques based on guidelines developed by the Financial Services Commission (FSC), The Bank of Jamaica (BOJ), Basel 11 and the Risk Management and Compliance Unit. The table below summarises the solvency ratios of the regulated companies within the PCFS Group for the years 2011 and 2010. The regulated companies within the PCFS Group are Pan Caribbean Financial Services Limited (PCFS) and PanCaribbeanBank Limited (PCB).

CAPITAL ADEQUACY

	PCFS 2011	PCFS 2010	PCB 2011	PCB 2010
Actual capital base to risk weighted assets	21%	47%	26%	32%
Required capital base to risk weighted assets	10%	10%	10%	10%

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

INDUSTRY RATINGS

Sagicor Life Jamaica Limited (SLJ) retained a rating of jmAAA on the Jamaica national scale, from Caribbean Information and Credit Rating Services Limited (CariCRIS), following a review in February 2011. This rating for SLJ reflects the company's dominant market position in Jamaica, healthy profitability and good capitalization levels.

In July 2011, A. M. Best rating agency reaffirmed the Sagicor Life Jamaica Limited (SLJ) Financial Strength Rating (FSR) of B++ (Good) and the Insurers' Credit Rating (ICR) of BBB. The outlook for these ratings remained stable.

Pan Caribbean Financial Services Limited (PCFS) also retained the assigned ratings from Caribbean Information and Credit Rating Servies Limited (CariCRIS). These are: CariBBB- (Foreign Currency Rating) and CariBBB (Local Currency Rating) on the regional rating scale, and jmA+ on the Jamaica national scale.

Management Discussion & Analysis (Cont'd)

DIVISIONAL AND SUBSIDIARY PERFORMANCE

The three primary business segments of the Sagicor Life Jamaica Group all performed creditably during 2011, generating improved profits over last year.

DIVISIONAL AND SUBSIDIARY PERFORMANCE

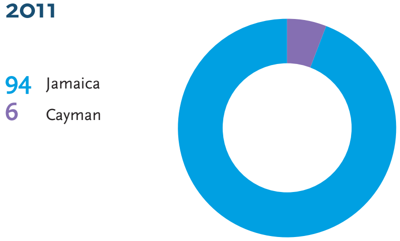
Business Segment	2011 J$M	2010 J$M	2009 J$M	2008 J$M	2007 J$M
Individual Insurance	2,566	1,664	1,722	1,068	1,110
Employee Benefits	1,998	1,485	1,560	1,815	1,303
Investment and Commercial Banking*	1,622	1,425	1,379	1,281	876
Other (includes General Insurance '07 to '09)	-432	297	225	378	132
Net Profit (before Minority Interest)	5,754	4,871	4,886	4,542	3,421

*Includes amortization charges for purchased intangibles.

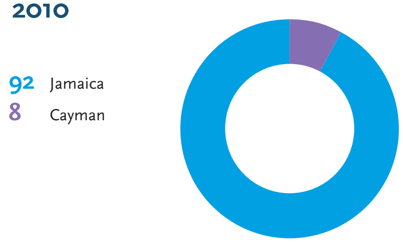
TABLE OF NET PROFIT BY GEOGRAPHIC SEGMENT:

	2011 J$M	2010 J$M	2009 J$M	2008 J$M	2007 J$M
Jamaica	4,237	4,107	4,237	4,344	3,146
Cayman	1,517	764	649	198	275
Total	5,754	4,871	4,886	4,542	3,421

Revenue by geographic segment (%)
2011



Revenue by geographic segment (%)
2010



INDIVIDUAL INSURANCE DIVISION

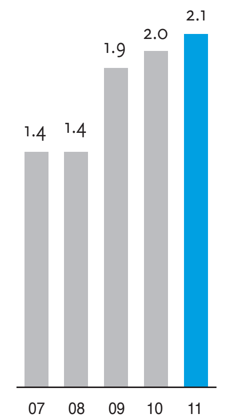
The Individual Insurance Division provides individual clients with Life & Health Insurance policies, Individual Pensions, Investment opportunities, Critical Illness Insurance and other insurance related solutions through our wide range of products, and a large distribution network comprising 463 Financial Advisors and Broker/Agency Channels in Jamaica and the Cayman Islands. At the year-end there were 380,591 policies inforce. The Division earns its revenues principally from insurance premiums; mortality, expense and asset management fees from segregated funds and investments contracts; and investment of assets assigned to cover the liabilities and surplus requirements of the portfolios.

INDIVIDUAL INSURANCE DIVISION

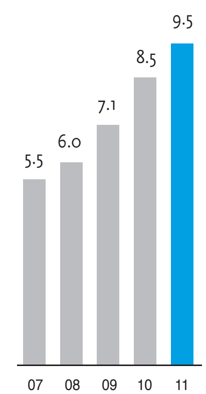
High level P&L for 2011 and 2010

	2011	2010
Revenue	9,491	8,515
Benefits and expenses	(6,805)	(6,774)
Taxation	(119)	(78)
Net Profit	2,566	1,664

Individual Insurance Consolidated API



Individual Insurance Consolidated Revenue



Management Discussion & Analysis (Cont'd)

The Division contributed the largest segment profits for yet another year. In 2011, the Net Profit produced was $2.57 billion, up from $1.66 billion in 2010. These results were generated from Revenues of $9.49 billion and $8.52 billion respectively. There was an attractive return on the capital allocated to the Division. This performance was driven by excellent new business sales, a heightened focus on conservation, moderate benefits experience and tight control of administrative and other costs.

During 2011, earned premium income was $8.32 billion, an increase of 12% over the 2010 amount of $7.40 billion. Premium income represents about 90% of total revenue. Net benefits expense was $2.31 billion, an increase of 4% over the 2010 amount. Net death claims of $809.4 million were marginally less than in 2010. Surrenders expense of $862.3 million showed no increase over the 2010 level. Individual health claims were $217.5 million with a ratio to premiums of almost 80%. Other benefits, including living benefits, were $360.5 million reflecting a 5% increase over the prior year. Commission, expenses and taxes totalled $4.57 billion and were 4% more than last year.

In Jamaica, the Individual Insurance business established 2 new industry records: 55,000 new policies were sold during 2011, an 11% increase over prior year. Sagicor Life of the Cayman Islands sold 2,695 new policies during the year. The amount of new cases sold in Jamaica represented 55% of total cases sold by the entire industry. In 2011 the Division's inforce policies grew by 4.4%; this represents a total policy count of 380,591 in comparison to 364,725 in 2010. Our Jamaica Sales Team continues to lead the Industry, setting another industry record of $1.86 billion in New Annualized Premium Income (6% more than in 2010) and capturing market share of 51% versus 49% in 2010. Sagicor Life of the Cayman Islands generated good new business during the year and also made an important contribution to profits. New Annualized Premium Income of US$2.83 million was produced in 2011, compared to the US$2.728 million written in 2010.

EMPLOYEE BENEFITS DIVISION

The Employee Benefits Division provides group health, life and personal accident insurance to institutional clients for their employees. The Division also provides pension funds administration services and annuity products to corporate clients. The Division focuses on building financial security programmes that balance the needs of both employer and employees. Sagicor Life Jamaica is the largest provider of these services in Jamaica. The Employee Benefits business operates in a highly competitive environment where most contracts are renewed yearly and competition is mainly driven by price and service.

EMPLOYEE BENEFITS DIVISION

High level P&L for 2011 and 2010

	2011	2010
Revenue	14,524	12,127
Benefits and expenses	(12,337)	(10,460)
Taxation	(190)	(182)
Net Profit	1,998	1,485

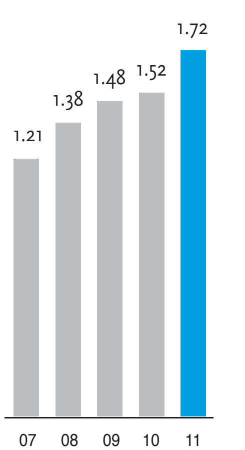
On Revenues of $14.5 billion, a profit contribution of $2.0 billion was generated during 2011. Revenue was up 20% on prior year, helped by a large single premium. The Division wrote $3.53 billion of new business during the year compared to $1.94 billion in 2010. The Employee Benefits Division earns its revenues from insurance premiums; annuity contributions; fees from the administration of pension funds under management and investment income from assets which support liabilities of the portfolios and required surplus. Net benefits expense was $6.74 billion, an increase of 7% over the 2010 amount. Net death claims of $721.2 million were 13% less than in 2010. Annuity payments of $1.65 billion were much higher than prior year with the growth of that line. Morbidity experience was favourable as Health claims of $4.35 billion were higher than in 2010 by 5%, and the ratio of claims to premiums also increased by a few percentage points. Commission, expenses and taxes totalled $2.46 billion and showed no growth over the 2010 amount. The division also produced attractive returns on the capital allocated.

Management Discussion & Analysis (Cont'd)

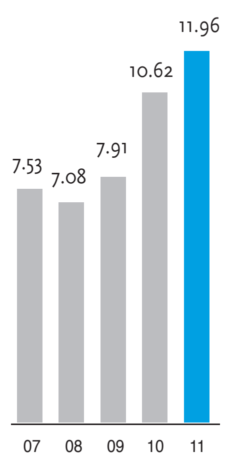
INVESTMENT AND COMMERCIAL BANKING

The Pan Caribbean Financial Services Group (PCFS Group), our 85%-owned banking subsidiary, delivered very good results again in 2011. After-tax profits were $1.72 billion, an increase of 13% above the prior year's $1.52 billion. These earnings were derived from revenues of $4.1 billion, up 10% from $3.71 billion in 2010. Revenues comprise net interest income, which increased by 7% to $2.94 billion; security trading gains of $493.19 million, a 19% increase over the prior year; Foreign exchange trading and translation gains of $144.14 million while there were losses in 2010; and asset management and other fee income of $443.9 million were lower than in 2010 by about 7%. Overall operating expenses were 4% higher than in 2010. The effective tax rate of the banking Group for 2011 was 25.5% and for 2010 the rate was 22.8%. The book value of the PCFS Group's shareholders' equity at December 2011 was $11.96 billion. The return on average shareholders' equity was 15%.

PCFS
Net Profit
(in billions)



PCFS Stockholders' Equity
(in billions)



The performance of the Banking Group therefore benefited from:

- Strong net investment income, influenced by a 10% growth in income earning assets and considering that the net interest margin was 4.15% compared to 4.30% in 2010;
- A substantial increase in realized capital gains on trading of securities and foreign exchange trading gains;
- Unrealized foreign exchange gains in 2011 compared to losses in 2010;
- Lower financing costs with the redemption of the remaining preference shares; and
- An efficiency ratio of administration expenses to total revenue which showed improvement over prior year at 42% versus 43%. Staff cost increased by about 10% and occupancy costs were also up but there were lower charges for retirement benefits and impairment of loans.

INVESTMENTS AND COMMERCIAL BANKING*

High level P&L for 2011 and 2010

	2011	2010
Revenue	4,098	3,712
Benefits and expenses	(1,888)	(1,835)
Taxation	(589)	(451)
Net Profit	1,622	1,425

*Includes amortization charges for purchased intangibles.

PERFORMANCE OF THE SAGICOR LIFE INVESTMENTS PORTFOLIOS

The Sagicor Life Jamaica Investments Division manages the investments portfolios for all Group Companies except PCFS Group. By year-end 2011, the Division managed total assets of $146.25 billion on behalf of individual policyholders, group insurance clients, pension clients, annuitants and shareholders. The returns on invested assets were relatively strong despite declining interest rates. We manage our investments portfolios using disciplined Asset/Liability Management (ALM) principles.

Management Discussion & Analysis (Cont'd)

Performance of funds

Sagicor Life General Fund

Sagicor Life Jamaica General Fund's invested assets were $43.39 billion, an increase of 20% from the 2010 amount of $36.05 billion. With net income of $4.07 billion the portfolio generated an attractive yield of approximately 10%. This income amount is before capital gains, impairment charge, interest expense and dividends from subsidiaries. Given the lowered interest rates attached to fixed income instruments stemming from the JDX programme in early 2010, the maturity profile of the fund was realigned to include longer maturing securities geared at securing higher yields. The fund is heavily invested in Government of Jamaica (GOJ) fixed income securities which received a credit rating revision from Standard & Poor's to B- with a negative outlook. In addition to GOJ bonds, the fund invests mainly in other sovereign bonds, corporate bonds, real estate, equities, unit trusts, repurchase agreements, mortgages and policy loans.

Sagicor Life Cayman General Fund invests mainly in US corporate bonds, real estate, GOJ securities, sovereign regional bonds, international equities, US treasuries and equities. Invested assets amounted to $16.6 billion, which produced net income of $1.48 billion, before an impairment charge. The portfolio yield was about 5%, before capital gains and impairment charge. This portfolio suffered an impairment charge of $826 million, which related mainly to degradation in the value of shares in an Exchange Traded Fund (EFT) where the fair value at December 2011 was less than 40% of original cost. These shares are held in the Company's surplus (Stockholders' equity). The credit quality of the investment portfolio improved throughout 2011 while investments in higher rated US corporate bonds increased.

Segregated Policy Investment Funds

The SLJ Group's Segregated Policyholders' Funds is a diverse group of asset class investment portfolios. These funds reached $11.62 billion, an 18% growth over the total value of $9.81 billion at the end of last year. Policyholders share all rewards and risks of the performance of these funds. The performance of the Segregated Funds for the year 2011 relative to their benchmarks is shown in the tables.

SAGICOR LIFE JAMAICA SEGREGATED FUNDS

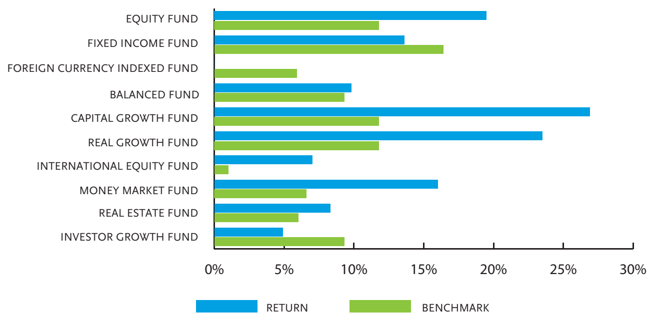
	Annual Return	Annual Benchmark Return	Benchmark
Equity Fund	19.5%	11.8%	JSE Main Index
Fixed Income Fund	13.6%	16.4%	Avg 5-10 year GOJ Bond Yield and Inflation
Foreign Currency Indexed Fund	0%	5.9%	Central America & Caribbean Index
Balanced Fund	9.8%	9.3%	Avg Asset Yields & Inflation
Capital Growth Fund	26.9%	11.8%	JSE Main Index
Real Growth Fund	23.5%	11.8%	JSE Main Index
International Equity Fund	7.0%	1.0%	S&P 500 Index & Devaluation
Money Market Fund	16.0%	6.6%	Avg 180 Day Treasury Bill Yield
Real Estate Fund	8.3%	6.0%	Jamaica Inflation
Investor Growth Fund	4.9%	9.3%	Avg Asset Yields & Inflation

SAGICOR LIFE CAYMAN SEGREGATED FUNDS

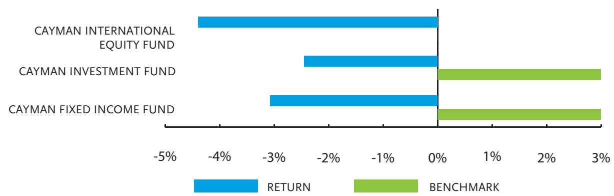
	Annual Return	Annual Benchmark Return	Benchmark
Cayman International Equity Fund	-4.40%	0%	S&P 500 Index
Cayman Investment Fund	-2.45%	3.0%	US Inflation
Cayman Fixed Income Fund	-3.07%	3.0%	US Inflation

Management Discussion & Analysis (Cont'd)

Sagicor Life Jamaica Segregated Funds



Sagicor Life Cayman Funds



These funds allow for diversification across asset classes, ranging from Equity and Real Estate Funds to J$ Fixed Income and US and Cayman dollar-denominated investments, all of which have provided solid long-term returns for our policyholders over the past 30 years.

The Sagicor Capital Growth Fund returned 26.9% for 2011, the highest return amongst the segregated funds. This was due mainly to the strong return on investment in the Sigma Optima Unit Trust, which comprises the sole investment by the fund. The Sagicor Real Growth Fund posted the next highest return of 23.5% from its investment in the Sigma Optima Unit Trust.

Pension Funds

Total Pension Funds under management, consisting of nine pooled funds and ten self-directed funds, increased to $74.40 billion in 2011 from $64.57 billion at December 2010. The Equity Fund and the Mortgage & Real Estate Fund were the best performing funds during 2011.

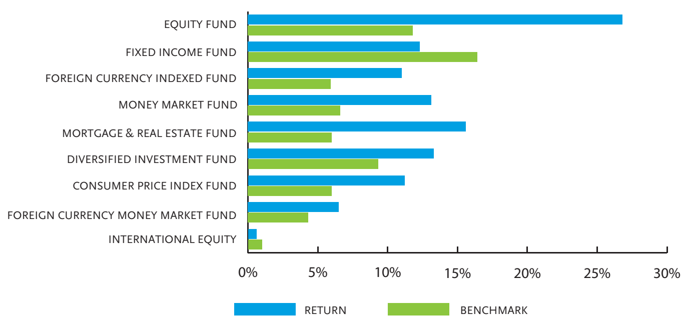
The performance of the pooled pension funds during 2011 relative to their benchmarks is as in the table below.

POOLED PENSION FUNDS

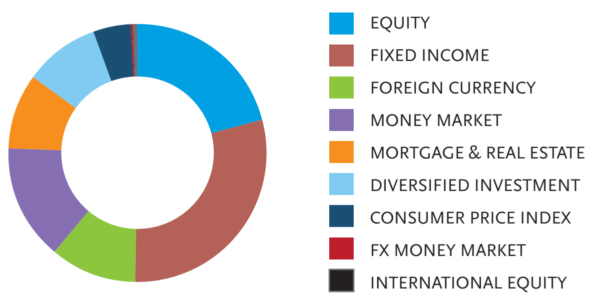
	Invest Mainly In	Net Asset Value ($B)	Annual Return	Annual Benchmark Return	Benchmark
Equity Fund	Listed Stocks	12.26	26.8%	11.8%	JSE Main Index
Fixed Income Fund	GOJ, Securities (Average Tenure 10 years)	17.33	12.3%	16.4%	Avg 5-10 year GOJ Bond Yield and Inflation
Foreign Currency Indexed Fund	GOJ, US and Euro denominated Fixed Bonds	6.41	11.0%	5.9%	JP Morgan CACI Jamaica Index
Money Market Fund	GOJ Securities (Average tenure 3 years)	8.51	13.1%	6.6%	Avg 180-Day Treasury Bill Yield
Mortgage & Real Estate Fund	Hotel, Commercial and Warehousing Properties	5.54	15.6%	6.0%	Jamaica Inflation
Diversified Investment Fund	Bonds, Equities and Real Estate	5.85	13.3%	9.3%	Avg Asset Yields & Inflation
Consumer Price Index Fund	GOJ Inflation Index Bonds	2.76	11.2%	6.0%	Jamaica Inflation
Foreign Currency Money Market Fund	GOJ Securities (Average tenure 2 years)	0.13	6.5%	4.3%	Avg 90-day US Repo Rate
International Equity	Listed securities on international exchanges	0.27	0.6%	1.0%	S&P 500 Index & Devaluation

Management Discussion & Analysis (Cont'd)

Pooled Pension Funds Return Vs Benchmark



Pooled Pension Funds Under Management



All funds, with the exception of the funds with international exposure, outperformed inflation. The performances of these funds were affected by the increased instability in global markets underscored by US debt ceiling debacle (S&P) downgrade and the Eurozone sovereign debt crisis which has resulted in an increased risk aversion to emerging market debt.

OPERATIONAL CAPABILITIES AND TECHNOLOGY

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

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

During 2011, there were several significant new initiatives which will have far-reaching positive implications for efficiency gains, productivity improvements and lifting the quality of customer service even higher. We are therefore pleased to share some of the initiatives implemented by SLJ.

They include:

- Electronic document capture and work-flow across a number of departments.
- A centralised world-class Contact Centre to service all customers from all lines of business.
- Expanded use of a Customer Relationship Management (CRM) system, which is being used by customer service representatives and by our new Contact Centre.
- Expanded electronic communications with our customers through email, SMS messaging and our website.
- Activities geared towards customer retention and to assist customers in meeting immediate financial needs.
- A continued push to move the disbursement and receipt of funds to electronic channels.
- Full implementation of a new telecom strategy, including an Internet Protocol Telephony system throughout all of our offices.
- Upgrading a number of administration systems in areas such as pensions administration, bank reconciliation, cash receipting, property management and financial control.

Management Discussion & Analysis (Cont'd)

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. Taking various types of risk is core to the financial services business, and operational risk is an inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return, in order to maximise stakeholder value and to minimise potential adverse effects on the Group's financial performance.

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

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

The risk management process is interactive as Executive Management and business process owners participate in the identification and assessment of existing and emerging risks enterprise-wide. Top 20 risks are agreed upon during this process with responsibilities specifically assigned to the relevant Executives for management and reporting. While the assessment activity is conducted annually, there is ongoing monitoring and management of the key risks to ensure that they remain relevant to the business strategies of the Group. This process provides for quarterly reporting to the Board of Directors and other Board committees on the management of financial risks as well as operational risks.

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

Board Audit Committee

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

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

Board Investment Committee

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

- Oversees the Group's financial risk management framework.
- Approves the investment policies within which the Group's

Management Discussion & Analysis (Cont'd)

investment portfolios are managed;

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

Asset/Liability Management Committee

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

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

Anti-Money Laundering (AML)

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

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

Regulatory Compliance

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

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

Business Continuity

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

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

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

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

Regular simulations are a part of our preparedness.

Management Discussion & Analysis (Cont'd)

OUR CORPORATE STRATEGY

Strategic thinking, strategic planning, financial modelling, performance measurement and performance driven compensation are central to how we manage our business. Detailed analyses were conducted, objectives determined, strategies identified and plans built for the three-year planning horizon through 2014. Our Board of Directors approved these strategies and strategic plans in December 2011. These plans recognise the stabilisation of the Jamaican economy with prospects of at least marginal growth with downside risks. In Cayman, the economy showed improvement during 2011, but there are still some areas for concern. Amidst the local and global economic challenges, we at Sagicor will continue to exploit our advantages and opportunities while managing risks and exposures.

The key strategies which we will be pursuing in 2012 are:

- Write high levels of new business
- Produce superior returns on investments
- Delivering on our promise of exceptional customer experience every day
- A continued focus on building the efficiency of the business by simplifying and automating as many processes as possible
- Staying on the fore-front of technology and using this medium to expand our capabilities
- Continuously engaging and motivating our Team; both administration and sales
- Staying fresh, staying relevant with products and services
- Protect and build our brands – Sagicor and PanCaribbean

OUTLOOK

More work remains to be done to address a number of critical matters at the macro-economic and social levels. It is of upmost importance that a new arrangement with the IMF is put in place quickly. Tax reform, civil servants pensions reform, reducing the cost of central government and reducing energy costs are some of the areas to be tackled so as to put the country on a sustained growth path. We wish the new Jamaica Government well and are expecting these areas to be tackled in 2012 or in the near term. Improvements are also expected in a number of world economies. Meanwhile, the local Financial Services sector will remain fiercely competitive and we expect businesses to remain very cost conscious. Our wide array of products, strong capabilities and relentless focus on customer satisfaction will fuel growth of the Group as we enter 2012.

CONCLUSION

The Sagicor Jamaica Group is now the third largest conglomerate on the Jamaica stock exchange, measured in terms of profitability. In addition, the prospects for our business segments remain good. We could not have reached where we are without the loyalty of our customers; the wise counsel of our Board of Directors; the commitment and expertise of our Executive Management, each team member of the Group, each financial advisor and all those persons who contribute to the delivery of the promise! We have high expectations for the year ahead and expect to deliver good returns to our stakeholders.

Appreciation to you all.

Richard O. Byles
President & Chief Executive Officer
28 February, 2012

INDIVIDUAL INSURANCE

"The Individual Insurance Division has implemented several initiatives to improve business processes and customer service in order to deliver greater value to our customers. We will continue to improve customer responsiveness and service levels."

Mark Chisholm
Executive Vice President - Individual Insurance

We believe lasting relationships are built on trust

Customer Service - Our Priority

PRODUCTIVITY AND CUSTOMER EXPERIENCE

Our promise is to always provide high quality customer service.

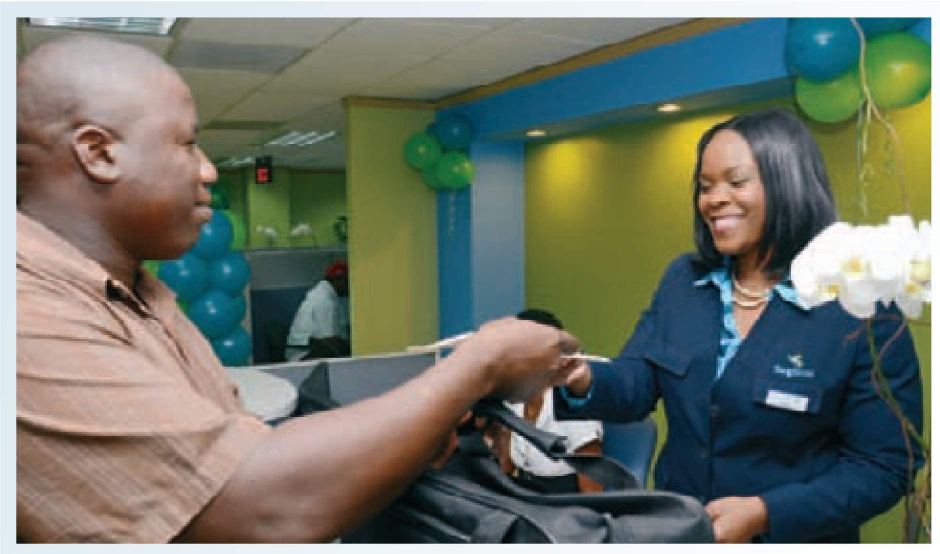
During 2011 some areas of note in our customer service delivery were:

- The Corporate Contact Centre answered 97% of the more than 336,000 calls received during the year with a 95% call resolution rate.
- Health claims and pension benefits processing delivered on the target of 95% of benefits processed within 5 days.
- Our Pensions team excelled throughout the year in its reporting turnaround times, delivering 2 of their required client reports on time, every time and delivering the other 5 on time 96% of the time.
- We improved our electronic payments from 36% of total payments in 2010 to 48% by the end of 2011. This means that more of our customers and vendors received payments from us faster and more efficiently.

Throughout the year, we tracked several internal measures of customer service but in October 2011 we asked our customers what they thought of our service through our annual customer satisfaction survey. Their feedback shows that they have felt the impact of our work. Our customer satisfaction and loyalty results of 8.1 out of 10 and 8.24 out of 10 respectively were definite improvements over the prior year's results. In fact, our loyalty score improved by 14%.

Richard O. Byles, President and CEO, Sagicor Life Jamaica, Audrey Flowers-Clarke, Vice President Insurance Operations (second-right) and Elizabeth Douglas, Customer Service Manager (right) greet a customer who visited the head office on Sagicor's 41st Anniversary.

Mark Chisholm, Executive Vice President, Individual Insurance, handling a query from one of Sagicor's long standing customers.

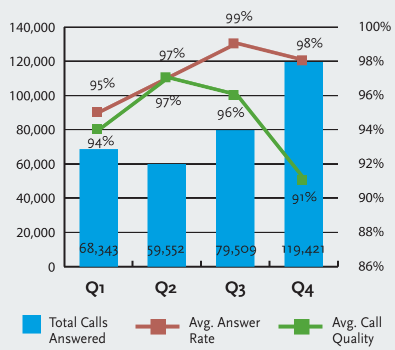


Ava Dixon, Assistant Manager of Customer Service, offering assistance to a customer at our front desk.

Valinton Brown, Customer Service Representative, is all smiles while seeing to a customer's policy query.

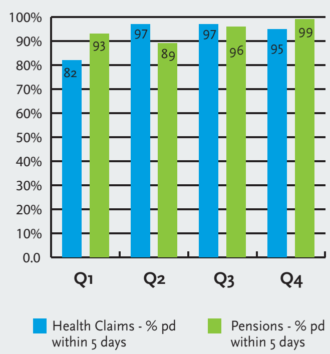
95%
call resolution rate in 2011

Contact Centre Answer Rate & Quality
2011

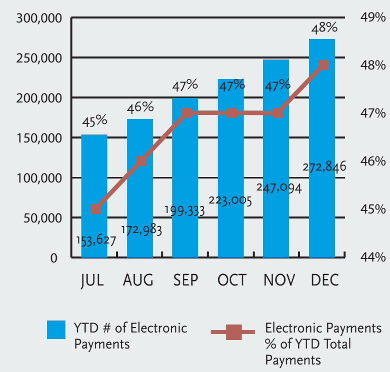


* Answer rate target (International benchmark for Insurance industry call centres) - 98%
* Call quality target - 95%

Health Claims & Pension Benefits paid within 5 days
2011



Electronic Payments
2011



Corporate Governance

OVERVIEW

The Board of Directors is responsible and committed to adherence by the Company and its subsidiaries to the highest standards of corporate governance. Corporate Governance is central to the Board's role of providing entrepreneurial leadership and oversight to the company in order to maximize shareholder wealth within the bounds of law and community standards of ethical behaviour.

By this commitment, the Board has adopted a Corporate Governance Policy which is influenced by applicable laws and regulations and internationally accepted corporate governance best practices. The Corporate Governance and Ethics Committee of the Board is the key driver of the Policy, aspects of which are reviewed from time to time in keeping with the Rules of the Jamaica Stock Exchange. The corporate governance activities of the Committee during 2011 reflect the commitment of the Board to sound governance principles. The Corporate Governance Policy is available on our website at www.sagicorja.com.

Board of Directors

Roles and Responsibilities

The Board Charter defines the key roles and responsibilities for the functioning of the Board. Some of the key functions of the Board include:

- To provide leadership, guidance, and oversight for the management of the company;
- To formulate with management and approve corporate policies and strategic goals, and to take action, mostly in fulfilment of its statutory mandate, but otherwise in relation to its reserved powers.
- To review management decisions, ongoing monitoring of corporate business performance, plans and strategies, risk assessment
- To assess and monitor management compliance with legal requirements, corporate policies, and the quality of financial and other reports to shareholders.

Board meetings are scheduled monthly with structured agenda of matters reserved for the Board. Directors also meet on an ad hoc basis to consider matters which are deemed urgent and critical to the functioning of the Company. Under the Board Charter, the Board has established formal delegation of authority to Executive Management through the President and Chief Executive Officer.

There are defined limits of management's power and authority to enable it to manage the business in line with local laws and the approved strategy. The Board has also delegated some of its responsibilities to Committees of the Board. These are also required by the Regulations issued under the Insurance Act.

The Committees are the Audit Committee, which has overall responsibility for monitoring the effectiveness of the Company's risk management and internal control systems and compliance

Corporate Governance (Cont'd)

with applicable regulations and laws; the Investment and Risk Committee which oversees and approves the investment decisions and determines the investment policy of the Company on an annual basis. Financial risks are also monitored by this Committee; the Human Resource and Compensation Committee which approves and monitors the compensation and employee benefits for Executives and staff and is responsible for the Succession Plan of the Company and human resource management; the Corporate Governance and Ethics Committee which is responsible for the compliance with the Corporate Governance policy in general and approves related party transactions and matters in which conflicts of interest are likely to arise.

Responsibilities not delegated to Executive Management remain with the Board of Directors and its committees.

The Directors are covered by a Directors and Officers' Liability Policy in respect of legal action being taken against them in certain instances. This policy also covers the Executive Management team.

BOARD COMPOSITION

As at December 2011 the Board of Directors comprises twelve (12) Members, of which 10 are non-executive directors and 2 are executive directors. An Executive Director is one who holds office (or is employed to the Company) but does not receive remuneration for his office as a director. The Board recognises the importance of the role independent directors play in directing the Company's affairs. Of the ten non-executive directors, 5 are deemed to be independent. Under the Corporate Governance Code, a director is deemed to be not independent by the Board in the following instances:

1. The director or an immediate family member is or was in any of the last five years an employee or officer in the Sagicor Group.
2. The director participates in the Company's share option or a performance-related pay scheme, or is a member of the Company's pension scheme.
3. The director or the director's spouse has a significant interest in a class of the Company's shares.
4. External auditor in certain instances.
5. A director who is an executive officer or an employee, or whose immediate family member is an executive officer of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of US $0.5 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold.
6. The Company beneficially owns 5% or more of any class of equity securities of an entity.
   - i) controlled by the director;
   - ii) in which the director has an investment equal to 15% or more of the director's net worth;
   - iii) for which the director is an officer or has a similar position, or;
   - iv) for which the director could reasonably be deemed to have a material influence on the management of such entity.
   - v) The director holds cross-directorships or has significant links with other Company directors through involvement in other companies or bodies (unless the board can argue a case for independence).

The Directors bring to the office wide and diverse areas of expertise experience and knowledge in the areas of international business and corporate finance, strategic management, human resources and corporate governance. This breadth of knowledge and expertise provides for diversity of opinions and invaluable support to the decision-making process which underpins the need for independent and critical thinking. The biographical details including the directors' date of appointment are also provided in the Report at pages 16 to 17.

Corporate Governance (Cont'd)

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

* Mergers & Acquisitions

The corporate governance structure is further strengthened by the commitment to director independence. Newly appointed directors are required to submit a self-assessment of their compliance with independence and conflict of interest requirements. Existing directors are also required to perform annually a self-assessment of their compliance with independence and conflict of interest requirements.

The Corporate Governance and Ethics Committee keeps the board composition and the director expertise under its review annually, demonstrating its commitment to ensure that it has the appropriate functional skill sets to provide the leadership role in guiding the management of the business. This is done through a formal Board Evaluation exercise, including the evaluation of the President and Chief Executive Officer and the role of the Secretary.

The Chairman Dr. the Hon. R.D. Williams C.D.,O.J., who is a non-executive Chairman and the founder of the Company, is responsible for the efficient and effective working of the Board. He ensures that the Board Agenda covers the key strategic issues which are relevant to the Company's business, including the approval and periodic review of Management's action plans. The Board firmly believes in the separation of the office of Chairman and Chief Executive Officer in maintaining transparency and independence in governance of the business.

[The Table above highlights the expertise of the Board of Directors]

Director Orientation and Training

Directors are inducted in the business through a formal orientation process. The Board seeks to update its director education process through ongoing Directors' training for new and existing directors in areas deemed to be relevant to the functioning of the Board and the Company. This ensures that directors are kept abreast of trends in the business and regulatory environment. During 2011, the Director Training Programme included two workshops on Actuarial Reserving

Corporate Governance (Cont'd)

methods which were attended by eight directors. Five directors attended training on the role of the Directors as part of the Corporate Governance training requirement. External training programmes were also identified and arranged for members on the proposed changes to the International Financial Reporting Standards (IFRS) rules.

Appointment and Re-election of Directors

Directors' appointment, tenure, retirement and re-election are conducted in accordance with the Company's Articles of Incorporation and the Companies Act of Jamaica.

The Corporate Governance and Ethics Committee which has oversight responsibility for the director nomination and selection process and reviews the board performance and nominates and recommends to the Board, directors for election or re-election each year. At the end of the year, a board evaluation is done as well as a peer review of the performance of each director.

The directors who are being recommended to the shareholders for re-election at the 41st Annual General Meeting of the Company are Directors Dr. Dodridge Miller, Professor Sir Hilary Beckles and Jacqueline Coke-Lloyd, all of whom will retire under Article 99 which provides that at least one third of the Board shall retire by rotation each year. The directors have offered themselves for re-election.

Additionally, Dr the Hon. R. D. Williams C.D., O.J., has been recommended to the shareholders in accordance with Article 98(f) of the Company's Articles of Incorporation. Dr. the Hon. R. Danny Williams has served the Board with distinction since the inception of the Company and continues to do so and the directors have unanimously recommended that he be invited to serve for a further period of three years until the Annual General Meeting in 2015.

Board Operations

There were ten (10) scheduled meetings of the Board of Directors during the year. The principal business considered at these meetings included:

- The approval of the Company's Budget and Strategic Plan;
- To review and approve the unaudited interim and audited annual consolidated financial statements;
- To approve interim dividend payments to stockholders
- Approve major investment activities including new product and business initiatives
- Receive and approve reports on work being carried out by Board Committees
- Receive and consider various reports and presentations from Management on the performance of the lines of businesses and subsidiaries in the Group
- Consider and approve Corporate Policies

Details of directors' attendance at meetings of the Board are set out in the table on page 49.

Board Committees

There are four (4) main Board Committees

- Audit
- Investment and Risk Corporate
- Human Resource and Compensation
- Governance and Ethics

During 2011 a total of twenty-five (25) meetings of the Committees were held. The current membership of the Committees is provided in this Report and attendance at meetings included in the Table below.

Each of these Committees play an integral role in the governance process by assisting the Board in properly discharging its functions. The Committees provide members with the opportunity to carry out more in-depth analysis and discussions on specialist areas in which the

Corporate Governance (Cont'd)

Board would have delegated its responsibilities. The terms of reference for the Committees were reviewed during 2010/2011. Minutes of Committee Meetings are circulated to the Board members and decisions taken at these meetings are ratified by the full Board.

The Committee members are appointed by the Board of Directors immediately following the Annual General Meeting each year and hold office until the end of the next Annual General Meeting or until they cease to be directors. The committees comprise of a majority of non-executive directors. Members of the Executive Management Team attend meetings as invitees and participate in the meetings through presentation of discussion documents and development of strategies.

Audit Committee

The Audit Committee has oversight responsibility for the audit and operational risks of the Company. This Committee comprises non-executive directors: Mr Jeffrey Cobham (Chairman), Mr. Richard Downer, Mrs. Marjorie Fyffe-Campbell, Mr. Paul Facey, Mr. Paul Hanworth and Mrs. Jacqueline Coke-Lloyd. The committee met seven [7] times during 2011 to:

- Review the financial reports of the Company and its subsidiaries and disclosures to the shareholders and regulators
- Review and assess the main areas of enterprise risk management and internal control processes
- Review the activities of the internal and external auditors
- Assess the level of compliance with legal and regulatory requirements
- Consider changes to the Charter for the committee
- Adopt changes in accounting policy based on new IFRS guidelines
- Review Related Party Transactions/ conflict of interest transaction
- Review and approve contracts which were awarded to contractors to ensure compliance with the contract procurement guidelines
- Review Anti-Money Laundering Reports

Investment and Risk Committee

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

The Committee met seven (7) times during 2011. The principal activities undertaken by the Committee during the year included the review and recommendation to the Board of the following matters:

- Acquisition of major real estate transactions
- Approve the Investment Policy
- New operational and investment activities on behalf of the pension funds under management
- Appointed Actuary's Report and Report from the Asset Liability Management committee (of Management)
- Approve new Mortgage Rates

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

Corporate Governance (Cont'd)

Human Resource and Compensation Committee

The Committee met six (6) times during 2011 to consider and approve the annual and long-term incentive plan for staff, to review the succession plan, Pension Fund Performance and reports from the Bargaining Unit.

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

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

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

Corporate Governance Committee

The mandate of the Corporate Governance and Ethics Committee cover the following:

- Develop and recommend to the Board, policies and procedures to establish and maintain best practice standards of corporate governance
- Manage the process for director succession, nomination and recommendation to shareholders for re-election as directors
- Establish and direct the process for assessing the performance of the Board, its committees and individual directors
- Approve the Related Party Transactions and areas of potential conflict of interest.

The committee comprises only non-executive directors with diverse areas of expertise including Corporate Governance. The Committee met five (5) times during 2011. The process for Director Succession, nomination and recommendation to shareholders for election or re-election as Directors was managed during the period. The Board Evaluation exercise, which is done annually, was completed in March 2011. The Chairman met with directors to discuss any areas for development identified from the review. The Annual CEO's Appraisal is also a part of the committee's mandate. The process is carried out electronically through an external agency. The appraisal incorporates the 360-degree process with participation by directors, the CEO, and direct reports.

Additionally, related party transactions and contract procurement were monitored and managed through the Finance and Corporate Services Departments and reports presented to the Committee.

The company was awarded 3rd place for the Corporate Governance Award and for the Annual Report by the Private Sector Organisation of Jamaica (PSOJ) at the Best Practice Awards Ceremony in 2011.

Corporate Governance (Cont'd)

DIRECTORS ATTENDANCE: BOARD AND COMMITTEE MEETINGS

Directors	BOARD	Audit	Investment & Risk	Corporate Governance & Ethics	Human Resource & Compensation
(Number of Meetings Attended)	**Total Meetings held: 10**	**Total Meetings held: 7**	**Total Meetings held: 7**	**Total Meetings held: 5**	**Total Meetings held: 6**
Hon. R. D. Williams	10	-	7	5	6
Dr. Dodridge Miller	8	-	0	-	1
Richard O. Byles	10	*	*	*	*
Stephen Facey	8	-	6	5	-
Paul Hanworth	10	6	6	-	-
Jeffrey Cobham	10	7	-	5	-
Marjorie Fyffe-Campbell	10	6	-	5	5
Richard Downer	8	7	7	-	-
Prof. Sir. Hilary Beckles	8	-	-	-	-
Jacqueline Coke-Lloyd	10	7	-	-	6
Paul Facey	9	5	6	5	-
William Lucie-Smith	6	-	-	-	-

"-" Director is not a member of committee therefore is not required to attend meetings

"*" Director is an invitee to committee meeting but is not required to attend

Directors' Remuneration

Non-Executive Directors are paid fees on a retainer basis. The fees were reviewed in 2009 with the assistance of a Consultant based on fees paid to listed companies in the financial sector. The following table shows the total remuneration paid only to non-Executive Directors:

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

Audit and Investment & Risk Committees:	
Chairman	$900,000.00
Directors	$600,000.00

Corporate Governance & Ethics and Human Resources & Compensation Committees:	
Chairman	$600,000.00
Directors	$400,000.00

Delivering on Our Promise

Being a Lifelong Friend

Sherene Francis, (right), Sagicor Scholarship recipient with her mentor Marcia Streete-Hendricks (left), Assistant Manager, Field Services, Sagicor

September 06, 2011

Sagicor Life Jamaica,
Winchester Business Centre,
15 Hope Road, Kingston 10

Dear Sirs:

It is with deepest gratitude that I write, and I greet you warmly, as if you were my flesh and blood. Indeed, this is how I like to think of you all – like family.

My name is Sherene Francis. I first came to know the organisation in 2004, while you were Blue Cross Jamaica Limited, through the School's Wellness Club Competition. I had entered the Poster Competition and won, and received a scholarship. This was beneficial to me because I had been granted a place at the Holy Childhood High School.

My purpose for writing is to thank your organisation for the tremendous help you gave to me when it mattered.

Also, through your representative, Mrs. Marcia Streete-Hendricks, I must say that I learnt from experience what it means to stay committed and dedicated to the task at hand. Many times, it was her words of advice and encouragement, and her small, valuable deeds of kindness that propelled me to stay focused. As such, if this is a mark of the quality service you offer customers generally, I am extremely heartened to have been associated with Sagicor!

Through your help, I am proud to say that I have tried my hardest not to have disappointed you, or make your investments in my education seem a waste. In 2009, I graduated as valedictorian, and earned eight distinctions and two credits at the CXC Caribbean Secondary Education Certificate (CSEC) exams.

Then, when I thought my dream was to be put on pause because of lack of money, I was informed that my scholarship was to be extended for two more years! This was yet another boost to my drive to excel, and I went to Sixth Form to prepare for CXC Caribbean Advanced Proficiency Examinations. At the end of my two years, I received ten distinctions (six ones and four twos) and two credits (two threes).

In essence, Sagicor was the wind beneath my wings. You still are! The lessons of giving back to one's community, helping others when I can, and motivating persons to be their best are testament to the values that you have instilled just by the one act of kindness – educating a poor 'country girl'.

Now, I am on yet another journey, as I am currently pursuing my Bachelor of Laws Degree at the University of the West Indies, Mona.

Once again, I thank you!

Sincerely,
Sherene Francis (Ms.)

BANKING

“PanCaribbean pursued its strategic objectives and will continue to focus on growing the business and its customers through cross-selling, improved distribution, a keen focus on customer service and building a high-performance Team.”

Donovan Perkins
Chief Executive Officer - PanCaribbean

A place where you are more than just a number

Our Corporate Social Responsibility

Spending Time Shaping Lives

Sagicor Life Jamaica is committed to improving the lives in the communities in which we operate by actively seeking opportunities to contribute in the areas of Health, Sport and Education. We are happy to report on our progress in 2011.

EDUCATION

In 2011, Sagicor team members embarked on an islandwide primary school tour as a part of its support of early childhood education under the theme 'Spending Time, Shaping Lives'. The mandate was to touch the lives of Primary School students across the island, giving them positive role models and taking the time to interact with them and give motivation and encouragement. The Sagicor team also shared with the students the importance of saving at an early age. Health screenings were done through the Sagicor Mobile Unit, doing checks for height, weight, vision and hearing. The tour, launched at Alpha Primary in Kingston in November, was successful in reaching approximately 10,000 boys and girls at twenty-two schools before the end of 2011.

Over 70 students benefited from SLJ's GSAT Awards with over One Million, Three Hundred Thousand dollars (J$1.3M) in scholarships paid out in 2011. SLJ awarded scholarships to outstanding children of public sector workers for the duration of their high school career. A further element was added to the Scholarship Programme in 2011, The Sagicor Mentorship Programme. We felt it necessary to implement an in-house Mentorship Programme in order to encourage and coach our recipients. The programme offers a minimum of one hour per week of each employee volunteering their free time to mentor the scholarship recipients through this transition stage.

GSAT AWARD RECIPIENTS

GSAT 2011 Scholarship Award Recipients are flanked by Errol McKenzie, Executive Vice President, Employee Benefits Division and the Hon. R. Danny Williams, Chairman of the Board Sagicor Life Jamaica.

Suzette Shaw-Reid, Public Relations Officer, at Sagicor with students of Alpha Primary at the start of the Sagicor Primary School Tour on November 21.

ABOVE: Rosetta Thomas (left) and Ricardo Thomas (right) both members of Sagicor's Sigma team are both relaxing after a hectic Sigma Run

LEFT: Winner of the Sigma Run female in the open run category, Maxine Lindo, with the Sagicor Team members after the race.

A student of Holy Family Primary School reads the specially created illustrated story book on the Sagicor School Tour

An Awards Ceremony was held for the recipients and their parents. SLJ also donated over J$2.58M in our Annual Corporate Scholarship Awards Ceremony. The Scholarship is awarded to students of staff who have excelled in their scholastic endeavours. We also assisted a number of students with a partial payment for college tuition.

HEALTH

This year, we supported the Jamaica Cancer Society's fight against cancer by sponsoring the Relay for Life Event held in honour of those persons who have been affected by the disease, and the Keeping Abreast Luncheon which supports research on the disease and celebrates survivors. One Million, One Hundred Thousand Dollars was donated to the combined cause.

PanCaribbean's SIGMA CORPORATE RUN

In 2011 Sagicor stood with our subsidiary PanCaribbean in presenting the Sigma Corporate Run. Five Hundred Thousand Dollars (J$500,000) was donated to the 13th Annual Run which raised over Fifteen Million Dollars (J$15M) for the Victoria Jubilee Hospital's Neo-Natal unit. In addition, we donated two Sagicor Mobile Units which were used to assist the Medical Team for the day.

The Sigma Corporate Run saw another record-breaking number of participants with close to 15,000 runners, walkers and riders as compared to last year's 11,185 registrants.

Our team members also participated in a number of other external health-related activities in an effort to make individual contributions to their communities. Some of the activities included Jakes Triathlon, Everyone's A Winner Challenge and CUMI Come Run 5K. All proceeds from these events were donated to health-related charities.

SPORTS

We continued our partnership of the Jamaica Teachers' Association (JTA) National Primary, All Age and Junior High Schools Athletic Championships, a two-day track and field event held annually at the National Stadium. Sagicor Life Jamaica sponsored Five Million, Five Hundred Thousand Dollars (J$5.5M) to the JTA/Sagicor National Primary, All Age & Junior High Meet. The JTA Track Meet is an annual sporting event for all age schools with participation of over 5,000 students in the lead-up to the event. At the championships over 1400 students compete by parish to be crowned national champions. The parish of Portland was crowned the 2011 winner. The Champion Boy and Girl for the event also received scholastic grants from Sagicor in the amount of One Hundred Thousand Dollars (J$100,000.00) each.

TOP LEFT: It All Begins Here! Male athletes in the 13 years and over category race to the finish at the JTA Sagicor National Primary All Age and Junior Athletics Championships.

BOTTOM LEFT: JTA/Sagicor Athletics Championships medallists in the under 9 years sprint category, (left to right) Jada Barrucks from St.Catherine, Bethany Bridge from Westmoreland and Davaskia Pindling of Trelawny.

TOP RIGHT: Richard O. Byles, President and CEO Sagicor Life Jamaica (left) and Errol McKenzie, Executive Vice President, Employee Benefits Division (centre) stand with Women's 100m Hurdles World Champion, Brigitte Foster-Hylton at the start of the JTA Sagicor National Primary All Age and Junior Athletics Championships. Foster-Hylton addressed the gathering of over 1400 students along with their coaches and families.

BOTTOM RIGHT: The St. Patrick's Marching Band leads the Opening Ceremony procession of athletes on to the track at the National Stadium at the 38th annual JTA Sagicor National Primary All Age and Junior Athletics Championships.

Adopt a School

Our Adopt-a-School programme saw each of our 12 branches adopting a basic school of their choice for the year. Over 30 schools have been assisted by the 12 branches since 2009 through help with equipment, infrastructure and support of school activities, with participating schools required to be registered with the Early Childhood Commission. It is at the core of our responsibility to our community and outlines our commitment to the development of Jamaica's youngest and brightest minds.

New Kingston Branch

Here we highlight the New Kingston Branch which did exemplary work with a special school in Washington Gardens. At the beginning of 2011, the New Kingston Branch embarked on its Adopt-a-School project and chose Faith United Basic School. Throughout the course of the year, the school was frequently visited by members of the branch and they quickly established themselves as a part of the school's family.

The initiative was broken up into a series of seven projects. These projects included the painting of classrooms and bathrooms, and the donation of ceiling fans and uniform materials to the children. The team also participated in Sports Day activities, and donated trophies. In honour of Teachers' Day, branch representatives hosted a luncheon for faculty members. It was an exciting moment when the branch coordinated the design and assembly of a playground on the school grounds. The official presentation ceremony brought wide smiles to both staff and students, and warm feelings to the branch.

The Christmas Season, being a special time of giving, saw the New Kingston branch treating the children to gifts and ice-cream at their Christmas Treat. This event was truly enjoyed by advisors, teachers and students alike. Our advisors committed to lending hands and hearts to make a lasting mark in this school and the lives of the students.

2011 ADOPT-A-SCHOOL PROGRAMME	
Our Adopted Schools	
Branch	**School**
Montego Bay	Chantilly Gardens Early Childhood
Senators	Bethany Basic School
Mandeville	Ferguson Basic School
New Kingston	Faith United Basic School
Belmont Duke	Rising Sun Basic School
Holborn	Mount Olive Basic School
Ocho Rios	Chester Basic School
Half Way Tree	Elleston Road Basic School
Liguanea	St. Elizabeth Basic School
Corporate Circle	Cherubs Educational Centre
Knutsford	Maxfield Park Basic School
Spanish Town	Imogene Brady Early Childhood

TOP: Students, Teachers and the Sagicor Life Jamaica Team pose for a photo after the opening of the new playground at the school.

BOTTOM: An eager student rushes to play in the new playground built through the Adopt A School initiative by the New Kingston Branch.

Team Highlights

The accomplishments of 2011 enhanced our reputation as a great place to work. We reinforced our team member value proposition through four promises:

1. **A market competitive compensation.**
2. **A place to grow as a person.**
3. **A team that lives and values high performance.**
4. **A work environment that is fit and friendly.**

Our team members responded positively, evidenced by the highest employee satisfaction level received by the company.

Employee Satisfaction

LOMA Survey

The LOMA Employee Opinion Survey is conducted annually to evaluate Employee Satisfaction within the company. In 2011 the survey showed a result of 74.9% satisfaction, a 3% improvement from the previous year and, notably, the highest satisfaction levels experienced by the company since the commencement of the survey in 2005.

EMPLOYEE SATISFACTION - LOMA SURVEY

Variable	SLJ 2011 (%)	SLJ 2010 (%)	SLJ 2009 (%)	SLJ 2008 (%)	SLJ 2007 (%)	% Change in 2011
Job Satisfaction	74.5	74.8	72.2	73.8	71.6	-0.3
Organisational Commitment	81.4	83.0	75.2	78.6	76.8	-1.6
Company Image	88.0	82.4	77.4	85.2	85.8	5.6
Communication	71.0	68.0	57.4	62.6	60.0	3.0
Corporate Values	69.0	62.0	52.6	58.6	62.6	7.0
Recognition	65.3	61.4	58.0	61.4	60.4	3.9
Satisfaction Rating	74.9	71.9	65.5	70.0	69.5	3.0

Leadership Summit

We have implemented a Leadership Summit programme that will enable us to better identify and develop the leadership potential within the company. This eighteen month programme commenced with twenty (20) team members undertaking several development sessions to hone their skills and improve their knowledge and attitudes. The programme includes being mentored by members of the senior management team and job rotations to give them a broader perspective of what it takes to be successful and enhances the pool of talent for succession.

Sagicor Online Academy

The Sagicor Online Academy (SOA), a learning experience with a difference which hosts several courses, is now available to all team members. SOA facilitates 24/7 access and enables team members to complete courses online which will contribute to their learning and development hours. Two of the core courses available are "the Proceeds of Crime Act (POCA)" and "Anti-Money Laundering". At Sagicor, learning is paramount to the development and advancement of the entire team, and critical to our value of Performance.

Employee Engagement

We have a mandate to continuously improve our team interactions by forging an energetic, enthusiastic and fully engaged team. During the year, multiple events were hosted to recognise and reward team members for their dedication and high performance, while also allowing for bonding through social interaction.

Some of these events included:

- Sagicor Fridays - A social event for all Sagicor Team Members
- SagiQuiz (Department/Branch Quiz Competition)
- 2011 Motivational Seminar, under the theme "Limitless", which included internationally renowned speakers Kirk Nugent, Jewel Diamond-Taylor, Michael Caruso and Dr. Teresa Kennedy. The local speakers were Tony Williamson, Ricardo Allen (Sagicor team member) and our very own Chairman Dr. the Hon. R.D. Williams, OJ, CD. The seminar was successful in inspiring and empowering all team members who attended.
- The STARS ("Showcasing Talent And Recognizing Staff") Week included the Wellness Day, Design Spotlight (a designing talent

Team Members attending a seminar session – Sagicor Motivational Seminar 2011

competition), Performing with the Stars, Sagicor gives back (a fund-raising initiative for the Operation Restoration School in Trench Town) and our Fire and Ice themed Staff Party.

Staffing

In June, the Human Resource teams of Sagicor and PCFS were merged. This has resulted in greater synergies between the two entities and provides greater resources to strengthen both teams and allow HR services to be delivered more efficiently and effectively.

Going Forward

During 2012, we will be strengthening the company's capabilities by pursuing actions to further improve the quality of all team members, which include:

- Executive Development/ Succession planning
- Implementation of HR technological systems to enhance efficiency and productivity.
- Continued learning and development activities through Sagicor Online Academy.

SAGICOR LIFE JAMAICA GROUP TEAM BREAKDOWN

Company	Admin. Staff	Sales Reps	Temporary Staff	Contractors	Total
Sagicor Life Jamaica Limited	456	476	68	57	1057
Sagicor International Administrators (SIAL)	72	-	6	4	82
Pan Caribbean Financial Services	268	-	24	-	292
Employee Benefits Administrator Ltd.	33	-	3	5	41
Sagicor Property Services	27	-	-	15	42
Sagicor Life of the Cayman Islands Ltd.	8	24	2	-	34
Total	855	509	103	81	1548

TEAM MEMBER OF THE YEAR

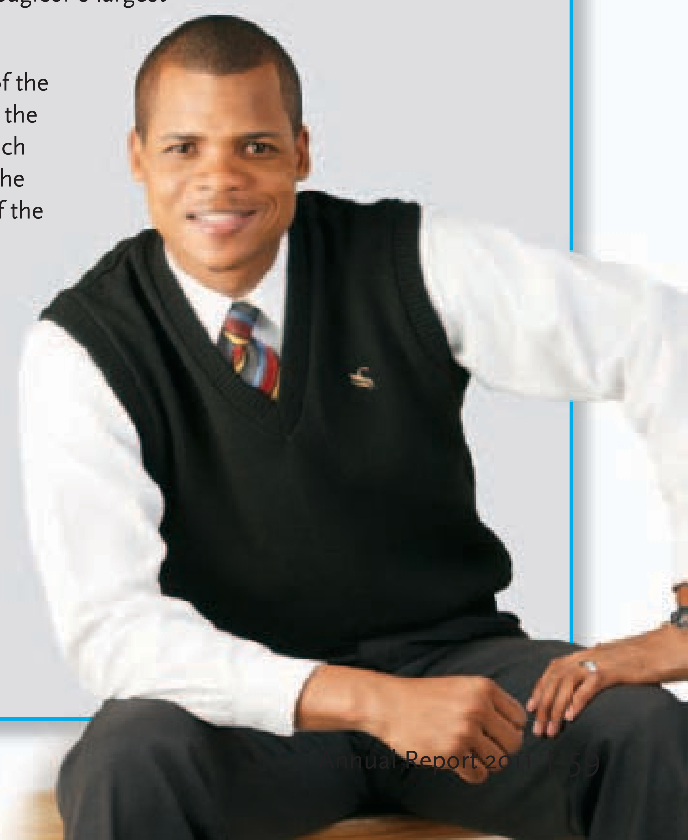
Barrington Groves

Barrington is a member of the Group Marketing team at Sagicor Life Jamaica. 2011 saw him achieving a high level of efficiency, not only meeting set targets but in most instances, exceeding them. This performance was rewarded with his promotion from Marketing Officer, a position he held for two (2) years, to Brand Manager.

Barrington, who had specific responsibility for marketing within the Employee Benefits and Investment arm of Sagicor, played a major role in helping the various teams to achieve their targets through significant interventions with creative and aggressive marketing support.

While the planning of events is not Barry's primary responsibility, his participation and willingness to work on any task no matter how large, was always exemplary. In addition, he acted as Team Leader of the JTA/Sagicor National Championships, Sagicor's largest sponsorship for 2011.

He has been the manager of the Sagicor Basketball team for the past two (2) years and in each of those years, has guided the team to the quarter-finals of the Business House Basketball Association Division 1 competition. His road to success will continue as he remains greatly motivated and earnestly committed to win through determination, hard-work, strong resolve and consistent application of his skills and talents.



FINANCE

"Our strategy has been a close collaboration between Finance and Information Technology, a symbiosis, to drive efficiencies and to create a platform for growth. During 2011 a number of new systems were either introduced or upgraded and many are planned for 2012. All of this is to meet our reporting requirements, provide effective decision support and serve our customers with even greater aptitude."

Ivan B. O'B. Carter
Executive Vice President, Finance & Information Technology and CFO

Guarding and preserving integrity is the proof and the result of our loyalty to the achievement of our values.

Disclosure of Shareholding As at December 31, 2011

SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

	SHAREHOLDERS		NO OF SHARES	%
1	Sagicor Group (Sagicor Life Inc)	650,663,398	2,226,417,454	59.20%
	(LOJ Holdings Limited)	1,575,754,056		
2	Pan-Jamaican Investment Trust Ltd		931,995,539	24.78%
3	Trading a/c SJIML 3119 (Scotia)		43,319,441	1.15%
4	Ideal Portfolio Services Ltd		38,511,051	1.02%
5	National Insurance Fund		37,916,370	1.01%
6	Donwis Ltd	6,285,680	22,621,737	0.60%
	JCSD Reg.	13,273,120		
	(Donovan Lewis - connected person)	3,062,937		
7	GraceKennedy Ltd Pension Scheme		22,319,685	0.59%
8	JCSD Trustee Services Ltd A/C #76579-02		20,633,230	0.55%
	(Scotia Fund Managers Limited)			
9	NCB Insurance Company Ltd A/C WT109		15,145,751	0.40%
10	Richard O. Byles		14,153,924	0.38%
	(Jacinth Byles-connected person)			
	Total		**3,373,034,182**	89.68%
	Others		**387,957,600**	10.32%
	Total Shares in Issue		**3,760,991,782**	100.00%

Total Stocks in issue - 3,760,991,782

Total no. of stockholders - 8890

SHAREHOLDINGS OF THE DIRECTORS

DIRECTORS/CONNECTED PERSONS		No. OF SHARES
1)	Mr. Dodridge Miller	25,389
2)	Mr. Richard O. Byles	14,153,924
	• Jacinth Byles (connected persons)	
3)	The. Hon. R.D. Williams	NIL
	• Ravers Ltd (connected persons)	12,332,825
4)	Mr. Jeffrey Cobham	25,000
5)	Mrs. Marjorie Fyffe-Campbell	25,000
7)	Mr. Paul Facey	176,973
	• Heather Facey	
	Proban Ltd (connected persons)	1,704,295
8)	Mr. Stephen Facey	547,791
	• Wendy Facey	
9)	Prof. Hilary M. Beckles	NIL
10)	Mr. Paul Hanworth	25,000
11)	Mr. Richard Downer	25,000
12)	Mrs. Jacqueline Coke-Lloyd	25,000
13)	Mr. William Lucie-Smith	NIL

SHAREHOLDINGS OF THE MANAGEMENT TEAM

EXECUTIVE MANAGEMENT/CONNECTED PERSONS		No. OF SHARES
1)	Mr. Richard O. Byles	14,153,924
	• Jacinth Byles (connected person)	
2)	Mr. Errol McKenzie	3,988,151
	• Annette McKenzie (connected person)	
3)	Mr. Ivan Carter	2,647,663
4)	Mrs. Janice A.M. Grant Taffe	1,192122
	• Joseph Taffe	
5)	Mr. Rohan Miller	135,496
6)	Mr. Mark Chisholm	458,500
	• Te-Anne Chisholm	
	• Sharo Anne Chisholm	
	• Jonel Chisholm	
7)	Mr. Karl Williams	128,016

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Sagicor

Wise Financial Thinking for Life

APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the policy actuarial liabilities of Sagicor Life Jamaica Limited for the consolidated and company statements of financial position at 31 December 2011, and the change in the consolidated and company income statements 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. I did not perform the valuation for the liabilities of Sagicor Re Insurance Limited, a fully-owned property and casualty insurance subsidiary of Sagicor Life Jamaica Limited. The valuation for Sagicor Re was performed by Rivelle Consulting Services.

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.

JANET SHARP, FSA, MAAA, CERA
APPOINTED ACTUARY FOR SAGICOR LIFE JAMAICA LIMITED
28 FEBRUARY 2012

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

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

pwc

Independent Auditors' Report

To the Members of
Sagicor Life Jamaica Limited

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 66 to 156 which comprise the consolidated and company statements of financial position as of 31 December 2011 and the consolidated and company income statements, the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in equity, and the consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 2011, and of the financial performance and cash flows of the Group and company for the year then ended, so far as concern the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers

Chartered Accountants
29 February 2012
Kingston, Jamaica

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Consolidated Statement of Financial Position

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
ASSETS:			
Cash resources	6	2,880,173	2,891,408
Cash reserve at Bank of Jamaica	7	519,732	456,476
Financial investments	8	114,764,371	97,832,409
Securities purchased under resale agreements	9	1,000,592	2,191,587
Derivative financial instruments	10	839,420	290,777
Loans & leases, after allowance for credit losses	11	9,259,647	9,502,652
Investment properties	12	792,452	853,869
Investment in associated companies	13	2,725	2,725
Property, plant and equipment	14	1,535,046	1,470,277
Retirement benefit assets	15	212,955	190,593
Reinsurance contracts	16	240,222	184,291
Pledged assets	17	7,831,016	8,117,235
Intangible assets	18	4,314,637	4,512,310
Deferred income taxes	19	158,723	112,383
Taxation recoverable		1,752,734	1,323,027
Other assets	20	3,378,692	2,669,446
Segregated funds' assets	21	11,615,396	9,809,444
		161,098,533	142,410,909
Assets classified as held for sale	22	-	747,944
TOTAL ASSETS		**161,098,533**	**143,158,853**

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Financial Position (Cont'd)

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	25	7,854,938	7,854,938
Stock options reserve	27	95,895	105,498
Investment and fair value reserves	28	788,175	833,083
Currency translation reserve	29	1,145,784	1,135,147
Other reserves	30	2,429,610	1,773,464
Retained earnings		15,975,564	13,500,914
		28,289,966	25,203,044
Non-controlling Interests		1,763,242	1,528,892
Total Equity		**30,053,208**	**26,731,936**
Liabilities			
Securities sold under repurchase agreements		53,948,289	48,377,528
Due to banks and other financial institutions	32	11,409,806	9,284,052
Customer deposits and other accounts	33	10,599,897	9,016,902
Structured products	34	274,913	484,428
Derivative financial instruments	10	700,600	158,360
Redeemable preference shares	35	-	616,000
Provisions	36	-	200,000
Taxation payable		333,059	222,593
Deferred income taxes	19	734,057	716,281
Retirement benefit obligations	15	851,073	665,782
Other liabilities	37	4,277,041	3,949,540
Policyholders' Funds			
Segregated funds' liabilities	21/39	11,615,396	9,809,444
Insurance contracts liabilities	38	23,642,467	20,306,980
Investment contracts liabilities	39	10,353,016	10,329,332
Other policy liabilities	40	2,305,711	2,289,695
		47,916,590	42,735,451
Total Liabilities		**131,045,325**	**116,426,917**
TOTAL EQUITY AND LIABILITIES		**161,098,533**	**143,158,853**

Approved for issue by the Board of Directors on 28 February 2012 and signed on its behalf by:

Hon. R. D. Williams, O.J — Chairman

Richard O. Byles — Director

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Revenue:			
Gross premium revenue		19,366,613	16,648,590
Insurance premium ceded to reinsurers		(601,202)	(638,295)
Net premium revenue	42	18,765,411	16,010,295
Investment income	43	12,462,925	12,514,891
Impairment charge	44	(834,207)	(45,079)
Interest expense	45	(4,036,788)	(4,594,544)
Net investment income		7,591,930	7,875,268
Fee income -			
Administration	46	1,137,933	1,110,235
Other	46	283,521	313,391
		1,421,454	1,423,626
Other operating income		891,090	347,833
		28,669,885	**25,657,022**
Benefits:			
Insurance benefits incurred		9,195,927	8,713,438
Insurance benefits reinsured		(143,876)	(199,675)
Net insurance benefits	47	9,052,051	8,513,763
Net movement in actuarial liabilities	38(d)	3,263,976	1,955,076
Expenses:			
Provision for credit losses	11	36,132	41,079
Finance costs	48	76,900	137,861
Administration expenses	49	2,517,904	2,854,330
Salaries, pension contributions and other staff benefits	50(a)	3,378,873	3,160,755
Commission and sales expenses	50(b)	2,897,686	2,749,862
Depreciation	14	192,939	173,894
Amortisation of intangible assets	18	271,134	290,063
Premium taxes	51	343,614	307,238
		9,715,182	9,715,082
		22,031,209	**20,183,921**
Profit before Taxation		6,638,676	5,473,101
Taxation	51	(884,209)	(601,634)
NET PROFIT		**5,754,467**	**4,871,467**
Attributable to:			
Stockholders of the parent company		5,522,830	4,671,171
Non-controlling interests		231,637	200,296
		5,754,467	**4,871,467**
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic and fully diluted	52	1.47	1.24

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	2011 $'000	2010 $'000
Net profit for the year	**5,754,467**	**4,871,467**
Other comprehensive income:		
Available-for-sale investments:		
Unrealised gains on available-for-sale investments	890,979	2,475,761
(Gains)/losses reclassified and reported in profit	(843,616)	152,983
	47,363	2,628,744
Owner occupied properties:		
Unrealised gains on owner occupied properties	1,980	16,497
Cash flow hedge:		
Gains reclassified and reported in profit	(7,762)	(12,610)
Retranslation of foreign operations	10,637	(147,609)
Total other income recognised directly in stockholders' equity, net of taxes	52,218	2,485,022
Total Comprehensive Income	**5,806,685**	**7,356,489**
Total Comprehensive Income attributable to:		
Stockholders of the parent company	5,541,168	6,909,795
Non-controlling Interests	265,517	446,694
	5,806,685	**7,356,489**

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 51(c).

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Stock Options Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
		\-------------------------	Attributable to owners of the parent	-------------------------				\		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2009		7,854,938	63,283	(1,555,355)	1,282,756	1,198,937	11,018,150	19,862,709	1,469,261	21,331,970
Total comprehensive income for the year		-	-	2,386,233	(147,609)	-	4,671,171	6,909,795	446,694	7,356,489
Transactions with owners -										
Disposal of subsidiary		-	-	5,551	-	-	-	5,551	(325,270)	(319,719)
Dilution of interest in subsidiary		-	-	-	-	-	-	-	23,050	23,050
Employee share option scheme - value of services provided		-	45,311	-	-	-	-	45,311	159	45,470
Employee stock grants and options exercised/expired		-	(3,096)	-	-	-	-	(3,096)	-	(3,096)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(85,002)	(85,002)
Dividends paid to owners of the parent	31	-	-	-	-	-	(1,617,226)	(1,617,226)	-	(1,617,226)
Total transactions with owners		-	42,215	5,551	-	-	(1,617,226)	(1,569,460)	(387,063)	(1,956,523)
Transfers between reserves -										
To special investment reserve	2(s)	-	-	-	-	21,486	(21,486)	-	-	-
To capital redemption reserve	26	-	-	-	-	559,305	(559,305)	-	-	-
To retained earnings reserve		-	-	-	-	16,225	(16,225)	-	-	-
To retained earnings	2(t)	-	-	(3,346)	-	-	3,346	-	-	-
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	(22,489)	22,489	-	-	-
Balance at 31 December 2010		7,854,938	105,498	833,083	1,135,147	1,773,464	13,500,914	25,203,044	1,528,892	26,731,936

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Stock Options Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
		\--Attributable to owners of the parent------------------------------------\								
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2010		7,854,938	105,498	833,083	1,135,147	1,773,464	13,500,914	25,203,044	1,528,892	26,731,936
Total comprehensive income for the year		-	-	7,701	10,637	-	5,522,830	5,541,168	265,517	5,806,685
Transactions with owners -										
Dilution of interest in subsidiary		-	-	-	-	-	-	-	70,053	70,053
Employee share option scheme - value of services provided		-	45,488	-	-	-	-	45,488	2,937	48,425
Employee stock grants and options exercised/expired		-	(55,091)	-	-	-	-	(55,091)	(3,250)	(58,341)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(100,907)	(100,907)
Dividends paid to owners of the parent	31	-	-	-	-	-	(2,444,643)	(2,444,643)	-	(2,444,643)
Total transactions with owners		-	(9,603)	-	-	-	(2,444,643)	(2,454,246)	(31,167)	(2,485,413)
Transfers between reserves -										
To retained earnings reserve		-	-	-	-	27,384	(27,384)	-	-	-
To capital redemption reserve	26	-	-	-	-	524,038	(524,038)	-	-	-
To special investment reserve	2(s)	-	-	-	-	12,147	(12,147)	-	-	-
To retained earnings	2(t)	-	-	(52,609)	-	-	52,609	-	-	-
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	92,577	(92,577)	-	-	-
Balance at 31 December 2011		7,854,938	95,895	788,175	1,145,784	2,429,610	15,975,564	28,289,966	1,763,242	30,053,208

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

	Note	Other Reserves				
		Capital redemption reserve	Special investment reserve	Loan loss reserve	Retained earnings reserve	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2009		2,675	127,437	10,373	1,058,452	1,198,937
Transfer to capital redemption reserve	26	559,305	-	-	-	559,305
Transfer to retained earnings reserve		-	-	-	16,225	16,225
Transfer to special investment reserve	2(s)	-	21,486	-	-	21,486
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	(22,489)	-	(22,489)
Balance at 31 December 2010		561,980	148,923	(12,116)	1,074,677	1,773,464
Transfer to capital redemption reserve	26	524,038	-	-	-	524,038
Transfer to special investment reserve	2(s)	-	12,147	-	-	12,147
Transfer to retained earnings reserve		-	-	-	27,384	27,384
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	92,577	-	92,577
Balance at 31 December 2011		1,086,018	161,070	80,461	1,102,061	2,429,610

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Cont'd)
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Investment and Fair 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 2009		(2,032,099)	469,042	7,702	(1,555,355)
Net losses recycled to revenue on disposal and maturity of available-for-sale securities		152,983	-	-	152,983
Net unrealised gains on available-for-sale securities		3,200,471	-	-	3,200,471
Net unrealised losses on cash flow hedges		-	-	(10,744)	(10,744)
Net unrealised gains on revaluation of owner-occupied properties		-	16,497	-	16,497
Deferred tax on unrealised capital gains		(889,109)	-	-	(889,109)
Impairment of equities		(46,982)	-	-	(46,982)
Currency translation		(36,883)	-	-	(36,883)
Total comprehensive income for the year		2,380,480	16,497	(10,744)	2,386,233
Transfer from retained earnings		15,733	-	-	15,733
Transfer to retained earnings reserve		(19,079)	-	-	(19,079)
Disposal of subsidiary		5,551	-	-	5,551
Balance at 31 December 2010		350,586	485,539	(3,042)	833,083
Cash flow hedge reclassification		(3,042)	-	3,042	-
Net gains recycled to revenue on disposal and maturity of available-for-sale securities		(843,616)	-	-	(843,616)
Net unrealised losses on available-for-sale securities		(14,764)	-	-	(14,764)
Net unrealised gains on revaluation of owner-occupied properties		-	31,591	-	31,591
Deferred tax on unrealised capital gains		22,663	(29,611)	-	(6,948)
Impairment of equities		834,207	-	-	834,207
Currency translation		7,231	-	-	7,231
Total comprehensive income for the year		2,679	1,980	3,042	7,701
Transfer to retained earnings		(52,609)	-	-	(52,609)
Balance at 31 December 2011		300,656	487,519	-	788,175

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011	2010
Cash Flows from Operating Activities		**$'000**	**$'000**
Net profit		**5,754,467**	**4,871,467**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Depreciation	14	192,939	173,892
Interest income	43	(10,938,336)	(10,738,819)
Interest expense and finance costs	45	4,113,688	4,732,405
Income and premium tax expense	51	1,227,823	908,872
Gain on disposal of investments		(1,021,023)	(1,373,189)
Loss on disposal of subsidiary		-	519
Fair value losses/(gains) on trading securities		603	(922)
Impairment charge on investments, loans and other assets		835,300	106,072
Share based compensation		56,301	69,911
Losses on revaluation of investment properties	12	54,174	3,000
Amortisation of cash flow hedges		(11,643)	(18,915)
Gains on disposal of property, plant and equipment		(4,591)	(1,628)
Amortisation of intangible assets	18	271,134	290,063
Increase/(decrease) in policyholders' funds		47,942	(3,753,247)
Net movement in actuarial liabilities		3,263,976	1,955,076
Retirement benefit obligations		162,929	291,317
Effect of exchange gains on foreign currency balances		(144,921)	(1,212,999)
		(1,893,705)	(8,568,592)
Changes in other operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		(59,087)	(78,710)
Securities sold under repurchase agreements		5,170,239	9,053,235
Structured products and derivatives		(219,095)	(31,185)
Stock grants		63,997	9,874
Reinsurance contracts		(55,931)	1,537,797
Due from/(to) related parties		(217,535)	379,489
Customer deposits and other accounts		1,532,397	1,333,686
Other assets, net		(275,159)	(1,204,489)
Other liabilities, net		2,174,942	(735,153)
		8,114,768	10,264,544
Net investment purchases:			
Proceeds on sale of investment securities		78,579,086	41,004,968
Purchase of investment properties	12	-	(5,733)
Proceeds on sale of investment properties		10,500	144,003
Purchase of investment securities		(95,563,921)	(53,618,675)
Loans		292,028	(1,775,662)
Lease receivables		3,501	9,546
		(16,678,806)	(14,241,553)
		(4,703,276)	**(7,674,134)**
Interest received		10,588,362	10,724,115
Interest paid		(3,959,851)	(5,192,408)
Income tax paid		(1,019,353)	(884,280)
Net cash provided by/(used in) operating activities		**905,882**	**(3,026,707)**

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Cash Flows (Cont'd)

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011	2010
		$'000	**$'000**
Cash Flows from Operating Activities		**905,882**	**(3,026,707)**
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired		-	(19,065)
Disposal of subsidiary, net of cash		-	935,479
Purchase of property, plant and equipment	14	(226,039)	(335,101)
Proceeds from sale of property, plant and equipment		4,885	1,770
Purchase of intangible assets, net	18	(69,413)	(109,956)
Net cash (used in)/provided by investing activities		**(290,567)**	**473,127**
Cash Flows from Financing Activities			
Dividends paid to stockholders		(2,444,643)	(1,617,226)
Dividends paid to non-controlling interests		(100,907)	(85,002)
Redemption of preference shares		(612,852)	(651,472)
Dilution of interest in subsidiary		18,490	9,908
Net cash used in financing activities		**(3,139,912)**	**(2,343,792)**
Effect of exchange rate on cash and cash equivalents		(9,056)	(268,403)
Decrease in cash and cash equivalents		(2,524,597)	(4,897,372)
Cash and cash equivalents at beginning of year		5,877,516	11,043,291
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**3,343,863**	**5,877,516**

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Company Statement of Financial Position

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011	2010
		$'000	$'000
ASSETS:			
Cash resources	6	277,925	368,974
Financial investments	8	42,461,748	33,976,236
Securities purchased under resale agreements	9	448,263	1,585,906
Lease receivables	11	1,767	1,767
Investment properties	12	479,800	490,305
Investment in associated companies	13	2,725	2,725
Property, plant and equipment	14	1,312,264	1,250,162
Retirement benefit assets	15	184,482	184,482
Reinsurance contracts	16	97,555	44,022
Intangible assets	18	2,331,722	2,435,456
Other assets	20	3,397,055	3,082,359
Investment in subsidiaries	24	17,621,027	12,927,631
Taxation recoverable		384,220	248,738
Segregated funds' assets	21	10,996,907	9,321,013
		79,997,460	65,919,776
Assets classified as held for sale	22	-	747,944
		79,997,460	66,667,720

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Company Statement of Financial Position (Cont'd)

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011	2010
		$'000	$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	25	7,854,938	7,854,938
Capital reserve	26	2,675	2,675
Stock options reserve	27	70,547	78,489
Investment and fair value reserves	28	8,824,605	6,660,444
Special investment reserve		185,986	173,839
Retained earnings	30	11,555,242	9,872,956
Total Equity		**28,493,993**	**24,643,341**
Liabilities			
Due to banks and other financial institutions	32	4,445,024	702,525
Taxation payable		187,224	70,596
Deferred income taxes	19	68,587	228,036
Retirement benefit obligations	15	776,635	610,491
Other liabilities	37	3,423,416	3,294,386
Policyholders' Funds			
Segregated funds' liabilities	21/39	10,996,907	9,321,013
Insurance contracts liabilities	38	22,195,180	18,765,934
Investment contracts liabilities	39	7,650,080	7,291,876
Other policy liabilities	40	1,760,414	1,739,522
		42,602,581	37,118,345
Total Liabilities		**51,503,467**	**42,024,379**
Total Stockholders' Equity and Liabilities		**79,997,460**	**66,667,720**

Approved for issue by the Board of Directors on 28 February 2012 and signed on its behalf by:

Hon. R. D. Williams, O.J — Chairman

Richard O. Byles — Director

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Company Income Statement

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Revenue:			
Gross premium revenue		17,898,795	15,321,826
Insurance premium ceded to reinsurers		(213,494)	(296,625)
Net premium revenue	42	17,685,301	15,025,201
Investment income	43	5,060,967	4,517,311
Impairment charge	44	(8,362)	(4,253)
Interest expense	45	(751,908)	(675,323)
		4,300,697	3,837,735
Fee income -			
Administration	46	793,567	834,380
Other	46	137,502	119,409
		931,069	953,789
Other operating income		437,506	220,569
		23,354,573	**20,037,294**
Benefits:			
Insurance benefits incurred		8,718,899	8,122,946
Insurance benefits reinsured		(113,714)	(120,329)
Net insurance benefits	47	8,605,185	8,002,617
Net movement in actuarial liabilities	38(d)	3,370,870	1,940,721
Expenses:			
Administration expenses	49	1,730,368	1,877,418
Salaries, pension contributions and other staff benefits	50(a)	2,043,778	1,919,137
Commission and sales expenses	50(b)	2,613,796	2,435,934
Depreciation	14	134,441	116,129
Amortisation of intangible assets	18	131,397	139,173
Premium taxes	51	343,614	307,238
		6,997,394	6,795,029
		18,973,449	**16,738,367**
Profit before Taxation		4,381,124	3,298,927
Taxation	51	(294,657)	(158,461)
NET PROFIT		**4,086,467**	**3,140,466**

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Company Statement of Comprehensive Income

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Net profit for the year		**4,086,467**	**3,140,466**
Other comprehensive income:			
Available-for-sale investments:			
Unrealised gains on available-for-sale investments		142,879	254,581
(Gains)/losses reclassified and reported in profit		(182,048)	678,662
		(39,169)	933,243
Owner occupied properties:			
Unrealised gains on owner occupied properties		1,980	16,497
Unrealised gains in the fair value of subsidiaries		2,253,959	3,759,661
Total income recognised directly in stockholders' equity, net of taxes		2,216,770	4,709,401
Total Comprehensive Income		**6,303,237**	**7,849,867**

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 51(c).

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital Reserve	Stock Options Reserve	Investment and Fair Value Reserves	Special Investment Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2009		7,854,938	2,675	37,274	1,970,123	157,614	8,346,861	18,369,485
Total comprehensive income for the year		-	-	-	4,709,401	-	3,140,466	7,849,867
Transactions with owners -								
Employee share option scheme – value of services provided		-	-	44,311	-	-	-	44,311
Employee share grants and options exercised		-	-	(3,096)	-	-	-	(3,096)
Dividends paid to owners	31	-	-	-	-	-	(1,617,226)	(1,617,226)
Total transactions with owners		-	-	41,215	-	-	(1,617,226)	(1,576,011)
Transfers between reserves -								
To special investment reserve	2(s)	-	-	-	-	16,225	(16,225)	-
To retained earnings	2(t)	-	-	-	(19,080)	-	19,080	-
Balance at 31 December 2010		7,854,938	2,675	78,489	6,660,444	173,839	9,872,956	24,643,341
Total comprehensive income for the year		-	-	-	2,216,770	-	4,086,467	6,303,237
Transactions with owners -								
Employee share option scheme – value of services provided		-	-	27,937	-	-	-	27,937
Employee share grants and options exercised		-	-	(35,879)	-	-	-	(35,879)
Dividends paid to owners	31	-	-	-	-	-	(2,444,643)	(2,444,643)
Total transactions with owners		-	-	(7,942)	-	-	(2,444,643)	(2,452,585)
Transfers between reserves -								
To special investment reserve	2(s)	-	-	-	-	12,147	(12,147)	-
To retained earnings	2(t)	-	-	-	(52,609)	-	52,609	-
Balance at 31 December 2011		7,854,938	2,675	70,547	8,824,605	185,986	11,555,242	28,493,993

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Company Statement of Cash Flows

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Net profit		**4,086,467**	**3,140,466**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Depreciation	14	134,441	116,129
Interest income	43	(4,038,803)	(3,397,079)
Interest expense	45	751,908	675,323
Income and premium tax expense	51	638,271	465,699
Gain on disposal of investments		(536,547)	(726,002)
Impairment charge		8,362	4,254
Share based compensation		(7,941)	55,600
Losses on revaluation of investment properties	12	5	3,000
Gains on disposal of property, plant and equipment		(3,097)	(1,628)
Amortisation of intangible assets	18	131,397	139,173
Increase in policyholders' funds		374,207	2,272,829
Net movement in actuarial liabilities	38(d)	3,370,870	1,940,721
Retirement benefit obligations		166,144	220,354
Effect of exchange (gains)/losses on foreign currency balances		(84,007)	346,595
		905,210	2,114,968
Changes in other operating assets and liabilities:			
Due from/(to) related companies		47,560	396,510
Reinsurance contracts		(53,533)	9,610
Share based compensation		63,997	9,874
Other assets, net		123,881	215,735
Other liabilities, net		3,956,079	(1,190,136)
		4,137,984	(558,407)
Net investment purchases:			
Purchase of investment properties	12	-	(2,805)
Purchase of investment securities		(20,406,923)	(25,745,319)
Proceeds from the sale of investment securities		12,586,319	21,184,243
Proceeds on sale of investment property		10,500	144
Lease receivables		-	525
		(7,810,104)	(4,563,212)
		1,319,557	**133,815**
Interest received		3,914,272	2,885,286
Interest paid		(635,935)	(763,436)
Income tax paid		(853,815)	(724,108)
Net cash provided by operating activities		**3,744,079**	**1,531,557**

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

Company Statement of Cash Flows (Cont'd)

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities		**3,744,079**	**1,531,557**
Cash Flows from Investing Activities			
Acquisitions, net of cash	24	(2,439,437)	(22,006)
Purchase of property, plant and equipment	14	(165,246)	(242,209)
Proceeds from sale of property, plant and equipment		3,391	1,770
Purchase of intangible assets	18	(27,663)	(85,034)
Net cash used in investing activities		**(2,628,955)**	**(347,479)**
Cash Flows from Financing Activities			
Dividends paid to stockholders		(2,444,643)	(1,617,226)
Loan from fellow subsidiary		-	(1,820,919)
Net cash used in financing activities		**(2,444,643)**	**(3,438,145)**
Effect of exchange rate on cash and cash equivalents		1,578	(63,208)
Decrease in cash and cash equivalents		(1,329,519)	(2,254,067)
Cash and cash equivalents at beginning of year		1,969,655	4,286,930
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**641,714**	**1,969,655**

The accompanying notes on pages 76 - 156 form an integral part of these financial statements.

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

(a) Sagicor Life Jamaica Limited (SLJ, the company) is incorporated and domiciled in Jamaica. It is 41.90% (2010 – 41.90%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (Sagicor), which is incorporated and domiciled in Barbados. Sagicor has an overall interest of 59.20% (2010 - 59.20%) in Sagicor Life Jamaica Limited. The other significant shareholder in Sagicor Life Jamaica Limited is Pan-Jamaica Investment Trust Limited (2010 - First Jamaica Investments Limited) with a 24.78% (2010 - 24.46%) holding.

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

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

The company is listed on the Jamaica Stock Exchange.

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

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

1. Identification and Activities (Continued)

(b) (Continued)

Subsidiaries	Principal Activities	Incorporated In	Holding
Pan Caribbean Financial Services Limited (PCFS) and its subsidiaries:	Investment banking	Jamaica	85.45%
PanCaribbeanBank Limited (PCB)	Commercial banking	Jamaica	85.45%
Pan Caribbean Asset Management Limited (PCAM)	Inactive	Jamaica	85.45%
Manufacturers Investments Limited (MIL)	Inactive	Jamaica	85.45%
Pan Caribbean Investments Limited (PCIL)	Inactive	Jamaica	85.45%
Pan Caribbean Securities Limited (PCSL)	Inactive	Jamaica	85.45%

(c) Sagicor Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of pension funds. At 30 September 2011, the audited assets totaled $52,447,843,000 (2010 - $45,106,575,000). At 31 December 2011, the unaudited assets totaled $53,545,029,000 (2010 - $46,139,412,000).

(d) The company also operates a number of self-directed pension funds on behalf of clients. At 31 December 2011, the unaudited assets of these funds totalled $20,854,395,000 (2010 - $18,437,949,000).

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) 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.

Interpretations and amendments to published standards effective 1 January 2011 that are relevant to the Group's operations

- **IAS 1 (Amendment), 'Presentation of financial statements'**. The amendment was part of the IASB's annual improvements project published in 2010 and clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively. The adoption of this amendment resulted in the company presenting an analysis of other comprehensive income in the notes to the financial statements.
- **IAS 24 (Revised), 'Related party disclosures'**. The revised standard was issued in November 2009 and supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. There is no impact from the adoption of this amendment.
- **IAS 27 (Amendment), 'Consolidated and separate financial statements'**. The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2010 or earlier when IAS 27 is applied earlier. Retrospective application is required. There is no impact from the adoption of this amendment.
- **IAS 34 (Amendment), 'Interim financial reporting'**. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets. clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2010 or earlier when IAS 27 is applied earlier. Retrospective application is required. There is no significant impact from the adoption of this amendment.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective 1 January 2011 that are relevant to the Group's operations (continued)

- **IFRS 7 (Amendment), 'Financial instruments'**. This amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments were also made to quantitative and credit risk disclosures. The adoption of this amendment resulted in changes in the presentation of credit risk disclosures in Note 54.
- **Amendments to IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'**. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted and the amendments should be applied retrospectively. There was no impact on the Group from the adoption of these amendments.
- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments'**. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. There was no impact on the Group from the adoption of this amendment.

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

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

- **IAS 1 (Amendment), 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 July 2012). The amendment requires an entity to group items presented in other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments to IAS 1 do not address which items are presented in other comprehensive income. The adoption of this amendment is not expected to have a significant impact on the Group's financial statements.
- **IAS 12 (Amendment), 'Income taxes'** (effective for annual periods beginning on or after 1 January 2012). The amendment requires an entity to measure deferred taxes relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. For assets measured using the fair value model in IAS 40, 'Investment properties', it is often difficult and subjective to assess whether recovery will be through use or through sale. The adoption of this amendment is not expected to have a significant impact on the Group's financial statements.

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 19, 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2013). The amendment was issued in June 2011. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.

- **IAS 28 (Revised), 'Investments in Associates and Joint Ventures'**, (effective for annual periods beginning on or after 1 January 2013). IAS 28 (Revised) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This standard is not expected to have a significant impact on the Group's financial statements.

- **IFRS 9, 'Financial instruments'** part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2015) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

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

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

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

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

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

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 10, 'Consolidated Financial Statements'**, (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces all of the guidance on control and consolidation in *IAS 27, 'Consolidated and Separate Financial Statements'*, and *SIC-12, 'Consolidation – Special Purpose Entities'*. IAS 27 (Revised) now renamed 'Separate Financial Statements'. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. The Group is assessing the impact of future adoption of this standard on its financial statements.

- **IFRS 11, 'Joint Arrangements'**, (effective for annual periods beginning on or after 1 January 2013). IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is assessing the impact of future adoption of this standard on its financial statements.

- **IFRS 12, 'Disclosure of Interests in Other Entities'**, (effective for annual periods beginning on or after 1 January 2013). IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group is assessing the impact of future adoption of this standard on its financial statements.

- **IFRS 13, 'Fair Value Measurement'**, (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Group is assessing the impact of future adoption of this standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Summary of Significant Accounting Policies (Continued)

(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. The Group recognises non-controlling interest in the acquire on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(ii) Associates

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

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

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

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

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

(iii) Group companies

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Cash and cash equivalents

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

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

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

(f) Financial assets

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale financial assets

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

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

Properties held for long-term rental yields that are not occupied by the companies within the Group are classified as investment properties.

Investment properties comprise freehold land and buildings and are carried at fair value, representing open market value determined annually by external valuers. Investment properties that are being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be measured at fair value.

Changes in the fair values of investment properties are recorded in the income statement.

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(i) Leases

(i) As lessee

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

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

(ii) As lessor

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

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

(j) Acceptances and guarantees

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

(k) Impairment of assets

(i) Assets carried at amortised cost

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

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

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost (continued)

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost (continued)

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

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

(ii) Assets classified as available-for-sale

For an available for sale equity security, an impairment loss is recognized in income if there has been a significant or prolonged decline in its fail value below its cost. Determination of what is significant or prolonged requires judgment which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

For an available for sale security other than an equity security, if the Group assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortized cost exceeds it fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, and the amount of the reversal is recognized in revenue.

(iii) Renegotiated loans

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

(iv) Impairment of non-financial assets

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

(l) Investment in subsidiaries

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

2. Summary of Significant Accounting Policies (Continued)

(m) Property, plant and equipment

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

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

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

Freehold buildings	2.5%
Leasehold improvements	Period of lease, not to exceed ten years
Computer equipment	20 - 33⅓%
Furniture	10%
Other equipment	15%
Motor vehicles	20%
Leased assets	Shorter of period of lease or useful life of asset

Land is not depreciated.

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

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

(n) Real estate developed for sale

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

(o) Intangible assets

(i) Goodwill

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

2. Summary of Significant Accounting Policies (Continued)

(o) Intangible assets (continued)

(i) Goodwill (continued)

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

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

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

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

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

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

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

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

(iv) Trademarks and licences

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

(v) Computer software

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

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

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefits

(i) Pension obligations

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

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

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

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

(ii) Other post-retirement obligations

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

(iii) Annual leave

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

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefits (continued)

(iv) Share-based compensation

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

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

(v) Productivity bonus plan

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

(vi) Termination benefits

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

(q) Segregated funds

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

2. Summary of Significant Accounting Policies (Continued)

(r) Share capital

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

(i) Share issuance cost

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

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

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

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

(s) Special investment reserve

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

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

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

(t) Transfers to retained earnings

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(v) Structured products

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

(w) Deposits

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

(x) Insurance and investment contracts

(i) Classification

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

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

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

(ii) Recognition and measurement

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

(1.1) Short-term insurance contracts

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.1) Short-term insurance contracts (continued)

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

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

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

(1.2) Long-term traditional insurance contracts -

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

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

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

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

Maturities and annuities are accounted for when due.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

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

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

Benefits are recorded as an expense when they are incurred.

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

Investment contracts without discretionary participatory feature (DPF) –
The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(v) 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.

(vi) 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.

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition

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

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

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

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

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

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

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

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(iii) Interest income (continued)

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

(aa) Interest expense

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

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

(bb) Commissions

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

(cc) Taxation

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(dd) Fiduciary activities

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

(ee) Financial instruments

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

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

(ff) Derivative financial instruments and hedging activities

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

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

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

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

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

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

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.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made significant judgements regarding the amounts recognised in the financial statements in respect of the fair value of investment in its quoted subsidiary, Pan Caribbean Financial Services Limited, as disclosed in Note 24.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Insurance

- *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.

- *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 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 $2,037,697,000 (2010 - $1,751,821,000).

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

(b) Key sources of estimation uncertainty (continued)

(i) Insurance (continued)

- *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 $9,615,263,000 (2010 - $8,016,913,000).

  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 $3,845,357,000 (2010 - $3,185,136,000).

(ii) Pension and post-retirement benefits

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

If the expected return on plan assets were to change by 1% the net expense would change by $63,085,000 for the Group and $52,174,000 for the company. If the discount rate changed by 1% then the expense would change by $121,631,000 for the Group and $95,717,000 for the company.

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

(b) Key sources of estimation uncertainty (continued)

(iii) Recognition and measurement of intangible assets

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

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

(iv) Estimated impairment of intangible assets

Goodwill

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

Other intangible assets

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

(v) Fair value of securities and investment in subsidiaries not quoted in an active market

The fair value of securities and subsidiaries not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

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

(b) Key sources of estimation uncertainty (continued)

(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.

5. Segmental Financial Information

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

(a) Individual Lines - This includes provision of life insurance, health and annuity services to individuals.

(b) Employee Benefits – This includes group life and creditor life, personal accident, group health, group annuities, pension funds investment and administration services and the administration of trust accounts.

(c) Banking and Asset Management – This includes development, commercial and merchant banking, and asset management.

(d) Other – This comprises property management, captives management and stockholders' funds.

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					
	2011					
	Individual Lines	Employee Benefits	Banking and Asset Management	Other	Elimination s	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	9,382,032	14,505,025	3,945,580	837,248	-	28,669,885
Revenue from other segments	108,799	19,293	152,604	199,334	(480,030)	-
Total revenue	9,490,831	14,524,318	4,098,184	1,036,582	(480,030)	28,669,885
Benefits and expenses	(6,369,492)	(8,915,735)	(1,627,023)	(1,276,987)	306,591	(17,882,646)
Change in actuarial liabilities	(49,951)	(3,214,025)	-	-	-	(3,263,976)
Depreciation	(87,776)	(33,282)	(44,585)	(27,296)	-	(192,939)
Amortisation of purchased intangibles	-	(107,465)	(99,007)	-	-	(206,472)
Amortisation of computer software	(10,667)	(10,371)	(40,373)	(3,251)	-	(64,662)
Finance costs	-	-	(76,900)	(21,307)	21,307	(76,900)
Premium taxes	(287,505)	(56,109)	-	-	-	(343,614)
Profit/(loss) before taxation	2,685,440	2,187,331	2,210,296	(292,259)	(152,132)	6,638,676
Taxation	(119,457)	(189,621)	(588,647)	13,516	-	(884,209)
Net profit/(loss)	2,565,983	1,997,710	1,621,649	(278,743)	(152,132)	5,754,467
Segment assets -						
Intangible assets	1,312,759	1,400,223	1,512,057	89,598	-	4,314,637
Other assets	38,740,231	31,230,545	79,343,691	10,234,260	(3,139,234)	156,409,493
	40,052,990	32,630,768	80,855,748	10,323,858	(3,139,234)	160,724,130
Unallocated assets -						
Investments in associates (Note 13)						2,725
Deferred income taxes (Note 19)						158,723
Retirement benefit assets (Note 15)						212,955
						161,098,533
Segment liabilities						
Unallocated liabilities -	28,748,370	26,092,431	67,636,172	10,140,783	(3,157,561)	129,460,195
Deferred income taxes (Note 19)						734,057
Retirement benefit obligations (Note 15)						851,073
						131,045,325
Other segment items:						
Capital expenditure: Computer software (Note 18)						69,413
Property, plant and (Note 14)						226,039

5. Segmental Financial Information (Continued)

	The Group					
	2010					
	Individual Lines	Employee Benefits	Banking and Asset Management	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	8,409,613	12,085,552	3,608,088	1,553,769	-	25,657,022
Revenue from other segments	105,866	41,929	103,592	(10,796)	(240,591)	-
Total revenue	8,515,479	12,127,481	3,711,680	1,542,973	(240,591)	25,657,022
Benefits and expenses	(6,205,706)	(8,529,832)	(1,501,685)	(1,332,422)	249,856	(17,319,789)
Change in actuarial liabilities	(226,342)	(1,728,734)	-	-	-	(1,955,076)
Depreciation	(78,020)	(33,210)	(45,323)	(17,341)	-	(173,894)
Amortisation of purchased intangibles	-	(107,462)	(99,007)	-	-	(206,469)
Amortisation of computer software	(7,981)	(9,362)	(51,622)	(14,629)	-	(83,594)
Finance costs	-	-	(137,861)	(18,703)	18,703	(137,861)
Premium taxes	(255,577)	(51,661)	-	-	-	(307,238)
Profit before taxation	1,741,853	1,667,220	1,876,182	159,878	27,968	5,473,101
Taxation	(77,677)	(181,904)	(451,147)	109,094	-	(601,634)
Net profit	1,664,176	1,485,316	1,425,035	268,972	27,968	4,871,467
Segment assets -						
Intangible assets	1,311,935	1,512,958	1,615,222	72,195	-	4,512,310
Other assets	35,837,210	27,248,965	71,836,827	8,382,809	(4,964,969)	138,340,842
	37,149,145	28,761,923	73,452,049	8,455,004	(4,964,969)	142,853,152
Unallocated assets -						
Investments in associates (Note 13)						2,725
Deferred income taxes (Note 19)						112,383
Retirement benefit assets (Note 15)						190,593
						143,158,853
Segment liabilities	26,569,578	23,423,124	61,590,324	8,508,507	(5,046,679)	115,044,854
Unallocated liabilities -						
Deferred income taxes (Note 19)						716,281
Retirement benefit obligations (Note 15)						665,782
						116,426,917
Other segment items -						
Capital expenditure: Computer software (Note 18)						109,956
Property, plant and equipment (Note 14)						335,101

5. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	Grand Cayman	Total
		2011	
	$'000	**$'000**	**$'000**
Revenue	27,051,332	1,618,553	28,669,885
Total assets	140,565,749	20,532,784	161,098,533
		2010	
	$'000	**$'000**	**$'000**
Revenue	23,595,606	2,061,416	25,657,022
Total assets	121,169,741	21,989,112	143,158,853

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

(a) Individual Lines - This includes provision of life insurance services to individuals.

(b) Employee Benefits – This includes group life and creditor life, personal accident, group health, group annuities and pension funds investment and administration of trust accounts.

(c) Other - This comprise stockholders' funds.

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

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

5. Segmental Financial Information (Continued)

	The Company			
		2011		
	Individual Lines	**Employee Benefits**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenues	8,036,900	14,166,300	1,151,373	23,354,573
Benefits and expenses	(5,469,100)	(8,603,293)	(920,734)	(14,993,127)
Depreciation	(79,788)	(29,744)	(24,909)	(134,441)
Change in actuarial liabilities	(141,067)	(3,229,803)	-	(3,370,870)
Amortisation of purchased intangibles	-	(107,460)	-	(107,460)
Amortisation of computer software	(10,482)	(10,371)	(3,084)	(23,937)
Premium taxes	(287,505)	(56,109)	-	(343,614)
Profit before taxation	2,048,958	2,129,520	202,646	4,381,124
Taxation	(119,457)	(184,608)	9,408	(294,657)
Net profit	1,929,501	1,944,912	212,054	4,086,467
Segment assets -				
Intangible assets	845,570	1,399,946	86,206	2,331,722
Other assets	20,285,056	31,144,941	8,427,557	59,857,554
	21,130,626	32,544,887	8,513,763	62,189,276
Unallocated assets -				
Retirement benefit assets (Note 15)				184,482
Investment in associates (Note 13)				2,675
Investment in subsidiaries (Note 24)				17,621,027
				79,997,460
Segment liabilities	17,313,743	26,092,431	7,252,071	50,658,245
Unallocated liabilities -				
Deferred taxation (Note 19)				68,587
Retirement benefit obligations (Note 15)				776,635
				51,503,467
Capital expenditure:				
Computer software (Note 18)				27,663
Property, plant and equipment (Note 14)				165,246

5. Segmental Financial Information (Continued)

	The Company			
	2010			
	Individual Lines	Employee Benefits	Other	Total
	$'000	$'000	$'000	$'000
Revenues	6,965,088	12,054,084	1,018,122	20,037,294
Benefits and expenses	(5,217,560)	(8,481,172)	(536,374)	(14,235,106)
Depreciation	(70,619)	(33,210)	(12,300)	(116,129)
Change in actuarial liabilities	(213,300)	(1,727,421)	-	(1,940,721)
Amortisation of purchased intangibles	-	(107,462)	-	(107,462)
Amortisation of computer software	(7,792)	(9,362)	(14,557)	(31,711)
Premium taxes	(255,577)	(51,661)	-	(307,238)
Profit before taxation	1,200,240	1,643,796	454,891	3,298,927
Taxation	(77,677)	(181,753)	100,969	(158,461)
Net profit	1,122,563	1,462,043	555,860	3,140,466
Segment assets -				
Intangible assets	884,460	1,512,958	38,038	2,435,456
Other assets	16,944,289	27,025,924	7,147,213	51,117,426
	17,828,749	28,538,882	7,185,251	53,552,882
Unallocated assets -				
Retirement benefit assets (Note 15)				184,482
Investments in associates (Note 13)				2,725
Investment in subsidiaries (Note 24)				12,927,631
				66,667,720
Segment liabilities	14,625,296	23,311,603	3,248,953	41,185,852
Unallocated liabilities -				
Deferred income taxes (Note 19)				228,036
Retirement benefit obligations (Note 15)				610,491
				42,024,379
Capital expenditure:				
Computer software (Note 18)				85,034
Property, plant and equipment (Note 14)				242,209

6. Cash Resources

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balances with banks payable on demand	2,716,206	2,789,071	277,818	368,870
Cash in hand	163,967	102,337	107	104
	2,880,173	2,891,408	277,925	368,974
Short term deposits	669,977	468,118	137,873	143,555
Securities purchased under resale agreements (Note 9)	745,482	1,867,989	438,685	1,581,720
Financial investments (Note 8)	605,079	2,237,005	-	-
	4,900,711	7,464,520	854,483	2,094,249

The amounts of $669,977,000 and $137,873,000 (2010: $468,118,000 and $143,555,000) represent deposits with original maturity of less than 90 days out of the total Group and company short-term deposits of $681,477,000 and $142,981,000 (2010: $1,349,245,000 and $160,097,000) respectively.

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash resources	4,900,711	7,464,520	854,483	2,094,249
Short term loans (Note 32)	-	(365,035)	-	-
Items in course of payment (Note 37)	(119,179)	(85,465)	-	-
Repurchase agreements with other financial institutions	(1,221,303)	(1,011,910)	-	-
Bank overdrafts (Note 32)	(216,366)	(124,594)	(212,769)	(124,594)
	3,343,863	5,877,516	641,714	1,969,655

7. Cash Reserves at Bank of Jamaica

A prescribed minimum of 26% (2010 - 26%) of deposit liabilities is required to be maintained by the banking subsidiary in liquid assets, of which 12% (2010 - 12%) must be maintained as cash reserve with the Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 9% (2010 – 9%). Cash reserves are not available for investment, lending or other use by the Group.

8. Financial Investments

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Short term deposits	681,477	1,349,245	142,981	160,097
Financial assets at fair value through profit or loss -				
Government of Jamaica securities	138,086	42,365	-	-
Corporate bonds	62,791	4,419	-	-
Unquoted preference shares	408,188	-	-	-
Interest receivable	1,875	1,105	-	-
	610,940	47,889	-	-
Available-for-sale -				
Government of Jamaica securities	52,723,669	48,010,300	1,977,993	706,252
Foreign governments securities	3,352,035	5,088,091	2,208,773	2,395,404
Corporate bonds	20,388,279	16,387,628	569,461	778,359
Credit Linked notes	1,925,171	1,850,281	-	-
Quoted equities	1,215,460	1,247,377	411,438	358,498
Unquoted equities	73,696	77,436	-	-
Unit trust shares	35,345	28,220	35,345	28,220
Interest receivable	1,402,148	1,336,828	56,229	82,986
	81,115,803	74,026,161	5,259,239	4,349,719
Loans and receivables -				
Government of Jamaica securities	33,399,383	23,797,805	32,546,844	22,011,176
Foreign governments securities	64,866	63,545	-	-
Mortgage loans	1,575,071	1,452,176	1,553,234	1,428,964
Promissory notes	1,404,369	1,740,615	1,404,369	4,629,136
Loans	-	-	4,260	4,260
Policy loans	765,766	799,180	337,309	332,701
Interest receivable	1,261,912	986,316	1,213,512	1,060,183
	38,471,367	28,839,637	37,059,528	29,466,420
Held to maturity investments -				
Credit Linked notes	1,715,800	1,686,712	-	-
	122,595,387	105,949,644	42,461,748	33,976,236
Less Pledged assets (Note 17)	(7,831,016)	(8,117,235)	-	-
Total Financial Investments	**114,764,371**	**97,832,409**	**42,461,748**	**33,976,236**

Included in unquoted preference shares are Equity Linked (ELP) and Dividend linked (DLP) preference shares. The ELP will provide returns based on the capital gains/loss from movement in the price of a listed stock and the DLP will provide returns based on the dividend income of the same stock. The terms of the unquoted preference shares provide for ELPs to receive twice the capital gain or loss from movement in the price of the underlying listed stock while the DLPs receive none of the capital gains or loss.

The Group and the company recognised impairment charges totaling $834,207,000 and $8,362,000 (2010 - $45,079,000 and $4,253,000) respectively on equity securities (Note 44).

8. Financial Investments (Continued)

Included in promissory notes for the Group and company are loans with principal of $1,354,061,000 (2010 - $1,678,219,000) due from the company's ultimate parent, Sagicor Financial Corporation. The loans attract interest rates of 5% - 8% per annum and mature in January and March 2012.

In 2010, promissory notes for the company included loans with principal of $2,888,521,000 due from one of its subsidiaries, Sagicor Life of the Cayman Islands Ltd. The loans attracted interest rates of 7.75% - 8.5% per annum and were fully repaid during the year.

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

(a) Government of Jamaica Benchmark Note with a carrying value of $9,000,000 (2010 - $9,761,000) which has been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited.

(b) Government of Jamaica Benchmark Note with a carrying value of $90,000,000, (2010 - $$90,000,000) which has been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.

(c) Government of Jamaica Benchmark Notes with a carrying value of J$4,199,617,735 which have been pledged by the company as security for a loan facility with Citibank N.A. of US$40,000,000.

(d) One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd, has International Municipal bonds with a carrying value of US$2,096,340, International Corporate bonds with a carrying value of US$10,284,493, Government of Trinidad and Tobago Corporate bonds totaling US$12,699,720, Equities with a carrying value of US$838,972 and Mutual Funds Equities with a carrying value of US$566,613 pledged as security for margin loans of US$11,089,622 with Oppenheimer & Co. Inc.

(e) One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd, has International bonds with a carrying value of US$12,353,314, International Corporate bonds with a carrying value of US$54,003,534, International Municipal bonds with a carrying value of US$3,661,401 and Equities with a carrying value of US$926,926 pledged as security for margin loans of US$52,653,501 with Morgan Stanley Smith Barney.

(f) One of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd., has Government of Trinidad and Tobago bonds with a carrying value of US$1,180,000 (2010 – US$1,996,000), Government of Barbados bonds with a carrying value of US$249,900 (2010 - US$257,500) and International Corporate bonds with a carrying value of US$12,987,799 (2010 - $11,634,120) as security pledged with Credit Suisse NY to secure a US$8,051,555 (2010 – US$8,058,000) loan facility.

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Debt securities with an original maturity of less than 90 days (Note 6)	605,079	2,237,005	-	-

8. Financial Investments (Continued)

Reclassification of Financial Investments

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

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2011	2011	2010	2010
	$'000	$'000	$'000	$'000
Government of Jamaica securities	4,520,604	4,015,811	6,074,663	6,335,084
Other securities	64,866	57,369	63,545	57,243
	4,585,470	4,073,180	6,138,208	6,392,327

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2011	2011	2010	2010
	$'000	$'000	$'000	$'000
Government of Jamaica securities	4,122,724	3,743,706	4,288,035	4,546,596

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cumulative net fair value losses at beginning of year	(290,995)	(3,285,589)	(168,079)	(2,070,638)
Net fair value (losses)/gains for the year	(693,495)	1,880,739	(632,312)	931,497
Disposals	74,742	1,019,083	(1,022)	905,774
Effect of exchange rate changes	(1,958)	94,772	(7,216)	65,288
Cumulative net fair value losses at end of year	(911,706)	(290,995)	(808,629)	(168,079)

There was no reclassification of financial assets during the year.

The following are included in the income statement for investments reclassified in 2008:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income	492,082	680,619	384,133	519,353
Foreign exchange gains/(losses	36,538	(185,485)	36,538	(185,485)
	528,620	495,134	420,671	333,868

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 2011, the Group held $1,028,638,000 (2010 - $2,386,480,000) of securities, mainly representing Government of Jamaica domestic debt securities, as collateral for reverse repurchase agreements.

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Securities purchased under resale agreements				
Principal	995,356	2,181,465	447,587	1,581,720
Interest receivable	5,236	10,122	676	4,186
	1,000,592	2,191,587	448,263	1,585,906

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Securities purchased under agreements to resell with an original maturity of less than 90 days (Note 6)	745,482	1,867,989	438,685	1,581,720

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	
	2011	2010
Derivatives - Assets	$'000	$'000
Currency forwards	567,482	6,050
Foreign exchange collar option	-	25,508
Equity indexed options	27,710	44,586
Interest rate swap	244,228	214,633
	839,420	290,777
Derivatives - Liabilities		
Currency forwards	561,392	-
Exchange traded funds – short sale	111,498	113,774
Equity indexed options	27,710	44,586
	700,600	158,360

(i) Currency forwards
Currency forwards represent commitments to buy US dollars and sell Euro dollars totalling €5,035,000 on a gross basis at future dates at specified prices. The credit risk is evaluated for each contract and is collaterised where deemed necessary. The currency forward contracts are settled on a gross basis. The contracts expire on various settlement dates.

(ii) Exchange traded funds – short sale
During 2009, one of the company's subsidiaries, Pan Caribbean Financial Services Limited, entered into transactions to sell euro currencies that were borrowed from a broker. The subsidiary benefits if there is a decline in the asset price between the sale and repurchase date. The contract expires in January 2012.

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

10. Derivative Financial Instruments and Hedging Activity (Continued)

(iv) During the prior year, one of the company's subsidiaries, Pan Caribbean Financial Services Limited, entered a collar to sell a call option and buy a put option; the notional amount was £963,000 for settlement on a net basis. The contract was settled during the year.

(v) Interest rate swap and hedging activity – cash flow hedge
The notional principal amount of the outstanding interest rate swap contract is US$20M. The fixed interest rate is 10.201% and the floating rate is based on USD-LIBOR-BBA.

In 2010, hedge accounting was discontinued as the hedge relationship was no longer effective.

The hedge accounting gains and losses up to 31 December 2009 will be transferred to the income statement as interest income is recognised on the floating rate available-for-sale bond. Accordingly, $7,762,000, net of deferred taxation (2010 - $12,610,000), was reclassified from the fair value reserve to net trading income.

11. Loans and Leases, after Allowance for Credit Losses

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Gross loans	9,380,059	9,586,043	-	-
Less: Allowance for credit losses	(230,315)	(194,897)	-	-
	9,149,744	9,391,146	-	-
Loan interest receivable	92,621	89,173	-	-
	9,242,365	9,480,319	-	-
Lease receivables	17,282	22,333	1,767	1,767
	9,259,647	9,502,652	1,767	1,767

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

	Loans		Leases	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Total non-performing loans/leases	441,931	334,457	29,511	36,314
Balance at beginning of year	194,897	160,461	18,910	16,976
Movement during the year -				
Charged against profit during the year	107,525	121,083	1,754	1,934
Recoveries of bad debts	(71,393)	(80,004)	-	-
Charged in the income statement	36,132	41,079	1,754	1,934
Write-offs	-	(698)	-	-
Currency revaluation adjustment	(714)	(5,945)	-	-
Balance at end of year	230,315	194,897	20,664	18,910

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

Lease receivables:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Gross investment in finance leases -				
Not later than one year	27,106	16,581	1,199	1,199
Later than one year and not later than five years	17,404	43,020	-	-
	44,510	59,601	1,199	1,199
Less: Unearned income	(7,386)	(18,976)	-	-
Net investment in finance leases	37,124	40,625	1,199	1,199
Net investment in finance leases -				
Not later than one year	21,633	16,529	1,199	1,199
Later than one year and not later than five years	15,491	24,096	-	-
	37,124	40,625	1,199	1,199
Less: Provision for credit losses	(20,664)	(18,910)	-	-
Interest receivable	822	618	568	568
	17,282	22,333	1,767	1,767

12. Investment Properties

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At beginning of year	853,869	1,041,338	490,305	665,000
Acquired during the year	-	5,733	-	2,805
Transferred to property, plant and equipment (Note 14)	-	(95,000)	-	(95,000)
Disposed during the year	(10,500)	(79,500)	(10,500)	(79,500)
Fair value losses	(54,174)	(3,000)	(5)	(3,000)
Foreign exchange gains/(losses)	3,257	(15,702)	-	-
At end of year	792,452	853,869	479,800	490,305

The properties as at 31 December 2011 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Rental income	5,025	16,485	5,025	9,301
Direct operating expenses	(34,306)	(28,390)	(27,382)	(19,999)

13. Investment in Associated Companies

(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 companies is represented as follows:

	The Group and the Company	
	2011	2010
	$'000	$'000
Shares, at cost	2	2
Share of post acquisition reserves	(2,501)	(2,501)
Loans and current accounts	5,224	5,224
	2,725	2,725

(c) One of the company's associated companies, Lested Development Limited, was liquidated during the year. The company's equity capital held in the associated company was 35.10%.

14. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Cost or Valuation -					
At 1 January 2010	296,696	636,676	1,122,422	110,061	2,165,855
Additions	65,844	30,858	227,192	11,207	335,101
Transferred from investment properties (Note 12)	-	95,000	-	-	95,000
Revaluation adjustments	-	10,500	-	-	10,500
Disposal of subsidiary	-	-	(201,243)	(18,554)	(219,797)
Disposals	-	-	(810)	(2,643)	(3,453)
Translation adjustment	(1,259)	-	(10,124)	(808)	(12,191)
At 31 December 2010	361,281	773,034	1,137,437	99,263	2,371,015
Additions	53,899	52,070	106,466	13,604	226,039
Revaluation adjustments	-	22,753	-	-	22,753
Disposals	-	-	(1,448)	(12,465)	(13,913)
Translation adjustment	294	-	329	19	642
At 31 December 2011	415,474	847,857	1,242,784	100,421	2,606,536
Accumulated Depreciation -					
At 1 January 2010	97,900	-	739,654	66,581	904,135
Charges for the year	33,927	6,994	119,574	13,399	173,894
Relieved on revalued assets	-	(5,997)	-	-	(5,997)
Relieved on disposal of subsidiary	-	-	(151,226)	(8,913)	(160,139)
Relieved on disposals	-	-	(668)	(2,643)	(3,311)
Translation adjustment	(104)	-	(7,352)	(388)	(7,844)
At 31 December 2010	131,723	997	699,982	68,036	900,738
Charges for the year	38,334	9,095	131,511	13,999	192,939
Relieved on revalued assets	-	(8,838)	-	-	(8,838)
Relieved on disposals	-	-	(1,300)	(12,319)	(13,619)
Translation adjustment	58	-	208	4	270
At 31 December 2011	170,115	1,254	830,401	69,720	1,071,490
Net Book Value -					
31 December 2010	229,558	772,037	437,455	31,227	1,470,277
31 December 2011	245,359	846,603	412,383	30,701	1,535,046

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 2010	162,922	636,674	551,896	80,182	1,431,674
Additions	12,208	30,858	198,140	1,003	242,209
Transferred from investment properties (Note 12)	-	95,000	-	-	95,000
Revaluation adjustments	-	10,500	-	-	10,500
Disposals	-	-	(806)	-	(806)
At 31 December 2010	175,130	773,032	749,230	81,185	1,778,577
Additions	39,508	52,070	62,223	11,445	165,246
Revaluation adjustments	-	22,753	-	-	22,753
Disposals	-	-	(1,121)	(10,428)	(11,549)
At 31 December 2011	214,638	847,855	810,332	82,202	1,955,027
Accumulated Depreciation -					
At 1 January 2010	51,045	-	319,910	47,992	418,947
Charge for the year	18,404	6,994	78,529	12,202	116,129
Relieved on revalued assets	-	(5,997)	-	-	(5,997)
Relieved on disposals	-	-	(664)	-	(664)
At 31 December 2010	69,449	997	397,775	60,194	528,415
Charge for the year	19,283	9,095	94,569	11,494	134,441
Relieved on revalued assets	-	(8,838)	-	-	(8,838)
Relieved on disposals	-	-	(973)	(10,282)	(11,255)
At 31 December 2011	88,732	1,254	491,371	61,406	642,763
Net Book Value -					
31 December 2010	105,681	772,035	351,455	20,991	1,250,162
31 December 2011	125,906	846,601	318,961	20,796	1,312,264

14. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, certain owner-occupied properties were independently revalued during 2011 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 $31,590,000 (2010 - $16,497,000), has been credited to investment and fair value reserves.

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

	2011	2010
	$'000	$'000
Cost	440,723	390,005
Accumulated depreciation	(24,600)	(21,250)
Net book value	416,123	368,755
Carrying value of revalued assets	846,603	772,037

15. Retirement Benefits

(a) Pension schemes

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Retirement benefit assets -				
Pension scheme	212,955	190,593	184,482	184,482
Retirement benefit obligations -				
Pension scheme	60,165	39,666	60,165	39,666
Other post-retirement benefits	790,908	626,116	716,470	570,825
	851,073	665,782	776,635	610,491

Pension schemes comprised the following -

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Retirement benefit assets	(212,955)	(190,593)	(184,482)	(184,482)
Retirement benefit obligations	60,165	39,666	60,165	39,666
	(152,790)	(150,927)	(124,317)	(144,816)

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The Group operates the following pension plans:

(i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and a defined benefit plan for eligible administrative staff. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2009) was 103%.

(ii) Sagicor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.

(iii) Pan Caribbean Financial Services Limited has established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2010) was 93%.

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Present value of funded obligations	6,758,479	5,414,652	6,257,179	4,934,920
Fair value of plan assets	(7,017,208)	(5,475,024)	(6,489,456)	(5,018,878)
	(258,729)	(60,372)	(232,277)	(83,958)
Unrecognised actuarial gains/(losses)	41,139	(188,911)	107,960	(60,858)
Limitation of asset due to uncertainty of future benefits	64,800	98,356	-	-
Asset in the statement of financial position, net	(152,790)	(150,927)	(124,317)	(144,816)

Sagicor Pooled Investment Funds Limited, which manages the Group's pension plan, has assets including property occupied by the Group, with a market value of approximately $1,367,000,000 (2010 - $1,313,000,000).

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Movement in the present value of the defined benefit obligations recognised in the statement of financial position:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At 1 January	5,414,652	4,230,160	4,934,920	3,963,942
Service cost	227,740	212,977	195,113	199,329
Interest cost	496,032	492,844	449,492	453,580
Member contributions	229,939	212,210	204,655	187,394
Value of purchased annuities	813,917	-	803,097	-
Benefits paid	(408,187)	(151,493)	(378,826)	(142,321)
Actuarial (gains)/losses	(15,614)	417,954	48,728	272,996
At 31 December	6,758,479	5,414,652	6,257,179	4,934,920

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At 1 January	5,475,024	4,604,618	5,018,878	4,270,898
Member contributions	229,939	212,210	204,655	187,394
Employer's contribution	199,423	187,454	164,715	153,547
Expected return on assets	499,465	430,927	459,391	395,145
Value of purchased annuities	813,917	-	803,097	-
Benefits paid	(408,187)	(151,493)	(378,826)	(142,321)
Actuarial gains	207,627	191,308	217,546	154,215
At 31 December	7,017,208	5,475,024	6,489,456	5,018,878

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current service cost	227,740	212,977	195,113	199,329
Interest cost	496,032	492,844	449,492	453,580
Expected return on plan assets	(499,465)	(430,927)	(459,391)	(395,145)
Change in unrecognised asset	(33,555)	78,168	-	-
Net actuarial losses recognised in year	6,808	-	-	-
Total, included in staff costs (Note 50(a))	197,560	353,062	185,214	257,764

The actual return on plan assets was $798,511,000 (2010 – $712,036,000) and $759,703,000 (2010 – $630,068,000) for the Group and company, respectively.

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At 1 January	(150,927)	(316,535)	(144,816)	(249,033)
Total expense - as above	197,560	353,062	185,214	257,764
Contributions paid	(199,423)	(187,454)	(164,715)	(153,547)
At 31 December	(152,790)	(150,927)	(124,317)	(144,816)

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Company	
	2011	**2010**
Discount rate - J$ benefits	10.00%	11.00%
Discount rate - US$ Indexed benefits	8.00%	8.00%
Inflation	5.00%	7.00%
Investment fees	1.00%	1.00%
Administrative fees	1.00%	1.00%
Expected return on plan assets	7.00%	10.00%
Future salary increases	6.00%	8.50%
Future pension increases	2.00%	2.00%
Average expected remaining working lives (years)	18	11

Pension plan assets are comprised as follows:

	The Group				The Company			
	2011		**2010**		**2011**		**2010**	
	$'000	**%**	**$'000**	**%**	**$'000**	**%**	**$'000**	**%**
Acquired from Blue Cross Jamaica Limited	416,390	6	416,390	8	416,390	6	416,390	8
Equities	1,640,884	23	1,203,542	23	1,592,570	25	1,160,282	23
Mortgages and real estate	616,605	9	1,104,458	21	580,569	9	1,055,560	21
Money market fund	1,294,298	18	738,374	13	1,006,675	16	507,958	10
Fixed income fund	1,043,400	15	847,747	16	1,022,654	16	826,343	16
Foreign currency fund	1,154,020	16	1,159,875	16	1,033,307	16	1,048,383	21
Diversified fund	755	1	676	1	-	-	-	-
Inflation-linked	92,382	1	-	1	90,547	1	-	-
	6,258,734	89	5,471,062	99	5,742,712	89	5,014,916	99
Value of purchased annuities	813,917	12	-	-	803,097	12	-	-
Late contributions	2,458	1	-	-	1,305	1	-	-
Reimbursement - Annuity	-	-	3,962	1	-	-	3,962	1
Cost of pension increase granted	(57,901)	(2)	-	-	(57,658)	(2)	-	-
	7,017,208	100	5,475,024	100	6,489,456	100	5,018,878	100

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

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

	The Group and The Company
	$'000
Equities	49,513
Government of Jamaica Bonds/LRS	187,318
Repurchase agreements	124,862
Corporate bonds	23,688
Preference shares	10
Leased assets	5,941
Net current assets	25,058
	416,390

The expected Group and company contributions to post-employment plans for the year ending 31 December 2012 are $197,160,000 and $163,766,000 respectively.

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

	The Group				
	Pensions				
	2011	**2010**	**2009**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December					
Present value of defined benefit obligations	6,758,479	5,414,652	4,230,160	3,787,130	3,636,653
Fair value of plan assets	(7,017,208)	(5,475,024)	(4,604,618)	(3,843,280)	(3,617,191)
Fund status	(258,729)	(60,372)	(374,458)	(56,150)	19,462
Actuarial (gains)/losses on plan liabilities	(15,615)	417,954	(221,049)	(560,421)	38,739
Actuarial (gains)/losses on plan assets	(207,627)	(191,308)	(116,065)	700,008	36,179

15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

	The Company				
	Pensions				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
As at 31 December					
Present value of defined benefit obligations	6,257,179	4,934,920	3,963,942	3,563,974	3,455,049
Fair value of plan assets	(6,489,456)	(5,018,878)	(4,270,898)	(3,596,304)	(3,386,043)
Fund status	(232,277)	(83,958)	(306,956)	(32,330)	69,006
Actuarial (gains)/losses on plan liabilities	48,728	272,996	(196,908)	(551,196)	42,654
Actuarial (gains)/losses on plan assets	(217,546)	(154,215)	(119,241)	643,401	50,513

(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 8.0% (2010 – 10.5%) per year.

15. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	910,240	1,030,289	855,447	949,565
Fair value of plan assets	(106,895)	(100,397)	(106,895)	(100,397)
	803,345	929,892	748,552	849,168
Unrecognised actuarial losses	(12,437)	(303,776)	(32,082)	(278,343)
Liability in the statement of financial position	790,908	626,116	716,470	570,825

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current service cost	66,834	44,326	57,795	39,973
Expected return on plan assets	(6,498)	(9,127)	(6,498)	(9,127)
Interest cost	111,940	110,723	103,091	104,864
Net actuarial losses	18,046	3,510	16,671	4,154
Total included in staff costs (Note 50(a))	190,322	149,432	171,059	139,864

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Liability at beginning of year	626,116	500,407	570,825	454,684
Total expense, as above	190,322	149,432	171,059	139,864
Contributions paid	(25,530)	(23,723)	(25,414)	(23,723)
Liability at end of year	790,808	626,116	716,470	570,825

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	46,545	72,669
Revised interest cost	83,375	114,176
Revised accumulated post-employment benefit obligations	739,541	1,007,451

	The Group				
	Health and Life				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
As at 31 December					
Present value of defined benefit obligations	910,240	1,030,289	680,187	588,965	475,029
Fair value of plan assets	(106,895)	(100,397)	(91,270)	(83,734)	(74,101)
Fund status	803,345	929,892	588,917	505,231	400,928
Actuarial (gains)/losses on plan liabilities	(272,823)	218,776	15,674	(206,774)	56,360

	The Company				
	Health and Life				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
As at 31 December					
Present value of defined benefit obligations	855,447	949,565	643,538	548,801	433,278
Fair value of plan assets	(106,895)	(100,397)	(91,270)	(83,734)	(74,101)
Fund status	748,552	849,168	552,268	465,067	359,177
Actuarial (gains)/losses on plan liabilities	(229,590)	184,913	31,977	(192,447)	39,631

16. Reinsurance Contracts

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Claims recoverable from reinsurers	133,124	89,369	97,555	44,022
Unearned premiums ceded to reinsurers	69,759	61,339	-	-
Reinsurers share of insurance liabilities	37,339	33,583	-	-
	240,222	184,291	97,555	44,022

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

17. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions, and as security relating to overdraft facilities with 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance with regulators	96,395	96,345	-	-
Investment securities and securities sold under repurchase agreements	68,943,131	62,740,208	49,823,770	49,823,770
	69,039,526	62,836,553	49,823,770	49,823,770

	The Company			
	Asset		Related Liability	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance with regulators	90,000	90,000	-	-
Investment securities	4,208,617	-	3,573,611	-
	4,298,617	90,000	3,573,611	-

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Investment securities	7,831,016	8,117,235	-	-

18. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
At 1 January 2010	2,181,058	3,762,344	501,706	597,300	7,042,408
Additions	-	-	-	109,956	109,956
Acquired on acquisition	26,493	-	-	-	26,493
Disposal of subsidiary	(164,045)	(347,845)	(28,273)	(76,303)	(616,466)
Translation adjustment	(19,673)	-	-	(2,118)	(21,791)
At 31 December 2010	2,023,833	3,414,499	473,433	628,835	6,540,600
Additions	-	-	-	69,413	69,413
Translation adjustment	4,042	-	-	8	4,050
At 31 December 2011	2,027,875	3,414,499	473,433	698,256	6,614,063
Amortisation -					
At 1 January 2010	-	1,011,717	501,706	458,473	1,971,896
Amortisation charge	-	206,469	-	83,594	290,063
Relieved on disposal of subsidiary	-	(142,235)	(28,273)	(62,224)	(232,732)
Translation adjustment	-	-	-	(937)	(937)
At 31 December 2010	-	1,075,951	473,433	478,906	2,028,290
Amortisation charge	-	206,468	-	64,666	271,134
Translation adjustment	-	-	-	2	2
At 31 December 2011	-	1,282,419	473,433	543,574	2,299,426
Net Book Value -					
31 December 2010	2,023,833	2,338,548	-	149,929	4,512,310
31 December 2011	2,027,875	2,132,080	-	154,682	4,314,637

18. Intangible Assets (Continued)

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

	The Group		The Company	
	2011	2010	2011	2010
	$000	$000	$000	$000
Sagicor Life Jamaica Individual Lines Division	855,191	855,191	855,191	855,191
Sagicor Life Jamaica Employee Benefits Division	530,126	530,126	530,126	530,126
Sagicor Life of the Cayman Islands Individual Lines Division	430,886	425,957	-	-
Pan Caribbean Financial Services Limited	186,066	186,066	-	-
Sagicor Insurance Managers Ltd.	25,616	26,493	-	-
	2,027,885	2,023,833	1,385,317	1,385,317

For the year ended 31 December 2011, management tested goodwill allocated to Sagicor Life Jamaica Individual Lines Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Individual Lines Division, Sagicor Insurance Managers Ltd. and Pan Caribbean Financial Services Limited for impairment.

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

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

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

Key assumptions used for the impairment calculations are as follows:

	Earnings Multiple	Earnings Growth Rate	Capital Expenditure to EBT	Discount Rate
Sagicor Life Jamaica Individual Life Division	7.0	-	-	-
Sagicor Life Jamaica Employee Benefits Division	6.6	-	-	-
Sagicor Life of the Cayman Islands Individual Life Division	7.2	-	-	-
Pan Caribbean Financial Services Limited	-	7.00%	4.00%	19.00%
Sagicor Insurance Managers Ltd.	-	3.00%	-	12.70%

18. Intangible Assets (Continued)

	The Company			
	Goodwill	Contractual Customer Relationship	Computer Software	Total
	$'000	$'000	$'000	$'000
Cost -				
At 1 January 2010	1,385,317	1,428,973	184,248	2,998,538
Additions	-	-	85,034	85,034
At 31 December 2010	1,385,317	1,428,973	269,282	3,083,572
Additions	-		27,663	27,663
At 31 December 2011	1,385,317	1,428,973	296,945	3,111,235
Amortisation -				
At 1 January 2010	-	369,062	139,881	508,943
Amortisation charge	-	107,462	31,711	139,173
At 31 December 2010	-	476,524	171,592	648,116
Amortisation charge	-	107,461	23,936	131,397
At 31 December 2011	-	583,985	195,528	779,513
Net Book Value -				
31 December 2010	1,385,317	952,449	97,690	2,435,456
31 December 2011	1,385,317	844,988	101,417	2,331,722

Amortisation charges of $271,134,000 (2010 - $290,063,000) and $137,397,000 (2010 - $139,173,000) 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 5 years.

19. Deferred Income Taxes

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

(a) 15% for the company; and
(b) 33⅓% for PanCaribbean Financial Services Limited and Sagicor Property Services Limited.

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax assets	(158,723)	(112,383)	(117,029)	(73,394)
Deferred income tax liabilities	734,057	716,281	185,616	301,430
	575,334	603,898	68,587	228,036

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance as at 1 January	603,898	(453,216)	228,036	39,534
Charged/(credited) to the income statement (Note 51(a))	(146,666)	54,938	(166,397)	45,096
Tax charged to components in other comprehensive income (Note 51(c))	118,102	1,002,176	6,948	143,406
Balance as at 31 December	575,334	603,898	68,587	228,036

19. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Property, plant and equipment	(3,788)	(1,574)	-	-
Investment securities - available-for-sale	(45,007)	(22,344)	(45,007)	(22,344)
Trading securities	(201)	-	-	-
Repurchase agreements	(253)	-	-	-
Pensions and other post-retirement benefits	(61,920)	(59,432)	(46,598)	(43,038)
Interest payable	(17,851)	(438)	(17,834)	(438)
Tax losses unused	(10,942)	(12,391)	-	-
Other	(18,761)	(16,204)	(7,590)	(7,574)
	(158,723)	(112,383)	(117,029)	(73,394)
Deferred income tax liabilities -				
Property, plant and equipment	27,046	56,189	26,450	55,323
Trading securities	-	307	-	-
Interest rate swap	81,409	77,849	-	-
Investment securities - available-for-sale	415,363	317,995	-	-
Impairment losses on loans	47,889	17,087	-	-
Interest receivable	75,196	172,286	75,173	172,280
Unrealised foreign exchange gains	83,993	73,827	83,993	73,827
Other	3,161	741	-	-
	734,057	716,281	185,616	301,430
Net deferred tax liability	575,334	603,898	68,587	228,036

19. Deferred Income Taxes (Continued)

The movement in deferred tax assets and liabilities is as follows:

	The Group					
	Property, plant and equipment	Fair value gains	Unrealised foreign exchange gains	Post-employment benefits	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2010	44,665	(681,430)	127,574	(23,586)	79,561	(453,216)
(Credited)/charged to income statement	9,950	52,754	(53,747)	(35,846)	81,827	54,938
(Credited)/charged to other comprehensive income	-	1,002,176	-	-	-	1,002,176
At 31 December 2010	54,615	373,500	73,827	(59,432)	161,388	603,898
(Credited)/charged to income statement	(60,968)	(10,226)	10,166	(2,488)	(83,150)	(146,666)
(Credited)/charged to other comprehensive income	29,611	88,491	-	-	-	118,102
At 31 December 2011	23,258	451,765	83,993	(61,920)	78,238	575,334

	The Company					
	Property, plant and equipment	Fair value gains	Unrealised foreign exchange gains	Post-employment benefits	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2010	41,283	(165,750)	127,574	(30,848)	67,275	39,534
(Credited)/charged to income statement	14,040	-	(53,747)	(12,190)	96,993	45,096
Charged to other comprehensive income	-	143,406	-	-	-	143,406
At 31 December 2010	55,323	(22,344)	73,827	(43,038)	164,268	228,036
(Credited)/charged to income statement	(58,484)	-	10,166	(3,560)	(114,519)	(166,397)
(Credited)/charged to other comprehensive income	29,611	(22,663)	-	-	-	6,948
At 31 December 2011	26,450	(45,007)	83,993	(46,598)	49,749	68,587

20. Other Assets

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Due from sales representatives	393,705	458,602	331,278	399,959
Real estate developed for resale -				
Opening balance	441,458	448,335	441,458	448,335
Cost of sales	-	(7,238)	-	(7,238)
Additions during the year	273,913	361	273,913	361
	715,371	441,458	715,371	441,458
Premiums due and unpaid	1,359,011	1,244,588	1,287,978	1,176,641
Due from related parties (Note 23)	430,063	167,415	931,434	948,514
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	79,282	61,776	79,282	61,776
Prepayments	212,567	197,244	205,701	172,371
Customer settlements accounts	149,758	24,416	-	-
Other receivables	280,825	302,865	76,290	110,558
	3,620,582	2,898,364	3,627,334	3,311,277
Provision against doubtful receivables	(241,890)	(228,918)	(230,279)	(228,918)
	3,378,692	2,669,446	3,397,055	3,082,359

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

21. Segregated Funds

(a) The Group and the company manage accounts totalling approximately $11,615,396,000 (2010 - $9,809,444,000) and $10,996,907,000 (2010 - $9,321,013,000), respectively on behalf of certain life insurance policyholders under the Sagicor Balanced Fund, Sagicor Equity Fund, Sagicor Fixed Income Fund, Sagicor Foreign Currency Fund, Sagicor Capital Growth Fund, Sagicor Investor Growth Fund, Sagicor International Equity Fund, Sagicor Real Growth Fund, Sagicor Money Market Fund, Sagicor Real Estate Fund, Sagicor Life of the Cayman Islands International Equity Fund, Sagicor Life of the Cayman Islands Fixed Income Fund and Sagicor Life of the Cayman Islands Cayman Investment 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Corporate debentures	1,863,670	1,730,181	205,485	1,639,478
Government securities	4,590,795	3,862,773	4,502,269	3,862,773
Government securities purchased under resale agreements and short-term loans	644,346	601,985	420,045	524,055
Investment properties	1,746,891	1,632,416	1,746,891	1,632,416
Quoted equities	1,272,700	1,331,871	1,040,533	1,073,404
Unit trust shares	935,362	339,932	2,859,714	336,851
Other assets	561,632	310,286	221,970	252,036
	11,615,396	9,809,444	10,996,907	9,321,013

(c) Income by type on Segregated Funds' Investments

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Corporate debentures	98,042	156,529	49,167	138,364
Government securities	755,257	767,237	740,025	760,474
Government securities purchased under resale agreements and short-term loans	18,785	69,671	15,912	67,113
Investment properties	154,316	(23,690)	154,316	(23,690)
Quoted equities	70,301	245,243	222,653	223,618
Unit trust shares	643,344	246,878	651,615	247,731
	1,740,045	1,461,868	1,833,688	1,413,610

22. Assets Classified as Held For Sale

In the prior year, the company entered into an agreement to sell a block of residential mortgages with a carrying value of $747,944,000. This sale transaction was pending the transfer of various titles to the transferee and therefore management classified these financial investments as 'assets held for sale'. The proceeds in respect of the sale of the portfolio were received in the prior year end and are disclosed in Note 37. The transaction was finalised during the year.

23. Related Party Balances and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party, in making financial or operational decisions.

The Group is controlled by Sagicor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 59.20% (2010 – 59.20%) of the ordinary stock units. Pan-Jamaican Investment Trust Limited (2010 - First Jamaica Investment Limited) owns 24.78% (2010 – 24.46%) of the ordinary stock units. The remaining 16.02% (2010 - 16.34%) 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial investments -				
Ultimate parent company	1,407,763	1,727,677	1,407,763	1,727,677
Subsidiary company	-	-	-	3,029,421
	1,407,763	1,727,677	1,407,763	4,757,098
Due from related companies -				
Ultimate parent company	49,159	5,730	48,384	5,467
Parent company	65,204	40,714	55,010	40,714
Subsidiary companies	-	-	579,235	781,362
Segregated funds	56,979	-	-	-
Pooled Pension Investment Fund	200,979	114,197	193,665	114,197
Other related companies	3,197	528	595	528
Other managed funds	54,545	6,246	54,545	6,246
	430,063	167,415	931,434	948,514

23. Related Party Balances and Transactions (Continued)

(a) (continued):

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Due to related companies -				
Parent company	28,552	97,200	-	83,673
Segregated funds	138,151	81,172	138,151	25,371
	166,703	178,372	138,151	109,044
Directors and key management personnel -				
Loans	20,234	13,233	-	-
Customer deposits	(37,414)	(15,135)	-	-
Securities sold under repurchase agreements	(127,814)	(160,492)	-	-

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Ultimate parent company -				
Investment income	110,204	61,012	110,204	61,012
Parent company -				
Shared services fees	81,245	117,313	58,409	117,313
Subsidiary companies -				
Investment income	-	-	58,926	152,776
Fellow subsidiaries -				
Administration fee income	-	-	32,774	30,295
Management fee income	-	-	121,656	140,998
Shared services fees	-	-	184,734	149,253
Segregated funds -				
Investment management fee income	234,389	165,355	192,508	157,938

23. Related Party Balances and Transactions (Continued)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Sagicor Pooled Investment Funds -				
Lease rental expense	238,741	236,163	224,726	222,377
Management fee income	462,737	513,377	462,737	513,377
Administration fee income	262,632	241,137	80	174
Directors and key management personnel -				
Interest expense	5,909	5,720	-	-
Other related parties -				
Interest and other income earned	-	-	57,396	251,556
Key management compensation -				
Salaries and other short term benefits	374,727	405,260	236,950	275,729
Share based payments	208,756	79,786	132,897	65,475
Contributions to pensions and insurance schemes	22,760	22,168	15,211	15,940
	606,243	507,214	385,058	357,144
Directors' emoluments -				
Fees	42,051	34,267	25,320	17,336
Other expenses	1,327	2,470	1,327	2,470
Management remuneration (included above)	157,502	75,987	77,938	75,987
	200,880	112,724	104,585	95,793

24. Investment in Subsidiaries

	The Company	
	2011	2010
	$'000	$'000
Balance as at 1 January	12,927,631	9,145,964
Acquired during the year	2,439,437	22,006
	15,367,068	9,167,970
Fair value adjustment	2,253,959	3,759,661
Balance as at 31 December	17,621,027	12,927,631

Investments were made in the following subsidiaries during the year:

	2011	2010
	$'000	$'000
Pan Caribbean Financial Services Limited	2,439,437	-
Sagicor International Administrators Limited	-	6
Sagicor Insurance Managers Ltd.	-	22,000
	2,439,437	22,006

During the year, the company purchased the interest in Pan Caribbean Financial Services Limited (PCFS) which was held by one of its subsidiaries, Sagicor Life of the Cayman Islands Ltd.

During the year, the company changed its fair value basis for one of its subsidiaries, PCFS, from the quoted market price to the discounted cash flow method as management is of the opinion that quoted price at year end was not a true reflection of fair value as the said subsidiary's shares were thinly traded on the Jamaica Stock Exchange.

25. Share Capital

	The Group and The Company	
	2011	2010
	$'000	$'000
Authorised:		
13,598,340,000 (2010 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,760,992,000 (2010 – 3,760,992,000) Ordinary shares at no par	7,854,938	7,854,938

26. Capital Redemption Reserve

This represents the capital redemption reserve fund arising on the redemption of preference shares in the company and one of its subsidiaries, Pan Caribbean Financial Services Limited (PCFS), in conformity with the provisions of the Jamaican Companies Act. During the year, the movement in the reserve relates to the redemption of preference shares issued by PCFS (Note 35) totaling $612,852,000; Sagicor Life Jamaica Limited's share being $524,038,000.

27. Stock Options Reserve

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

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

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

Details of the share options outstanding are as follows:

	The Company			
	2011		2010	
	Options (thousands)	Weighted Average exercise price in $ per share	Options (thousands)	Weighted Average exercise price in $ per share
At beginning of year	40,917	6.23	26,540	8.04
Granted - 2009	-	-	20,563	4.20
- 2010	17,393	6.51	-	-
Expired	(3,251)	8.10	(5,142)	9.20
Exercised	(6,937)	6.44	(1,044)	5.19
At end of year	48,122	6.18	40,917	6.23
Exercisable at the end of the period	25,494	6.56	20,040	7.30

27. Stock Options Reserve (Continued)

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

		Number of Options	
	Exercise	2011	2010
Expiry Date	Price	$'000	$'000
Dec 2011	9.86	-	3,250
Dec 2012	9.00	1,958	2,473
Dec 2014	7.92	6,956	9,525
Dec 2015	7.92	5,294	6,231
Dec 2016	4.20	16,521	19,438
Dec 2017	6.51	17,393	-
		48,122	40,917

For options outstanding at the end of the year for the company, exercise prices range from $4.20 to $9.00 (2010 - $4.20 to $9.86). The remaining contractual terms range from 1 to 6 years (2010 – 1 to 6 years).

The weighted average share price for options exercised during the year was $6.44 (2010 - $5.19) and the company's share of the cost of these options was $18,685,000 (2010 - $1,984,000).

The stock options 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 granted during the year as determined using the Black-Scholes valuation model was $31,306,704. The significant inputs into the model were share price of $6.51, dividend yield of 8.14%, standard deviation of the expected share price returns of 39%, and annual risk free interest rate of 12.56%. The expected volatility is based on statistical analysis of monthly share prices over the preceding seven years.

The Group and the company recognized cumulative expenses of $95,895,000 and $70,547,000 (2010 - $105,498,000 and $78,489,000) and share options expense of which $120,298,000 and $56,056,000 (2010 - $43,497,000 and $42,334,000) in the income statement of the Group and the company, respectively.

The company also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Life Jamaica Limited shares at 75% of the closing bid price on December 31 each year. During the year, the Staff Share Purchase Plan Trust purchased 6,959,000 shares over the Stock Exchange for a total value of $61,664,000. The company's portion of the cost was $20,639,000.

27. Stock Options Reserve (Continued)

One of the company's subsidiaries, Pan Caribbean Financial Services Limited (PCFS), offers stock options to employees who have completed the minimum eligibility period of employment. Options are conditional on the employee completing a minimum service period of one year (the eligibility period). Options are forfeited if the employee leaves PCFS before the options vest. Options were granted as follows:

(i) 600,000 stock options on 1 March 2007. These options expired on 28 February 2011. The exercise price for the options was $21.75. These options vested over four years – 25% each anniversary date of the grant. 300,000 of the stock units were vested and expired during the year.

(ii) 4,074,246 stock options on 1 April 2007. These options expire on 31 March 2014. The exercise price for the options is $18.00. These options vest over four years – 25% each anniversary date of the grant. 311,549 stock units have been taken up during the year. Contracts for 927,116 off these stocks units were forfeited/cancelled to date.

(iii) 3,100,273 stock options on 1 April 2008. These options expire on 31 March 2015. The exercise price for the options is $20.50. These options vest over four years – 25% each anniversary date of the grant. 122,991 stock units have been taken up during the year. Contracts for 335,358 of these stock units were forfeited to date.

(iv) 5,785,288 stock options on 1 April 2009. These options expire on 31 March 2016. The exercise price for the options is $12.20. These options vest over four years – 25% each anniversary date of the grant. 782,964 stock units have been taken up during the year (975,341 to date). Contracts for 412,132 of these stock units were forfeited.

(v) 3,137,791 stock options on 1 April 2010. These options expire on 31 March 2017. The exercise price for the options is $18.00. These options vest over four years – 25% each anniversary date of the grant. 57,438 units have been taken up during the year.

27. Stock Options Reserve (Continued)

Details of the stock options outstanding are as follows:

	PCFS			
	Number of stock options 2011	**Weighted average exercise price 2011**	**Number of stock options 2010**	**Weighted average exercise price 2010**
	'000	**$**	**'000**	**$**
Balance at beginning of year	11,393	16.01	4,799	18.53
Granted	3,138	18.00	8,886	15.10
Exercised	(1,275)	14.68	(192)	12.20
Lapsed/forfeited	(300)	21.75	(2,100)	17.91
	12,956	16.54	11,393	16.01
Exercisable at the end of the year	6,935	17.41	4,410	17.77

For options outstanding at the end of the year for PCFS, the exercise price ranges from $12.20 to $20.50 (2010 - $12.20 to $21.75). The weighted average remaining contractual term is three years (2010 – three years).

Options for 1,274,942 (2010 – 192,377) stock units were exercised during the year. The weighted average stock unit price at the date of exercise for options exercised during the year was $14.72 (2010 - $12.20).

28. Investment and Fair Value Reserves

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities, the revaluation of property, plant and equipment, an adjustment for gains or losses on investments in subsidiaries, an adjustment for equity investments deemed impaired and an adjustment for gains or losses on available-for-sale securities which have matured or have been disposed. An analysis of the investment and fair value reserves is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$000	$000	$000	$000
Cash flow hedges reserves	-	(3,042)	-	-
Owner-occupied properties	487,519	485,538	405,032	403,053
Unrealised gains on investments in subsidiaries	-	-	8,730,522	6,476,563
Unrealised gains/(losses) on available-for-sale securities	300,656	350,587	(310,948)	(219,172)
	788,175	833,083	8,824,605	6,660,444

29. Currency Translation Reserve

This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries with functional currencies other than the Jamaican dollar.

30. Other Reserves

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

(b) Loan Loss Reserve
This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

31. Dividends Declared

	The Group and The Company	
	2011	2010
	$'000	$'000
First interim dividend - 34 cents per share (2010 – 21 cents per share)	1,278,737	789,808
Second interim dividend - 31 cents per share (2010 – 22 cents per share)	1,165,906	827,418
	2,444,643	1,617,226

The dividends paid for 2011 and 2010 represented a dividend per stock unit of $0.65 and $0.43 respectively.

32. Due to Banks and Other Financial Institutions

			The Group		The Company	
	Currency	%	2011	2010	2011	2010
			$'000	$'000	$'000	$'000
Long Term Loans -						
Pan Caribbean Financial Services Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayable over varying periods from 24 to 96 months	J$	various	57,326	72,829	-	-
Repayable over varying periods from 48 to 96 months	US$	various	1,894	10,770	-	-
European Investment Bank (EIB) -						
Repayable in 7 equal annual installments commencing on 5 December 2008 and ending in 2014	J$	various	294,114	371,657	-	-
Repayable in 7 equal annual installments commencing on 5 December 2008 and ending in 2014	US$	various	58,432	77,243	-	-
The National Export-Import Bank of Jamaica Limited -						
Repayable in 42 monthly installments commencing May 2009 and ending October 2012	J$	9	48,463	6,077	-	-
PanCaribbeanBank Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayment over varying periods from 6 months to 108 months	J$	7-10	234,927	232,595	-	-
The National Export-Import Bank of Jamaica Limited (EXIM) -						
Repayment over varying periods from 6 months to 108 months	US$	9-13	65,266	37,306	-	-
Balance c/f			760,422	808,477	-	-

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

	Currency	%	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Long Term Loans (continued) -						
Balance b/f			760,422	808,477	-	-
Sagicor Life Jamaica Limited:						
National Housing Trust (NHT) -						
Repayment in 18 quarterly installments commencing 31 March 2012	J$	8	17,326	20,509	17,326	20,509
Repayment in 9 quarterly installments commencing 31 March 2012	J$	8	509	702	509	702
Repayment in 16 quarterly installments commencing 31 March 2012	J$	8	80	99	80	99
Repayment over 11 years commencing 31 January 2012	J$	0.75-5	640,729	556,621	640,729	556,621
Sagicor Life of the Cayman Islands Ltd.:						
Credit Suisse						
Repayable in 1 installment on 21 August 2014	US$	7.25	695,396	689,773	-	-
			2,114,462	**2,076,181**	**658,644**	**577,931**
Short Term Loans -						
Pan Caribbean Financial Services Limited:						
Citibank N.A.						
Repayable in 1 instalment on 3 January 2011	J$	3.5	-	365,035	-	-
Sagicor Life Jamaica Limited:						
Citibank N.A.						
Repayable in 1 instalment on 27 April 2012	US$	5.12	3,573,611	-	3,573,611	-
Balance c/f			3,573,611	365,035	3,573,611	-

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

	Currency	%	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Short Term Loans (continued) -						
Balance b/f			3,573,611	365,035	3,573,611	-
Sagicor Life of the Cayman Islands Ltd.:						
JP Morgan Securities						
Repayable on demand	US$	-	-	1,216,665	-	-
Oppenheimer & Co. Inc.						
Repayable on demand	US$	2.0	957,788	1,212,933	-	-
Morgan Stanley Smith Barney						
Repayable on demand	US$	1.074-1.21	4,547,579	4,288,644	-	-
			9,078,978	**7,083,277**	**3,573,611**	**-**
Bank Overdrafts -						
Pan Caribbean Financial Services Limited:						
Bank of Jamaica	J$		3,597	-	-	-
Sagicor Life Jamaica Limited:						
National Commercial Bank Jamaica Limited	J$		212,769	124,594	212,769	124,594
			216,366	**124,594**	**212,769**	**124,594**
			11,409,806	**9,284,052**	**4,445,024**	**702,525**

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

(a) Development Bank of Jamaica Limited (DBJ)

The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve financing to Pan Caribbean Financial Services Limited (PCFS) and PanCaribbeanBank Limited (PCB) for on-lending to customers for development projects which meet the criteria of DBJ and 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, and are extended to customers at a maximum spread as stipulated by DBJ.

(b) European Investment Bank (EIB)

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 United States dollar or Jamaican dollar. 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 (EXIM)

PCFS and PCB are approved financial institutions of the National Export-Import Bank of Jamaica Limited. Through this partnership, PCFS and PCB are provided with financing, which is utilised to finance customers with viable projects within EXIM's guidelines.

PCFS and PCB offer 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 maximum spread as stipulated by EXIM.

(d) National Housing Trust

This is a third party financing agreement between the company and the National Housing Trust, and attracts interest at rates ranging from 0.75% to 8%.

(e) Credit Suisse

This represents a fixed rate loan at interest rate of 7.25%. The loan is secured by International Corporate bonds, Government of Barbados security and Government of Trinidad and Tobago security totalling US$14,417,699. This loan is repayable in one instalment on 21 August 2014.

(f) Citibank N.A.

This represents a loan facility in the amount of US$40,000,000 which was disbursed in two tranches during the year of UD$30,000,000 and US$10,000,000. The loan attracts interest rate of LIBOR plus a margin per annum. The loan matures in April 2012 and is secured by Government of Jamaica Benchmark Notes totalling J$4,199,517,735.

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

(g) Oppenheimer & Co. Inc.

Sagicor Life of the Cayman Islands Ltd
This represents amounts due to the broker for securities purchased by Sagicor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rate of 2% per annum. These loans are repayable on demand and secured by International Municipal bonds totalling US$2,096,340, International Corporate bonds totalling US$10,284,493, Government of Trinidad and Tobago Corporate bonds totalling US$12,699,720, Equities totalling US$838,972 and Mutual Funds Equities totalling US$566,613.

(h) Morgan Stanley Smith Barney

Sagicor Life of the Cayman Islands Ltd
This represents amounts due to the broker for securities purchased by Sagicor Life of the Cayman Islands Ltd under margin loan facilities. The facilities attract interest rates ranging from 1.074% to 1.210% per annum. These loans are repayable on demand and secured by International bonds totalling US$12,353,314, International Corporate bonds totalling US$54,003,534, International Municipal bonds totalling US$3,661,401 and Equities totaling US$926,926.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

33. Customer Deposits and Other Accounts

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

34. Structured Products

	The Group	
	2011	2010
	$'000	$'000
Principal protected notes	274,913	484,428

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.

35. Redeemable Preference Shares

	The Group	
	2011	2010
	$'000	$'000
Redeemable preference shares	-	612,852
Interest payable	-	3,148
	-	616,000

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. These were partially redeemed during 2010. During the year, the subsidiary redeemed the remaining 3,064,259 (2010 - 3,257,362) shares at a value of $612,852,000 (2010 - $651,472,000).

36. Provisions

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At beginning of year	200,000	93,248	-	93,248
Additions during the year	-	200,000	-	-
Utilised during the year	(200,000)	(6,354)	-	(6,354)
Extinguished during the year	-	(86,894)	-	(86,894)
At end of year	-	200,000	-	-

Provisions represented management's estimate of amounts likely to be paid based on claims against the Group which were pending before the Courts.

37. Other Liabilities

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Accounts payable and accruals	673,733	427,397	478,858	309,651
Accrued vacation	58,800	63,810	32,242	40,262
Annuities payable	1,303	2,295	1,303	2,295
Dividends payable	53,555	43,139	53,555	43,139
Due to related parties (Note 23)	166,703	178,372	138,151	109,044
Due to brokers	763,587	-	763,587	-
Bonus payable	265,658	248,496	202,205	185,026
Premiums not applied	1,192,467	1,238,476	1,144,110	1,171,944
Reinsurance payable	150,816	37,842	78,378	56,313
Mortgage principal payable	313,840	216,602	313,840	216,602
Proceeds from sale of mortgage portfolio classified as assets held for sale	-	792,585	-	792,585
Customer settlement accounts	97,988	46,721	-	-
Items in course of payment	119,179	85,465	-	-
Fees received in advance	10,494	12,533	-	-
Unearned reinsurance commissions	6,484	5,499	-	-
Miscellaneous	402,434	550,308	217,187	367,525
	4,277,041	3,949,540	3,423,416	3,294,386

38. Insurance Contract Liabilities

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Group annuities	17,778,500	14,529,309	17,360,362	14,299,910
Group insurance	3,788,900	3,576,555	3,749,114	3,521,387
Individual insurance	2,075,067	2,201,116	1,085,704	944,637
Total	23,642,467	20,306,980	22,195,180	18,765,934

(b) Movements in insurance liabilities:

	The Group			
	2011			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	14,529,309	2,201,116	3,576,555	20,306,980
Normal changes in policyholders' liabilities (Note 38(d))	3,187,594	(135,567)	211,949	3,263,976
Changes as a result of revaluation	61,597	9,518	396	71,511
Balance at end of year	17,778,500	2,075,067	3,788,900	23,642,467

	The Group			
	2010			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	13,460,122	2,091,824	3,147,191	18,699,137
Normal changes in policyholders' liabilities (Note 38(d))	1,358,285	165,053	431,738	1,955,076
Changes as a result of revaluation	(289,098)	(55,761)	(2,374)	(347,233)
Balance at end of year	14,529,309	2,201,116	3,576,555	20,306,980

38. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued):

	The Company			
	2011			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at beginning of year	14,299,910	944,637	3,521,387	18,765,934
Normal changes in policyholders' liabilities (Note 38(d))	3,002,076	141,067	227,727	3,370,870
Changes as a result of revaluation	58,376	-	-	58,376
	17,360,362	1,085,704	3,749,114	22,195,180

	The Company			
	2010			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at beginning of year	13,283,367	731,338	3,090,962	17,105,667
Normal changes in policyholders' liabilities (Note 38(d))	1,296,997	213,299	430,425	1,940,721
Changes as a result of revaluation	(280,454)	-	-	(280,454)
	14,299,910	944,637	3,521,387	18,765,934

38. Insurance Contract Liabilities (Continued)

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

	The Group				
	2011				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted securities	-	-	-	1,250,805	1,250,805
Investment properties	-	-	-	792,452	792,452
Fixed income securities	20,085,564	21,567,768	60,967,006	8,478,695	111,099,033
Mortgages	475,352	1,053,330	-	46,389	1,575,071
Other assets	765,766	-	14,515,144	19,484,866	34,765,776
Segregated fund assets	11,615,396	-	-	-	11,615,396
	32,942,078	22,621,098	75,482,150	30,053,207	161,098,533

	2010				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted securities	-	-	-	1,275,597	1,275,597
Investment properties	-	-	-	853,869	853,869
Fixed income securities	18,758,946	17,988,543	55,226,008	2,254,523	94,228,020
Mortgages	495,338	932,712	-	24,126	1,452,176
Other assets	799,180	-	12,416,746	22,323,821	35,539,747
Segregated fund assets	9,809,444	-	-	-	9,809,444
	29,862,908	18,921,255	67,642,754	26,731,936	143,158,853

38. Insurance Contract Liabilities (Continued)

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

	The Company				
	2011				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted securities	-	-	-	446,783	446,783
Investment properties	-	-	-	479,800	479,800
Fixed income securities	15,281,483	21,112,177	422,173	3,645,898	40,461,731
Mortgages	475,352	1,053,330	-	24,552	1,553,234
Other assets	337,309	-	1,824,740	23,896,956	26,059,005
Segregated fund assets	10,996,907	-	-	-	10,996,907
	27,091,051	22,165,507	2,246,913	28,493,989	79,997,460

	2010				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted securities	-	-	-	386,718	386,718
Investment properties	-	-	-	490,305	490,305
Fixed income securities	13,546,775	17,697,798	-	915,981	32,160,554
Mortgages	495,238	932,712	-	1,014	1,428,964
Other assets	332,701	-	-	22,547,465	22,880,166
Segregated fund assets	9,321,013	-	-	-	9,321,013
	23,695,727	18,630,510	-	24,341,483	66,667,720

38. Insurance Contract Liabilities (Continued)

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

	The Group			
	2011			
	Group Annuities $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Change in assumed investment yields and inflation rate	(40,935)	168,510	27,444	155,019
Change due to the issuance of new policies and the decrements on in-force policies	3,285,953	801,480	134,443	4,221,876
Change due to other actuarial assumptions	(57,424)	(1,105,557)	50,062	(1,112,919)
	3,187,594	(135,567)	211,949	3,263,976

	2010			
	Group Annuities $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Change in assumed investment yields and inflation rate	(41,698)	226,332	43,251	227,885
Change due to the issuance of new policies and the decrements on in-force policies	1,182,130	996,520	510,154	2,688,804
Change due to other actuarial assumptions	217,853	(1,057,799)	(121,667)	(961,613)
	1,358,285	165,053	431,738	1,955,076

38. Insurance Contracts Liabilities (Continued)

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

	The Company			
	2011			
	Group Annuities $'000	Group Insurance $'000	Individual Insurance $'000	Total $'000
Change in assumed investment yields and inflation rate	(64,429)	27,444	112,527	75,542
Change due to the issuance of new policies and the decrements on in-force policies	3,123,971	150,221	931,692	4,205,884
Change due to other actuarial assumptions	(57,466)	50,062	(903,152)	(910,556)
	3,002,076	227,727	141,067	3,370,870

	2010			
	Group Annuities $'000	Group Insurance $'000	Individual Insurance $'000	Total $'000
Change in assumed investment yields and inflation rate	(23,798)	43,251	199,119	218,572
Change due to the issuance of new policies and the decrements on in-force policies	1,102,941	508,841	937,011	2,548,793
Change due to other actuarial assumptions	217,854	(121,667)	(922,831)	(826,644)
	1,296,997	430,425	213,299	1,940,721

(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.

38. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts

(i) Best estimate assumptions
Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(ii) Mortality and morbidity
The assumptions are based on past group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2012 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2012 for improvements in mortality.

(iii) Investment yields
The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 0.8% and 1.8%.

(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 7% and 35% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 3% and 10% of insurance amounts in force. Partial withdrawal rates average about 16% of fund values available from policies in force.

38. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued)

(v) Policy expenses
Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 2 years and declines over the life of the policies such that real returns after 30 years are between 0.8% and 1.8%.

(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 balance sheet date.

39. Investment Contract Liabilities

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Fair value -				
Segregated funds (unit-linked)	11,615,396	9,809,444	10,996,907	9,321,013
Amortised cost -				
Amounts on deposit	6,894,239	6,764,477	4,461,515	3,908,217
Deposit administration fund	3,030,867	3,234,044	3,016,405	3,182,071
Other investment contracts	427,910	330,811	172,160	201,588
	10,353,016	10,329,332	7,650,080	7,291,876
	21,968,412	20,138,776	18,646,987	16,612,889

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	3,234,044	2,682,743	3,182,071	2,639,852
Deposits received	2,193,514	537,801	2,191,249	525,902
Interest earned	243,610	256,186	243,610	253,146
Service charges	(28,841)	(20,974)	(28,841)	(20,974)
Withdrawals	(2,611,926)	(219,923)	(2,571,684)	(215,855)
Revaluation adjustment	466	(1,789)	-	-
Balance at the end of the year	3,030,867	3,234,044	3,016,405	3,182,071

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 165 (2010 - 175) clients in the company. The average interest rate paid by the company during the year was 7.5% (2010 – 8.5%).

40. Other Policy Liabilities

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Insurance benefits payable	1,544,841	1,545,871	1,416,063	1,418,273
Provision for unearned premiums	75,142	65,477	-	-
Policy dividends and other funds on deposit	685,728	678,347	344,351	321,249
	2,305,711	2,289,695	1,760,414	1,739,522

41. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to $2,270,975,000 (2010 - $2,071,807,000) are accrued to the account of the policyholders as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

42. Premium Income

(a) Gross premiums by line of business:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Group insurance -				
Group creditor life	558,314	531,936	558,314	531,936
Group health	5,562,504	5,962,328	5,562,504	5,962,328
Group life	1,439,093	1,311,268	1,311,977	1,190,113
	7,559,911	7,805,532	7,432,795	7,684,377
Individual insurance -				
Individual life	7,847,072	7,071,430	6,888,977	6,120,256
Individual health	280,052	238,266	280,052	238,266
Individual annuities	194,262	89,820	-	-
	8,321,386	7,399,516	7,169,029	6,358,522
Bulk annuities	2,153,169	-	2,153,169	-
Annuities	1,143,802	1,278,927	1,143,802	1,278,927
Property and casualty	188,345	164,615	-	-
	19,366,613	16,648,590	17,898,795	15,321,826

42. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Group insurance -				
Group health	115,351	123,409	115,351	123,409
Group life	83,174	73,403	23,235	24,761
Other	-	12,640	-	11,730
	198,525	209,452	138,586	159,900
Individual life	210,642	265,813	74,908	136,725
Property and casualty	192,035	163,030	-	-
	601,202	638,295	213,494	296,625
Net premiums	18,765,411	16,010,295	17,685,301	15,025,201

(c) Net premiums by geography:

	The Group	
	2011	2010
	$'000	$'000
Jamaica	17,685,301	15,025,201
Cayman Islands	1,080,110	985,094
	18,765,411	16,010,295

43. Investment Income

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income -				
Short term deposits	15,621	33,418	5,754	19,282
Corporate debentures	1,057,259	1,127,551	83,634	152,479
Investment securities	8,514,948	8,068,291	3,660,520	2,653,754
Loans	1,166,189	1,218,027	171,910	246,986
Policy loans	81,145	79,337	44,257	42,135
Government securities purchased under resale agreements	86,643	195,458	51,421	110,962
Other	16,531	15,553	21,307	171,481
	10,938,336	10,737,635	4,038,803	3,397,079
Dividends	16,720	82,954	499,254	480,033
Net foreign exchange gains/(losses)	34,654	(57,326)	14,632	(57,326)
Net gains on sale of mortgage portfolio	33,647	-	33,647	-
Net gains on investment securities	1,528,932	1,770,063	502,900	714,719
Other investment losses	(89,364)	(18,435)	(28,269)	(17,194)
	12,462,925	12,514,891	5,060,967	4,517,311

44. Impairment Charge

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Equity investments	834,207	45,079	8,362	4,253

Included in Group's impairment charge for the year is an amount of $787,197,000 recorded by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd., in respect of impairment against shares in an Electronic Traded Fund (EFT). The carrying value of these shares before impairment was $1,180,765,000.

45. Interest Expense

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Customer deposits and repurchase liabilities	2,925,658	3,566,741	-	-
Due to banks and other financial institutions	282,565	192,878	147,808	26,584
Investment contracts	694,090	784,593	604,100	598,100
Other	134,475	50,332	-	50,639
	4,036,788	4,594,544	751,908	675,323

46. Fee Income

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Administration fees	1,137,933	1,110,235	793,567	834,380
Other				
Surrender charges	124,059	109,329	120,025	104,609
Wholesale banking fees	6,048	9,954	-	-
Credit related fees, net	36,155	64,772	-	-
Stockbrokerage fees	30,438	31,417	-	-
Treasury fees	20,190	16,907	-	-
Trust fees	47,751	51,405	-	-
Miscellaneous fees	18,880	29,607	17,477	14,800
	283,521	313,391	137,502	119,409
	1,421,454	1,423,626	931,069	953,789

47. Insurance Benefits and Claims

	The Group				The Company			
	Year ended 31 December 2011			2010	Year ended 31 December 2011			2010
	Gross incurred	Reinsured	Net	Net Claims	Gross incurred	Reinsured	Net	Net Claims
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Death and disability	1,547,508	(43,893)	1,503,615	1,643,890	1,418,173	(18,366)	1,399,807	1,459,153
Maturities	24,441	-	24,441	22,953	15,356	-	15,356	14,358
Surrenders and withdrawals	862,303	-	862,303	858,690	664,312	-	664,312	653,965
Annuities and pensions	1,679,353	-	1,679,353	1,303,211	1,645,962	-	1,645,962	1,281,088
Policy dividends and bonuses	47,948	-	47,948	48,328	7,694	-	7,694	7,943
Health insurance	4,651,730	(83,187)	4,568,543	4,328,256	4,650,468	(83,187)	4,567,281	4,328,177
Other benefits	382,644	(16,796)	365,848	308,435	316,934	(12,161)	304,773	257,933
	9,195,927	(143,876)	9,052,051	8,513,763	8,718,899	(113,714)	8,605,185	8,002,617

48. Finance Costs

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

49. Administration Expenses

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Auditors' remuneration -				
Current year	58,666	55,907	30,000	27,115
Prior year	-	1,519	-	1,513
Office accommodation	539,040	525,258	387,144	357,377
Communication and technology	434,285	623,651	265,273	521,357
Advertising and branding	231,113	228,927	131,001	146,197
Sales convention and incentives	92,735	87,909	87,281	86,728
Postage, printing and office supplies	104,368	104,461	77,389	82,821
Policy stamp duties and reimbursements	80,021	64,441	57,282	40,918
Regulators fees	130,189	128,930	88,935	77,874
Other expenses	847,487	1,033,327	606,063	535,518
	2,517,904	2,854,330	1,730,368	1,877,418

50. Salaries, Pension Contributions and Other Staff Benefits

(a) Employees

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Wages and salaries	2,450,134	2,186,080	1,422,489	1,253,107
Payroll taxes	240,917	206,143	145,824	125,869
Pension costs (Note 15)	197,560	353,062	185,214	257,764
Other post-retirement benefits (Note 15)	190,322	149,432	171,059	139,864
Share based compensation	122,602	79,785	63,977	65,474
Other	177,338	186,253	55,215	77,059
	3,378,873	3,160,755	2,043,778	1,919,137

	The Group		The Company	
	2011	2010	2011	2010
	No.	No.	No.	No.
Number of employees at year end -				
Full - time administrative	864	862	454	460
Part - time administrative	184	159	137	118
	1,048	1,021	591	578

(b) Contractors – sales agents

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Agents' commissions and bonuses	2,897,686	2,749,862	2,613,796	2,435,934
	No.	No.	No.	No.
Number of insurance sales agents at year end	500	484	463	424

51. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current year taxation -				
Investment income tax @ 15%	461,054	113,365	461,054	113,365
Income tax at 33 ⅓%	569,821	433,331	-	-
	1,030,875	546,696	461,054	113,365
Deferred income tax (Note 19) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	(146,666)	54,938	(166,397)	45,096
	884,209	601,634	294,657	158,461
Premium tax @ 3%	343,614	307,238	343,614	307,238

(i) Investment tax applicable to the long term insurance business of the company is 15% on income, other than premium income, less certain expenses incurred in the generation of that income.

(ii) Investment tax applicable to the health insurance business of the company is 15% of taxable profits of that line of business.

(iii) Income tax at 33⅓% is payable on taxable profits of Sagicor Property Services Limited, Pan Caribbean Financial Services Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited and Sagicor International Administrators Limited.

(iv) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of certain subsidiary companies, available for set off against future taxable profits amount to approximately $146,051,000 (2010 - $77,346,000).

(v) Premium tax charges for the company include tax on deposits relating to the segregated funds totalling $2,694,536,000 (2010 - $2,398,990,000).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.

51. Taxation (Continued)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Investment income tax -				
Gross investment income	12,462,925	12,514,891	5,060,967	4,517,311
Tax at 15%	1,869,439	1,877,234	759,145	677,597
Adjusted for:				
Deductible expenses	(220,987)	(314,546)	(220,987)	(314,546)
Income not subject to tax	(293,248)	(241,735)	(293,248)	(241,735)
Net investment income not subject to investment tax	(1,110,294)	(1,199,637)	-	-
Expenses not deductible for tax purposes	60,765	63,992	60,765	63,992
Net effect of other charges and allowances	(11,018)	(26,847)	(11,018)	(26,847)
	294,657	158,461	294,657	158,461
Income tax -				
Profit before taxation	6,638,676	5,473,101	-	-
Tax at 33⅓%	2,212,892	1,824,367	-	-
Adjusted for:				
Premium and investment income not subject to income tax	(1,613,436)	(1,378,164)	-	-
Prior year under provision	19,780	1,031	-	-
Net effect of other charges and allowances	(29,684)	(4,061)	-	-
	589,552	443,173	-	-
Taxation expense	884,209	601,634	294,657	158,461

51. Taxation (Continued)

(c) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group					
	2011			2010		
	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Fair value gains on available-for-sale investments	139,735	(92,372)	47,363	3,637,225	(1,008,481)	2,628,744
Cash flow hedge	(11,643)	3,881	(7,762)	(18,915)	6,305	(12,610)
Unrealised gains on owner-occupied properties	31,591	(29,611)	1,980	16,497	-	16,497
Retranslation of foreign operations	10,637	-	10,637	(147,609)	-	(147,609)
Other comprehensive income	170,320	(118,102)	52,218	3,487,198	(1,002,176)	2,485,022
Deferred income taxes (Note 19)		(118,102)			(1,002,176)	

	The Company					
	2011			2010		
	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Fair value gains on available-for-sale investments	(61,832)	22,663	(39,169)	1,076,649	(143,406)	933,243
Unrealised gains on owner-occupied properties	31,591	(29,611)	1,980	16,497	-	16,497
Unrealised gains on investment in subsidiaries	2,253,959	-	2,253,959	3,759,661	-	3,759,661
Other comprehensive income	2,223,718	(6,948)	2,216,770	4,852,807	(143,406)	4,709,401
Deferred income taxes (Note 19)		(6,948)			(143,406)	

52. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

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 Incentive Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

During the prior year however, the company adopted a policy not to issue new shares, to satisfy the staff share ownership plans options being exercised or grants being awarded. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Long-term Incentive Plan.

	2011	2010
	$'000	$'000
Net profit attributable to stockholders	5,522,830	4,671,171
Weighted average number of ordinary stock units in issue ('000)	3,760,992	3,760,992
Basic and fully diluted earnings per stock unit	$1.47	$1.24

53. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.

(iii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates and the exchange traded funds that are shorted and based on quoted prices at the year end date. The fair value of the equity indexed options is based on quoted prices.

(iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the year end date. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits.

(v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and

(vii) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

53. Fair Values of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Group and company's statement of financial position at their fair value:

	The Group			
	Carrying Value 2011 $000	Fair Value 2011 $000	Carrying Value 2010 $000	Fair Value 2010 $000
Financial Assets				
Financial investments - held to maturity	1,715,800	1,879,981	1,686,712	1,747,083
Financial investments – loans and receivables	38,471,367	39,371,007	28,839,637	30,470,531
Loans & leases, after allowance for credit losses	9,259,647	9,441,591	9,502,652	11,929,582
Financial Liabilities				
Securities sold under agreements to repurchase	53,948,289	53,063,660	48,377,528	53,913,151
Customer deposits and other accounts	10,599,897	10,061,772	9,016,902	11,971,000
Due to banks and other financial institutions	11,409,806	11,498,606	9,284,052	9,639,343

	The Company			
	Carrying Value 2011 $000	Fair Value 2011 $000	Carrying Value 2010 $000	Fair Value 2010 $000
Financial Assets				
Financial investments – loans and receivables	37,059,528	38,122,385	29,466,420	31,101,756
Lease receivables, after allowance for credit losses	1,767	1,767	1,767	1,767
Financial Liabilities				
Due to banks and other financial institutions	4,445,024	4,445,024	702,525	702,525

53. Fair Values of Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2011, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	2011			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	16,934,438	53,266,412	3,694,877	73,895,727
Pledged assets	-	7,831,016	-	7,831,016
Derivative financial instruments	-	595,192	244,228	839,420
	16,934,438	61,692,620	3,939,105	82,566,163
Financial Liabilities				
Derivative financial instruments	111,498	589,102	-	700,600
Structured products	-	274,913	-	274,913
	111,498	864,015	-	975,513

	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	17,795,513	45,212,126	2,949,176	65,956,815
Pledged assets	-	8,117,235	-	8,117,235
Derivative financial instruments	-	76,144	214,633	290,777
	17,795,513	53,405,505	3,163,809	74,364,827
Financial Liabilities				
Derivative financial instruments	113,774	44,586	-	158,360
Structured products	-	484,428	-	484,428
	113,774	529,014	-	642,788

53. Fair Values of Financial Instruments (Continued)

	The Company			
	2011			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	2,778,110	2,025,885	455,244	5,259,239
	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	3,292,055	753,361	304,303	4,349,719

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

Reconciliation of level 3 items -

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at beginning of year	3,163,809	4,841,890	304,303	378,056
Total gains - other comprehensive income	57,138	178,174	-	-
Total gains – income statement	110,971	8,227	-	(14,378)
Purchases	1,337,233	400,215	455,244	-
Settlements	(730,046)	(2,264,697)	(304,303)	(59,375)
Balance at end of year	3,939,105	3,163,809	455,244	304,303

The gains or losses recorded in the income statement are included in Note 43.

If the fair value measurements were adjusted by reasonable possible alternative assumptions then the interest rate swap would decrease or increase by $16,330,000.

54. Insurance and Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has a risk management framework with clear terms of reference. 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:

- Oversees the Group's financial risk management framework.
- 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.

54. Insurance and Financial Risk Management (Continued)

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

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

(iv) Anti-Money Laundering (AML)
The Group has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

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

(v) Regulatory Compliance
The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

(vi) Enterprise Risk Management
The Group utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

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

The most important types of risk facing the Group are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk
The Group issues both short term and long term contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts
Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(i) Frequency and severity of claims
For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

(i) Frequency and severity of claims (continued)

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 54(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2011	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	26,911,057	4	23,241,875	4
200 - 400	23,008,496	3	22,052,749	3
400 - 800	50,681,082	7	50,058,934	7
800 - 1000	64,025,551	9	61,932,827	9
More than 1,000	569,569,084	77	516,300,369	77
Total	734,195,270	100	673,586,754	100

Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2010	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	83,250,440	13	74,408,819	13
200 - 400	71,294,477	11	61,249,517	10
400 - 800	66,929,188	10	59,756,859	10
800 - 1000	61,657,624	9	56,833,289	9
More than 1,000	382,940,373	57	350,360,089	58
Total	666,072,102	100	602,608,573	100

54. 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			
2011	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	9,186,810	2	9,147,518	2
200 - 400	15,482,931	3	15,472,366	3
400 - 800	45,717,756	8	45,372,989	9
800 - 1000	62,831,134	11	60,780,809	11
More than 1,000	428,141,636	76	401,073,453	75
Total	561,360,267	100	531,847,135	100

Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2010	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	9,638,486	2	9,593,794	2
200 - 400	15,762,870	3	15,750,680	3
400 - 800	42,184,712	9	41,798,135	9
800 - 1000	56,613,509	11	54,268,822	12
More than 1,000	375,713,093	75	346,826,701	74
Total	499,912,670	100	468,238,132	100

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

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

The Group

Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2011	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	18,492,037	5	10,791,549	3
200 - 400	2,475,347	1	1,757,213	1
400 - 800	580,968	1	164,358	1
800 - 1,000	8,095	1	8,095	1
More than 1,000	328,039,245	92	326,429,245	94
	349,595,692	100	339,150,460	100

Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2010	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	16,942,736	5	14,559,451	5
200 - 400	1,767,935	1	585,397	1
400 - 800	576,498	1	151,922	1
800 - 1,000	116,753	1	108,193	1
More than 1,000	304,577,409	92	302,967,409	92
	323,981,331	100	318,372,372	100

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The Company

Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2011	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	619	1	619	1
200 - 400	2,502	1	2,502	1
400 - 800	14,700	1	14,700	1
800 - 1,000	8,095	1	8,095	1
More than 1,000	327,928,513	96	326,318,512	96
	327,954,429	100	326,344,428	100

Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2010	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	999	1	999	1
200 - 400	2,723	1	2,723	1
400 - 800	16,945	1	16,945	1
800 - 1,000	25,745	1	25,745	1
More than 1,000	304,577,409	96	302,967,409	96
	304,623,821	100	303,013,821	100

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The following tables for the company's annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

	The Group	
Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
2011	$'000	%
0 – 20	26,139	1
20 - 40	38,126	2
40 - 80	69,846	4
80 - 100	69,963	4
More than 100	1,746,516	89
Total	1,950,590	100

Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
2010	$'000	%
0 - 20	22,734	2
20 - 40	21,653	2
40 - 80	55,312	4
80 - 100	29,610	2
More than 100	1,123,836	90
Total	1,253,145	100

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

	The Company	
Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
2011	$'000	%
0 – 20	9653	1
20 - 40	18,712	1
40 - 80	66,192	3
80 - 100	69,963	4
More than 100	1,746,516	91
Total	1,911,036	100

Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
2010	$'000	%
0 - 20	9,472	1
20 - 40	14,294	1
40 - 80	51,690	4
80 - 100	29,610	2
More than 100	1,123,836	92
Total	1,228,902	100

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.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments
Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

(iii) Process used in deriving assumptions
The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Group determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 38(e) for detail policy assumptions.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 54(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:
- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

(i) Frequency and severity of claims
These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 54(b) for retention limits.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts (continued)

(ii) Sources of uncertainty in the estimation of future claim payments
There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(iii) Process used in deriving assumptions
The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 38(e) for detail policy assumptions.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

Short-duration property and casualty insurance contracts

(i) Casualty insurance risks
Certain casualty risks for the Group and its affiliates are covered through the subsidiary, Sagicor Re Insurance Company Limited.

The frequency and severity of casualty claims can be affected by several factors. The most significant casualty risks under the professional indemnity, directors and officers liability, medical malpractice, contractors all risk, employer's liability and public liability policies are slip and fall accidents at the insured premises, and damage to areas occupied or contents at the insured premises due to blocked drains or burst pipes. In addition, increasing level of awards, the increasing number of cases coming to court and inflation all impact on ultimate claims costs. The Group manages these risks through its underwriting strategy and proactive claims handling. The underwriting strategy concentrates on fully reinsuring the exposures to casualty risks.

54. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

(ii) Property insurance risks
Property risks for the Group and its affiliates are covered through one of its subsidiaries, Sagicor Re Insurance Company Limited (Sagicor Re).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims). For certain contracts, there is a maximum amount payable for claims in any policy year.

The Sagicor Re has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost 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 storm or flood damage.

All of the property and casualty risks insured by Sagicor Re are reinsured with unrelated reinsurance companies. However, in the event that these reinsurers are unable to meet their obligations under the reinsurance agreements, Sagicor Re would be liable to pay the gross amount of settled claims, subject to a "catch all clause". Sagicor Re mitigates the risks associated with failure of its reinsurers by transacting only with well-established reinsurance companies. The reinsurers are primarily located in Europe, however, a portion of reinsurance is placed with reinsurers located in the Caribbean.

(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 facultative reinsurance on a quota share and layered basis to cover single events and multiple claims arising from catastrophes. The insurer may be required to pay an additional premium to reinstate the reinsurance coverage where a claim exhausts the reinsurance limit.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

Retention limits represent the level of risk retained by the insurer. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarised below:

Type of insurance contract	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J$1,000,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$35,000,000 and US$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J$35,000,000 and US$100,000.

(c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

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

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 38(e) for further details).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts
Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

54. Insurance and Financial Risk Management (Continued)

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

(ii) Long term insurance contracts and investment contracts without fixed terms
For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to $173,257,000 (2010 - $149,219,000) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

(iii) Short term contracts
For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Group and 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 and company's investment portfolio as at 31 December 2011.

54. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2011						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	2,716,206	-	-	-	-	163,967	2,880,173
Cash reserve at Bank of Jamaica	519,732	-	-	-	-		519,732
Financial investments and pledged assets	-	27,036,545	659,619	27,636,221	62,764,835	4,498,167	122,595,387
Securities purchased under resale agreements	-	762,801	232,516	-	-	5,275	1,000,592
Derivative financial instruments	-	244,228	-	-	-	595,192	839,420
Loans & leases, after allowance for credit losses	-	2,183,941	2,675,624	2,762,320	1,544,319	93,443	9,259,647
Reinsurance contracts		-	-	-	-	240,222	240,222
Other assets	-	-	-	-	-	3,378,692	3,378,692
Segregated funds' assets	19,842	1,907,582	56,306	1,168,148	3,966,775	4,496,743	11,615,396
Non-financial assets:							
Investment properties	-	-	-	-	-	792,452	792,452
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,535,046	1,535,046
Retirement benefit assets		-	-	-	-	212,955	212,955
Intangible assets	-	-	-	-	-	4,314,637	4,314,637
Deferred income taxes	-	-	-	-	-	158,723	158,723
Taxation recoverable	-	-	-	-	-	1,752,734	1,752,734
Total assets	3,255,780	32,135,097	3,624,065	31,566,689	68,275,929	22,240,973	161,098,533

54. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2011						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Liabilities							
Securities sold under repurchase agreements	-	47,553,404	6,056,655	9,955	-	328,275	53,948,289
Due to Banks and other financial institutions	-	5,744,965	3,531,664	1,340,416	573,110	219,651	11,409,806
Customer deposits and other accounts	-	5,856,821	3,369,539	611,857	688,353	73,327	10,599,897
Structured products	-	-	-	-	-	274,913	274,913
Derivative financial instruments	-	-	-	-	-	700,600	700,600
Other liabilities	-	-	-	-	-	4,277,041	4,277,041
Segregated funds' liabilities	-	61,194	228,183	483,943	10,842,076		11,615,396
Insurance contracts liabilities	-	422,264	1,269,799	6,825,109	13,149,379	1,975,916	23,642,467
Investment contracts liabilities	-	7,319,242	1,742,845	1,290,929	-	-	10,353,016
Other policy liabilities	-	685,727	-	-	-	1,619,984	2,305,711
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	333,059	333,059
Deferred income taxes	-	-	-	-	-	734,057	734,057
Retirement benefit obligations	-	-	-	-	-	851,073	851,073
Total liabilities	-	67,643,617	16,198,685	10,562,209	25,252,918	11,387,896	131,045,325
On statement of financial position interest sensitivity gap	3,255,780	(35,508,520)	(12,574,620)	21,004,480	43,023,011	10,853,077	30,053,208
Cumulative interest sensitivity gap	3,255,780	(32,252,740)	(44,827,360)	(23,822,880)	19,200,131	30,053,208	

54. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2010						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	2,789,071	-	-	-	-	102,337	2,891,408
Cash reserve at Bank of Jamaica	456,476	-	-	-	-	-	456,476
Financial investments and pledged assets	1,567,058	25,265,918	5,587,972	15,503,683	54,310,219	3,714,794	105,949,644
Securities purchased under resale agreements	1,533,961	642,042	2,288	-	3,173	10,123	2,191,587
Derivative financial instruments	-	18,271	54,110	142,251	-	76,145	290,777
Loans & leases, after allowance for credit losses	-	2,385,797	2,693,351	3,077,348	1,256,365	89,791	9,502,652
Reinsurance contracts	-	-	-	-	-	184,291	184,291
Other assets	-	-	-	-	-	2,669,446	2,669,446
Segregated funds' assets	21,554	1,822,448	251,540	804,869	3,179,565	3,729,468	9,809,444
Non-financial assets:							
Investment properties	-	-	-	-	-	853,869	853,869
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,470,277	1,470,277
Retirement benefit assets	-	-	-	-	-	190,593	190,593
Intangible assets	-	-	-	-	-	4,512,310	4,512,310
Deferred income taxes	-	-	-	-	-	112,383	112,383
Taxation recoverable	-	-	-	-	-	1,323,027	1,323,027
	6,368,120	30,134,476	8,589,261	19,528,151	58,749,322	19,041,579	142,410,909
Assets classified as held for sale	-	747,944	-	-	-	-	747,944
Total assets	6,368,120	30,882,420	8,589,261	19,528,151	58,749,322	19,041,579	143,158,853

54. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2010						
	Immediately Rate Sensitive	Within 3 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	-	43,038,972	4,966,256	40,850	-	331,450	48,377,528
Due to Banks and other financial institutions	-	7,917,609	40,487	788,557	528,762	8,637	9,284,052
Customer deposits and other accounts	-	3,835,020	3,714,095	563,583	825,200	79,004	9,016,902
Structured products	-	42,765	155,038	63,337	131,286	92,002	484,428
Derivative financial instruments	-	-	-	-	-	158,360	158,360
Redeemable preference shares	-	-	-	612,852	-	3,148	616,000
Other liabilities	-	-	-	-	-	3,949,540	3,949,540
Segregated funds' liabilities	-	40,735	165,621	608,680	8,994,408		9,809,444
Insurance contracts liabilities	-	319,644	975,694	5,246,681	11,959,749	1,805,212	20,306,980
Investment contracts liabilities	-	6,906,935	2,049,064	1,373,333			10,329,332
Other policy liabilities	-	678,347				1,611,348	2,289,695
Non-financial liabilities:							
Provision	-	-	-	-	-	200,000	200,000
Taxation payable	-	-	-	-	-	222,593	222,593
Deferred income taxes	-	-	-	-	-	716,281	716,281
Retirement benefit obligations	-	-	-	-	-	665,782	665,782
Total liabilities	-	62,780,027	12,066,255	9,297,873	22,439,405	9,843,357	116,426,917
On statement of financial position interest sensitivity gap	6,368,120	(31,897,607)	(3,476,994)	10,230,278	36,309,917	9,198,222	26,731,936
Cumulative interest sensitivity gap	6,368,120	(25,529,487)	(29,006,481)	(18,776,203)	17,533,714	26,731,936	

54. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2011						
	Immediately Rate Sensitive	Within 3 mths	3-12 mths	1-5 years	Over 5 years	Non-Interest bearing	Total
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash resources	277,818	-	-	-	-	107	277,925
Financial investments	-	2,840,950	126,683	1,105,740	36,671,806	1,716,569	42,461,748
Securities purchased under resale agreements	-	438,684	8,903	-	-	676	448,263
Lease receivables	-	1,767	-	-	-	-	1,767
Reinsurance contracts	-	-	-	-	-	97,555	97,555
Other assets	-	-	-	-	-	3,397,055	3,397,055
Segregated funds' assets	19,842	1,660,644	48,904	991,836	2,426,415	5,849,266	10,996,907
Non-financial assets:							
Investment properties	-	-	-	-	-	479,800	479,800
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,312,264	1,312,264
Retirement benefit assets	-	-	-	-	-	184,482	184,482
Intangible assets	-	-	-	-	-	2,331,722	2,331,722
Investment in subsidiaries	-	-	-	-	-	17,621,027	17,621,027
Taxation recoverable	-	-	-	-	-	384,220	384,220
Total assets	297,660	4,942,045	184,490	2,097,576	39,098,221	33,377,468	79,997,460
Liabilities							
Due to banks and other financial institutions	-	231,084	3,483,408	164,177	447,462	118,893	4,445,024
Other liabilities	-	-	-	-	-	3,423,416	3,423,416
Segregated funds' liabilities	-	61,194	228,183	483,943	10,223,587	-	10,996,907
Insurance contracts liabilities	-	413,037	1,237,402	6,599,273	12,009,339	1,936,129	22,195,180
Investment contracts liabilities	-	6,310,152	117,466	1,222,462	-	-	7,650,080
Other policy liabilities	-	344,351	-	-	-	1,416,063	1,760,414
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	187,224	187,224
Deferred income taxes	-	-	-	-	-	68,587	68,587
Retirement benefit obligations	-	-	-	-	-	776,635	776,635
Total liabilities	-	7,359,818	5,066,459	8,469,855	22,680,388	7,926,947	51,503,467
On statement of financial position interest sensitivity gap	297,660	(2,417,773)	(4,881,969)	(6,372,279)	16,417,833	25,450,521	28,493,993
Cumulative interest sensitivity gap	297,660	(2,120,113)	(7,002,082)	(13,374,361)	3,043,472	28,493,993	

54. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2010						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Cash resources	368,870	-	-	-	-	104	368,974
Financial investments	384,735	1,384,222	3,706,487	1,065,646	25,904,652	1,530,494	33,976,236
Securities purchased under resale agreements	1,533,961	42,298	2,288	-	3,173	4,186	1,585,906
Lease receivables	-	1,767	-	-	-	-	1,767
Reinsurance contracts	-	-	-	-	-	44,022	44,022
Other assets	-	-	-	-	-	3,082,359	3,082,359
Segregated funds' assets	21,554	1,744,538	251,540	804,869	3,090,028	3,408,484	9,321,013
Non-financial assets:							
Investment properties	-	-	-	-	-	490,305	490,305
Investment in associated companies	-	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	-	1,250,162	1,250,162
Retirement benefit assets	-	-	-	-	-	184,482	184,482
Intangible assets	-	-	-	-	-	2,435,456	2,435,456
Investment in subsidiaries	-	-	-	-	-	12,927,631	12,927,631
Taxation recoverable	-	-	-	-	-	248,738	248,738
	2,309,120	3,172,825	3,960,315	1,870,515	28,997,853	25,609,148	65,919,776
Assets classified as held for sale	-	747,944	-	-	-	-	747,944
Total assets	2,309,120	3,920,769	3,960,315	1,870,515	28,997,853	25,609,148	66,667,720
Liabilities							
Due to banks and other financial institutions	-	148,199	22,390	117,728	414,208	-	702,525
Other liabilities	-	-	-	-	-	3,294,386	3,294,386
Segregated funds' liabilities	-	40,735	165,621	608,680	8,505,977	-	9,321,013
Insurance contracts liabilities	-	312,354	942,643	5,090,918	10,669,972	1,750,047	18,765,934
Investment contracts liabilities	-	5,833,109	130,875	1,327,892	-	-	7,291,876
Other policy liabilities	-	321,249	-	-	-	1,418,273	1,739,522
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	70,596	70,596
Deferred income taxes	-	-	-	-	-	228,036	228,036
Retirement benefit obligations	-	-	-	-	-	610,491	610,491
Total liabilities	-	6,655,646	1,261,529	7,145,218	19,590,157	7,371,829	42,024,379
On statement of financial position interest sensitivity gap	2,309,120	(2,734,877)	2,698,786	(5,274,703)	9,407,696	18,237,319	24,643,341
Cumulative interest sensitivity gap	2,309,120	(425,757)	2,273,029	(3,001,674)	6,406,022	24,643,341	

(expressed in Jamaican dollars unless otherwise indicated)

54. Insurance and Financial Risk Management (Continued)

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

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

The Group

2011

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.36	-	-	-	-	0.36
Securities sold under agreements to repurchase	-	4.97	4.28	5.48	-	4.91
Investments (1)	-	7.41	13.62	12.96	8.96	9.29
Loans	-	18.17	12.12	9.58	10.04	11.95
Mortgages (2)	-	13.70	13.70	13.70	13.70	13.70
Policy loans	-	-	-	-	10.00	10.00
Investment contracts	-	5.84	5.84	5.84	5.84	5.84
Bank overdraft	17.80	-	-	-	-	17.80
Deposits	-	3.58	3.76	6.13	10.00	3.72
Amounts due to banks and other financial institutions	-	6.42	7.05	8.63	8.75	6.87

2010

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	1.10	-	-	-	-	1.10
Securities sold under agreements to repurchase	-	2.73	2.62	2.57	-	2.64
Investments (1)	-	7.44	12.48	13.07	11.14	10.48
Loans	-	13.01	12.56	12.47	11.62	12.41
Mortgages (2)	-	11.40	11.40	11.40	11.40	11.40
Policy loans	-	-	-	-	10.00	10.00
Investment contracts	-	6.76	6.76	6.76	6.76	6.76
Bank overdraft	19.64	-	-	-	-	19.64
Deposits	0.66	6.87	7.88	8.53	8.25	7.09
Amounts due to banks and other financial institutions	-	5.99	6.25	7.99	8.57	6.30

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

54. Insurance and Financial Risk Management (Continued)

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

Sensitivity
Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 55.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

(d) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes
Key areas where the Group is exposed to credit risk are:

(i) Reinsurers' share of insurance liabilities – see Note 54(b) for details of reinsurance risk.
(ii) Amounts due from reinsurers in respect of claims already paid.
(iii) Loans, leases, mortgages and investments

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and leases
The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Group's rating	Description of the grade
1	Standard
2	Potential Problem Credit
3	Sub-Standard
4	Doubtful
5	Loss

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit review process (continued)

(i) Loans and leases (continued)
Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments and cash
Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. It does not generally require collateral in respect of other financial assets, mainly premiums receivable. There is a credit policy in place to minimise the Group's exposure to credit risk. Limits may be placed on the amount of risk accepted in relation to one borrower. As a result of the Central Securities Depository (CSD), all domestic Government of Jamaica securities have been dematerialised which has significantly reduced the settlement risk. At the year end date, the only significant concentration of credit risk related to the Group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – cash and near cash securities, mortgages over commercial and residential properties, charges over business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles.
Securities lending and reverse repurchase transactions – cash or Government of Jamaica securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans given to private companies.

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

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Impairment
The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at year end date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

In addition, collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

Commitments and guarantees
To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do not contain credit risk and are therefore part of the overall risk of the Group.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the year end date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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:

Group and company's rating

	The Group			
	2011		2010	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Standard	8,673,862	-	8,759,914	-
Potential Problem Credit	85,247	-	472,935	-
Sub-Standard	303,314	46,162	287,102	83,123
Doubtful	135,110	34,673	69,024	30,819
Loss	313,093	170,144	127,484	99,865
	9,510,626	250,979	9,716,459	213,807

	The Company			
	2011		2010	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Standard	-	-	-	-
Potential Problem Credit	1,767	-	1,767	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	1,767	-	1,767	-

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2011 and 2010, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

	Maximum exposure			
	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'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)	3,397,683	4,138,316	420,799	528,967
Securities purchased under agreements to resell	1,000,592	2,191,587	448,263	1,585,906
Investment securities	120,589,409	103,247,366	41,871,984	33,429,421
Loans & leases, net of allowance for credit losses	9,259,647	9,502,652	1,767	1,767
Reinsurance contracts	240,222	184,291	97,555	44,022
Other assets	2,450,754	2,030,744	2,475,983	2,468,530
	136,938,307	121,294,956	45,316,351	38,058,613
Credit risk exposures relating to items not on the statement of financial position are as follows:				
Loan commitments	786,260	362,065	89,922	58,070
Guarantees and letters of credit	1,078,739	1,078,489	-	-
	1,864,999	1,440,554	89,922	58,070

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Neither past due nor impaired -				
Standard	7,054,722	6,244,082	-	-
Past due but not impaired	1,704,387	2,988,767	1,767	1,767
Impaired	751,517	483,610	-	-
Gross	9,510,626	9,716,459	1,767	1,767
Less: provision for credit losses	(250,979)	(213,807)	-	-
Net	9,259,647	9,502,652	1,767	1,767

Loans and leases become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Less than 30 days	1,225,853	1,253,876	-	-
31 to 60 days	395,040	20,692	-	-
61 to 90 days	81,727	1,712,432	-	-
More than 90 days	1,767	1,767	1,767	1,767
	1,704,387	2,988,767	1,767	1,767

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of $14,698,000 (2010 - $19,905,000).

The Group and the company hold adequate collateral for past due not impaired loans and leases.

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(iii) 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Equities	834,207	45,079	8,362	4,253
Loans and leases	751,517	483,610	-	-
Mortgage loans	164,442	208,532	148,619	187,164

The fair value of collateral that the Group and company held as security for individually impaired loans was $749,328,000 (2010 - $2,441,494,000) and $193,811,000 (2010 - $268,882,000) respectively.

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

(iv) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

(v) Repossessed collateral

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

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group and the company do not occupy repossessed properties for business use.

The Group and the company have no repossessed collateral.

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure

Investments and cash

The following table summarises the credit exposure of the Group and company to businesses and government by sectors in respect of investments and cash:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Government of Jamaica securities	86,261,138	71,850,470	34,524,837	22,717,428
Foreign government securities	3,416,901	5,151,636	2,208,773	2,395,404
Corporate bonds	24,500,229	19,929,040	573,721	782,619
Financial institutions	4,393,039	6,319,781	868,386	2,110,687
Mortgage loans	1,575,071	1,452,176	1,553,234	1,428,964
Policy loans	765,766	799,180	337,309	332,701
Promissory notes	1,404,369	1,740,615	1,404,369	4,629,136
	122,316,513	107,242,898	41,470,629	34,396,939
Interest receivable	2,671,171	2,334,371	1,270,417	1,147,355
	124,987,684	109,577,269	42,741,046	35,544,294

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.

54. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)

The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by class are set out below:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Debt securities:				
Government of Jamaica debt securities	91,930,025	73,714,756	35,671,764	23,581,790
Deposits and cash:				
Bank of America	986,392	1,340,409	-	-
Citibank N.A.	674,418	376,436	-	-
National Commercial Bank Jamaica Limited	196,775	337,779	158,982	311,883
The Bank of Nova Scotia Jamaica Limited	192,999	61,184	12,326	6,913
Reinsurance contracts:				
Swiss Re - rated A+ (superior) by A.M Best	116,039	184,291	97,555	44,022
Munich Re - rated A+ (superior) by A.M Best	17,086	-	-	-

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 that 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to securities are transferred to the Group by agreement, and for the duration of the latter.

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.

54. 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.

The Group is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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 and optimising cash returns on investments;

(iv) 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 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.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2011.

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group 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 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Undiscounted Financial Liabilities - 31 December 2011						
Securities sold under repurchase agreements	48,126,125	6,257,813	11,058	-	-	54,394,996
Due to banks and other financial institutions	5,872,245	3,977,164	1,509,805	932,414	-	12,291,628
Customer deposits and other accounts	5,880,553	3,450,887	717,880	1,285,874	-	11,335,194
Structured products	-	-	91,105	273,009	-	364,114
Derivative financial instruments	111,498	338,397	225,184	25,521	-	700,600
Other liabilities	3,351,036	779,099	-	124,666	22,240	4,277,041
Segregated funds' liabilities	61,194	228,183	483,943	10,842,076	-	11,615,396
Insurance contracts liabilities	422,264	1,269,799	6,825,109	15,125,295	-	23,642,467
Investment contracts liabilities	7,368,969	1,756,781	1,379,510	-	-	10,505,260
Other policy liabilities	685,727	1,619,984	-	-	-	2,305,711
Total undiscounted liabilities	71,879,611	19,678,107	11,243,594	28,608,855	22,240	131,432,407
Undiscounted Financial Liabilities - 31 December 2010						
Securities sold under repurchase agreements	43,497,430	5,151,618	44,821	-	-	48,693,869
Due to banks and other financial institutions	8,064,602	79,164	942,420	940,868	-	10,027,054
Customer deposits and other accounts	4,324,161	3,867,281	935,097	1,034,119	-	10,160,658
Structured products	254,169	148,554	518,813	222,491	-	1,144,027
Derivative financial instruments	114,086	3,421	5,639	35,214	-	158,360
Redeemable preference shares	13,850	41,551	682,104	-	-	737,505
Other liabilities	2,365,368	1,486,972		-	97,200	3,949,540
Segregated funds' liabilities	40,735	165,621	608,680	8,994,408	-	9,809,444
Insurance contracts liabilities	319,644	975,694	5,246,681	13,764,961	-	20,306,980
Investment contracts liabilities	6,956,913	2,069,279	1,378,944	-	-	10,405,136
Other policy liabilities	678,347	1,611,348	-	-	-	2,289,695
Total undiscounted liabilities	66,629,305	15,600,503	10,363,199	24,992,061	97,200	117,682,268

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

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	The Company					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Undiscounted Financial Liabilities - 31 December 2011						
Due to banks and other financial institutions	239,474	3,707,626	243,713	890,005	-	5,080,818
Other liabilities	2,598,663	700,087	-	-	124,666	3,423,416
Segregated funds' liabilities	61,194	228,183	483,943	10,223,587	-	10,996,907
Insurance contracts liabilities	413,037	1,237,402	6,599,273	13,945,468	-	22,195,180
Investment contracts liabilities	6,354,974	119,212	1,238,159	-	-	7,712,345
Other policy liabilities	344,351	1,416,063	-	-	-	1,760,414
Total undiscounted liabilities	10,011,693	7,408,573	8,565,088	25,059,060	124,666	51,169,080
Undiscounted Financial Liabilities - 31 December 2010						
Due to banks and other financial institutions	161,231	60,410	190,149	808,238	-	1,220,028
Other liabilities	3,289,419	-	-	-	4,967	3,294,386
Segregated funds' liabilities	40,735	165,621	608,680	8,505,977	-	9,321,013
Insurance contracts liabilities	312,354	942,643	5,090,918	12,420,019	-	18,765,934
Investment contracts liabilities	5,875,201	131,908	1,333,050	-	-	7,340,159
Other policy liabilities	321,249	1,418,273	-	-	-	1,739,522
Total undiscounted liabilities	10,000,189	2,718,855	7,222,797	21,734,234	4,967	41,681,042

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group and company's discounted financial and non-financial assets and liabilities at the year end date.

	The Group					
	2011					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
Assets	$000	$000	$000	$000	$000	$000
Cash resources	2,880,173	-	-	-	-	2,880,173
Cash reserve at Bank of Jamaica	519,732	-	-	-	-	519,732
Financial investments	6,451,748	803,028	29,167,487	76,991,727	1,350,381	114,764,371
Securities purchased under resale agreements	749,555	251,037	-	-	-	1,000,592
Derivative financial instruments	-	340,791	473,108	25,521	-	839,420
Loans and leases, after allowance for credit losses	2,277,384	2,675,624	2,762,320	1,544,319.00	-	9,259,647
Reinsurance contracts	-	240,222	-	-	-	240,222
Pledged assets	-	57750	7,149,146	624,120	-	7,831,016
Other assets	2,058,723	579,096	729,904	-	10,969	3,378,692
Segregated funds' assets	1,169,117	182,875	1,179,995	5,128,455	3,954,954	11,615,396
Non-financial assets:						
Investment properties	-	-	-	-	792,452	792,452
Investment in associated companies	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	1,535,046	1,535,046
Retirement benefit assets	-	-	-	212,955	-	212,955
Intangible assets	-	-	-	4,314,637	-	4,314,637
Deferred income taxes	-	158,723	-	-	-	158,723
Taxation recoverable	1,752,734	-	-	-	-	1,752,734
Total assets	17,859,166	5,289,146	41,461,960	88,841,734	7,646,527	161,098,533

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2011					
	Within 3 mths	3-12 mths	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Liabilities						
Securities sold under repurchase agreements	47,881,679	6,056,655	9,955	-	-	53,948,289
Due to banks and other financial institutions	5,857,878	3,789,082	1,276,996	485,850	-	11,409,806
Customer deposits and other accounts	5,930,149	3,369,539	611,857	688,352	-	10,599,897
Structured products	-	-	85,240	189,673	-	274,913
Derivative financial instruments	111,498	338,396	225,185	25,521	-	700,600
Other liabilities	3,351,036	779,099	-	124666	22,240	4,277,041
Segregated funds' liabilities	61,194	228,183	483,943	10,842,076	-	11,615,396
Insurance contracts liabilities	422,264	1,269,799	6,825,109	15,125,295	-	23,642,467
Investment contracts liabilities	7,319,237	1,742,845	1,290,934	-	-	10,353,016
Other policy liabilities	685,727	1,619,984	-	-	-	2,305,711
Non-financial liabilities:						
Taxation payable	333,059	-	-	-	-	333,059
Deferred income taxes	-	734,057	-	-	-	734,057
Retirement benefit obligations	-		-	851,073	-	851,073
Total liabilities	71,953,721	19,927,639	10,809,219	28,332,506	22,240	131,045,325
On statement of financial position interest sensitivity gap	(54,094,555)	(14,638,493)	30,652,741	60,509,228	7,624,287	30,053,208
Cumulative interest sensitivity gap	(54,094,555)	(68,733,048)	(38,080,307)	22,428,921	30,053,208	
	2010					
Total assets	19,014,073	8,817,341	31,291,600	76,324,393	7,711,446	143,158,853
Total liabilities	66,122,320	15,898,878	9,320,121	24,988,398	97,200	116,426,917
On statement of financial position interest sensitivity gap	(47,108,247)	(7,081,537)	21,971,479	51,335,995	7,614,246	26,731,936
Cumulative interest sensitivity gap	(47,108,247)	(54,189,784)	(32,218,305)	19,117,690	26,731,936	

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2011					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets:						
Cash resources	277,925	-	-	-	-	277,925
Financial investments	2,935,116	184,276	1,156,151	37,741,453	444,752	42,461,748
Securities purchased under resale agreements	439,360	8,903	-	-	-	448,263
Lease receivables	1,767	-	-	-	-	1,767
Reinsurance contracts	-	97,555	-	-	-	97,555
Other assets	2,266,756	553,057	577,242	-	-	3,397,055
Segregated funds' assets	582,518	175,472	1,003,683	3,588,096	5,647,138	10,996,907
Non-financial assets:						
Investment properties	-	-	-	-	479,800	479,800
Investment in associated companies	-	-	-	-	2,725	2,725
Property, plant and equipment	-	-	-	-	1,312,264	1,312,264
Retirement benefit assets	-	-	-	184,482	-	184,482
Intangible assets	-	-	-	2,331,722	-	2,331,722
Investment in subsidiaries	-	-	-	-	17,621,027	17,621,027
Taxation recoverable	384,220	-	-	-	-	384,220
Total assets	6,887,662	1,019,263	2,737,076	43,845,753	25,507,706	79,997,460
Liabilities						
Due to banks and other financial institutions	231,084	3,602,301	164,177	447,462	-	4,445,024
Other liabilities	2,598,663	700,087	-	-	124,666	3,423,416
Segregated funds' liabilities	61,194	228,183	483,943	10,223,587	-	10,996,907
Insurance contracts liabilities	413,037	1,237,402	6,599,273	13,945,468	-	22,195,180
Investment contracts liabilities	6,310,152	117,466	1,222,462	-	-	7,650,080
Other policy liabilities	344,351	1,416,063	-	-	-	1,760,414
Non-financial liabilities:						
Taxation payable	187,224	-	-	-	-	187,224
Deferred income taxes	-	68,587	-	-	-	68,587
Retirement benefit obligations	-	-	-	776,635	-	776,635
Total liabilities	10,145,705	7,370,089	8,469,855	25,393,152	124,666	51,503,467
On statement of financial position interest sensitivity gap	(3,258,043)	(6,350,826)	(5,732,779)	18,452,601	25,383,040	28,493,993
Cumulative interest sensitivity gap	(3,258,043)	(9,608,869)	(15,341,648)	3,110,953	28,493,993	

54. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company 2010					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total assets	7,756,680	4,801,104	2,014,750	33,276,326	18,818,860	66,667,720
Total liabilities	7,907,662	4,937,131	7,145,218	21,950,695	83,673	42,024,379
On statement of financial position interest sensitivity gap	(150,982)	(136,027)	(5,130,468)	11,325,631	18,735,187	24,643,341
Cumulative interest sensitivity gap	(150,982)	(287,009)	(5,417,477)	5,908,154	24,643,341	

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.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency or interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

The Group's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ). The Group's sensitivity to equity securities price risk is disclosed in Note 55(iii).

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

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

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

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 and the company's assets and liabilities at carrying amounts categorized by currency.

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Group			
	2011			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	500,691	1,602,658	776,824	2,880,173
Cash reserve at Bank of Jamaica	266,768	231,437	21,527	519,732
Financial investments and pledged assets	61,401,247	59,925,938	1,268,202	122,595,387
Securities purchased under resale agreements	61,070	915,692	23,830	1,000,592
Derivative financial instruments		839,420	-	839,420
Loans & leases, after allowance for credit losses	2,518,861	6,740,786	-	9,259,647
Reinsurance contracts	97,555	142,667	-	240,222
Other assets	3,143,365	235,327	-	3,378,692
Segregated funds' assets	8,770,069	2,845,327	-	11,615,396
Non-financial assets:				
Investment properties	479,800	312,652	-	792,452
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,492,874	42,172	-	1,535,046
Retirement benefit assets	212,955		-	212,955
Intangible assets	3,857,902	456,735	-	4,314,637
Deferred income taxes	158,723	-	-	158,723
Taxation recoverable	1,752,734	-	-	1,752,734
Total assets	84,717,339	74,290,811	2,090,383	161,098,533
Financial liabilities				
Securities sold under repurchase agreements	28,677,732	24,467,161	803,396	53,948,289
Due to banks and other financial institutions	1,362,275	10,047,469	62	11,409,806
Customer deposits and other accounts	2,841,699	7,563,549	194,649	10,599,897
Structured products	-	274,913		274,913
Derivative financial instruments	-	27,710	672,890	700,600
Other liabilities	3,739,004	534,412	3,625	4,277,041
Segregated funds' liabilities	10,996,907	618,489	-	11,615,396
Insurance contracts liabilities	15,604,472	8,037,995	-	23,642,467
Investment contracts liabilities	6,342,393	4,010,623	-	10,353,016
Other policy liabilities	1,748,025	557,686	-	2,305,711
Non-financial liabilities:				
Taxation payable	333,059	-	-	333,059
Deferred income taxes	734,057	-	-	734,057
Retirement benefit obligations	851,073	-	-	851,073
Total liabilities	73,230,696	56,140,007	1,674,622	131,045,325
Net on statement of financial position	11,486,643	18,150,804	415,761	30,053,208

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Group			
	2010			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	526,385	1,909,150	455,873	2,891,408
Cash reserve at Bank of Jamaica	211,066	224,702	20,708	456,476
Financial investments and pledged assets	50,239,526	54,332,319	1,377,799	105,949,644
Securities purchased under resale agreements	1,201953	979,809	9,825	2,191,587
Derivative financial instruments	-	290,777	-	290,777
Loans & leases, after allowance for credit losses	2,036,858	7,465,794	-	9,502,652
Reinsurance contracts	44,022	140,269	-	184,291
Other assets	2,492,923	174,450	2,073	2,669,446
Segregated funds' assets	6,921,721	2,722,948	164,775	9,809,444
Non-financial assets:				
Investment properties	490,305	363,564	-	853,869
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,422,629	47,648	-	1,470,277
Retirement benefit assets	190,593	-	-	190,593
Intangible assets	4,059,479	452,831	-	4,512,310
Deferred income taxes	112,383	-	-	112,383
Taxation recoverable	1,323,027	-	-	1,323,027
	71,275,595	69,104,261	2,031,053	142,410,909
Assets classified as held for sale	747,944	-	-	747,944
Total assets	72,023,539	69,104,261	2,031,053	143,158,853
Financial liabilities				
Securities sold under repurchase agreements	26,119,912	21,944,015	313,601	48,377,528
Due to banks and other financial institutions	1,788,006	7,496,030	16	9,284,052
Customer deposits and other accounts	1,557,051	7,142,744	317,107	9,016,902
Structured products	-	484,428	-	484,428
Derivative financial instruments	-	44,586	113,774	158,360
Redeemable preference shares	616,000	-	-	616,000
Other liabilities	3,396,807	549,151	3,582	3,949,540
Segregated funds' liabilities	9,136,760	672,684	-	9,809,444
Insurance contracts liabilities	12,296,848	8,010,132	-	20,306,980
Investment contracts liabilities	5,975,590	4,353,742	-	10,329,332
Other policy liabilities	1,727,327	562,368	-	2,289,695
Non-financial liabilities:				
Provisions	-	200,000	-	200,000
Taxation payable	222,593	-	-	222,593
Deferred income taxes	716,281	-	-	716,281
Retirement benefit obligations	665,782	-	-	665,782
Total liabilities	64,218,957	51,459,880	748,080	116,426,917
Net on statement of financial position	7,804,582	17,644,381	1,282,973	26,731,936

54. Insurance and Financial Risk Management (Continued)

(f) Market risk(continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Company			
	2011			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	270,634	5,949	1,342	277,925
Financial investments	24,694,134	17,767,614	-	42,461,748
Securities purchased under resale agreements	400,439	47,824	-	448,263
Lease receivables	1,767	-	-	1,767
Reinsurance contracts	97,555	-	-	97,555
Other assets	3,396,874	181	-	3,397,055
Segregated funds' assets	8,770,069	2,226,838	-	10,996,907
Non-financial assets:				
Investment properties	479,800	-	-	479,800
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,312,264	-	-	1,312,264
Retirement benefit asset	184,482	-	-	184,482
Intangible assets	2,331,722	-	-	2,331,722
Investment in subsidiaries	10,796,112	6,824,915	-	17,621,027
Taxation recoverable	384,220	-	-	384,220
Total assets	53,122,797	26,873,321	1,342	79,997,460
Financial liabilities				
Due to banks and other financial institutions	658,644	3,786,380	-	4,445,024
Other liabilities	3,423,389	27	-	3,423,416
Segregated funds' liabilities	10,996,907	-	-	10,996,907
Insurance contracts liabilities	15,604,472	6,590,708	-	22,195,180
Investment contracts liabilities	6,342,390	1,307,690	-	7,650,080
Other policy liabilities	1,748,025	12,389	-	1,760,414
Non-financial liabilities:				
Taxation payable	187,224	-	-	187,224
Deferred income taxes	68,587	-	-	68,587
Retirement benefit obligations	776,635	-	-	776,635
Total liabilities	39,806,273	11,697,194		51,503,467
Net on statement of financial position	13,316,524	15,176,127	1,342	28,493,993

54. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Company			
	2010			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	359,743	8,345	886	368,974
Financial investments	19,870,051	14,106,185	-	33,976,236
Securities purchased under resale agreements	1,135,540	447,193	3,173	1,585,906
Lease receivables	1,767	-	-	1,767
Reinsurance contracts	44,022	-	-	44,022
Other assets	3,081,822	537	-	3,082,359
Segregated funds' assets	6,909,825	2,246,413	164,775	9,321,013
Non-financial assets:				
Investment properties	490,305	-	-	490,305
Investment in associated companies	2,725	-	-	2,725
Property, plant and equipment	1,250,162	-	-	1,250,162
Retirement benefit asset	184,482	-	-	184,482
Intangible assets	2,435,456	-	-	2,435,456
Investment in subsidiaries	7,674,351	5,253,280	-	12,927,631
Taxation recoverable	248,738	-	-	248,738
	43,688,989	22,061,953	168,834	65,919,776
Assets classified as held for sale	747,944	-	-	747,944
Total assets	44,436,933	22,061,953	168,834	66,667,720
Financial liabilities				
Due to banks and other financial institutions	702,525	-	-	702,525
Other liabilities	3,293,866	520	-	3,294,386
Segregated funds' liabilities	9,136,803	184,210	-	9,321,013
Insurance contracts liabilities	12,296,848	6,469,086	-	18,765,934
Investment contracts liabilities	5,975,590	1,316,286	-	7,291,876
Other policy liabilities	1,727,327	12,195	-	1,739,522
Non-financial liabilities:				
Taxation payable	70,596	-	-	70,596
Deferred income taxes	228,036	-	-	228,036
Retirement benefit obligations	610,491	-	-	610,491
Total liabilities	34,042,082	7,982,297	-	42,024,379
Net on statement of financial position	10,394,851	14,079,656	168,834	24,643,341

55. Sensitivity Analysis

Actuarial liabilities comprise 52.10% (2010 - 50.56%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 38(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

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

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:
- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

55. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The results are as follows:

(i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2011 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 2011 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 2011 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 2011 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 2011 and for the next five years.

(vi) Level new business. New business planned for 2012 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2011 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 2011 liabilities, but will produce net lower liabilities over the next five years.

55. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling $23,642,469,000 at the year-end date.

		The Group	
Variable	Change in Variable	2011 Change in Liability $'000	2010 Change in Liability $'000
Worsening of mortality/morbidity	+3% for 5 yrs.	2,037,697	1,751,821
Improvement in annuitant mortality	-3% for 5 yrs.	379,403	323,614
Lowering of investment return	-0.5% for 10 yrs.	9,615,263	8,016,913
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,721,165	1,710,385
Worsening of lapse rate	x2 or x0.5	3,845,357	3,185,136
High Interest	+0.5% for 10 yrs.	(6,513,759)	(4,958,413)

		The Company	
Variable	Change in Variable	2011 Change in Liability $'000	2010 Change in Liability $'000
Worsening of mortality/morbidity	+3% for 5 yrs.	1,828,851	1,572,271
Improvement in annuitant mortality	-3% for 5 yrs.	372,687	319,024
Lowering of investment return	-0.5% for 10 yrs.	9,094,614	7,615,714
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,580,390	1,590,849
Worsening of lapse rate	x2 or x0.5	3,577,069	2,864,945
High Interest	+0.5% for 10 yrs.	(6,052,483)	(4,576,748)

55. Sensitivity Analysis (Continued)

(iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its Available for sale equity securities. The effects of an increase by 20% and a decrease by 20% in equity prices at the year end date are set out below.

	The Group	
	Carrying Value $'000	Effect of 20% change at 31 December 2011 $'000
Available for sale equity securities:		
Listed on Jamaica Stock Exchange	348,689	69,738
Listed on US stock exchanges	664,762	132,952
Other	311,050	62,210
	1,324,501	264,900

	The Company	
	Carrying Value $'000	Effect of 20% change at 31 December 2011 $'000
Available for sale equity securities:		
Listed on Jamaica Stock Exchange	348,689	69,738
Other	98,094	19,619
	446,783	89,356

55. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 15% depreciation and a 5% appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year end date is considered in the following tables.

The Group

	2011			2010		
	Balances Denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2011 $'000	Effect of a 5% appreciation at 31 December 2011 $'000	Balances denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2010 $'000	Effect of a 5% appreciation at 31 December 2010 $'000
Statement of financial position:						
Assets	76,381,194	87,838,373	72,562,134	71,135,314	81,805,611	67,578,548
Liabilities	57,814,629	66,486,823	54,923,898	52,207,960	60,039,154	49,597,562
Net position	18,566,565	21,351,550	17,638,236	18,927,354	21,766,457	17,980,986
Income statement:						
Net income	-	1,814,342	(604,781)	-	2,081,111	(723,704)
Equity	-	970,643	(323,548)	-	757,992	(222,664)

The Company

	2011			2010		
	Balances Denominated In other than JMD $'000	Effect of a 15% Depreciation at 31 December 2011 $'000	Effect of a 5% Appreciation at 31 December 2011 $'000	Balances denominated In other than JMD $'000	Effect of a 15% Depreciation at 31 December 2010 $'000	Effect of a 5% appreciation at 31 December 2010 $'000
Statement of financial position:						
Assets	26,874,663	30,905,862	25,530,930	22,230,787	25,565,405	21,119,248
Liabilities	11,697,194	13,451,773	11,112,334	7,982,297	9,179,642	7,583,182
Net position	15,177,469	17,454,089	14,418,596	14,248,490	16,385,763	13,536,066
Income statement:						
Net income	-	2,276,620	(758,873)	-	2,137,273	(712,424)

55. Sensitivity Analysis (Continued)

(v) Development of Property and Casualty claims

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

Gross	**2009 $'000**	**2010 $'000**	**2011 $'000**	**Total $'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	15,762	30,497	14,643	60,902
One year later	15,992	30,140	-	46,132
Two years later	15,499	-	-	15,499
Most recent year	15,762	30,497	14,643	60,902
Cumulative payments to date	(14,367)	(6,975)	(2,639)	(23,981)
Liability recognised in the statement of financial position	1,395	23,522	12,004	36,921
Liability in respect of prior years and ULAE				418
Total liability				37,339

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

Reinsurers' share	**2009 $'000**	**2010 $'000**	**2011 $'000**	**Total $'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	15,762	30,497	14,643	60,902
One year later	15,992	30,140	-	46,132
Two years later	15,499	-	-	15,499
Most recent year	15,762	30,497	14,643	60,902
Cumulative payments to date	(14,367)	(6,975)	(2,639)	(23,981)
Recoverable recognised in the statement of financial position	1,395	23,522	12,004	36,921
Recoverable in respect of prior years				418
Total recoverable from reinsurers				37,339

55. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For the PCFS Banking Group, the following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Banking Group's income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually. The SLJ ownership interest in the PCFS Banking Group was 85.45% (2010 – 85.65%).

	The PCFS Group			
	Effect on Net Profit 2011 $'000	Effect on Equity 2011 $'000	Effect on Net Profit 2010 $'000	Effect on Equity 2010 $'000
Change in percentage				
J$: -1%, US$: -0.5% (2010 – J$: -1%, US$: -0.5%)	208,329	753,395	157,680	866,171
J$: +1%, US$: +0.5% (2010 – J$: +2%, US$: +0.5%)	(208,329)	(783,088)	(157,680)	(1,282,649)

56. Capital Management

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

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local 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.

56. Capital Management (Continued)

The principal capital resources of the Group comprise its stockholders' equity, its non controlling interest equity, and its debt financing. The summary of these resources at the year end is as follows:

	2011 $'000	2010 $'000
Stockholders' equity	28,289,966	25,203,044
Non-controlling interests	1,763,242	1,528,892
Total statement of financial position capital resources	30,053,208	26,731,936

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, Jamaica monthly; Cayman Islands annually.

The capital adequacy of the principal operating entities within the Group is set out below.

(a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year end date is an MCCSR of 150% (2010 - 150%). The MCCSR for the Sagicor Life Jamaica Limited company as of 31 December 2011 and 2010 is set out below.

	2011	2010
Sagicor Life Jamaica Limited	160.4%	203.1%

The decline in the MCCSR during the year is primarily a consequence of the company increasing its interest in the non-life subsidiary, Pan Caribbean Financial Services Limited, from 70% to 85.45%. Additionally, the higher fair value of investment in subsidiaries reported by the company had a negative impact on the solvency ratio.

56. Capital Management (Continued)

(b) Sagicor Life of the Cayman Islands Ltd

There is no capital adequacy requirement in the Cayman Islands for life insurance companies, beyond the need for assets to cover liabilities at the year-end date. However, the MCCSR for Sagicor Cayman, is based on the Canadian Regulatory Standards and is set out below

	2011	2010
Sagicor Life of the Cayman Islands Ltd.	574.6%	292.8%

(c) Pan Caribbean Financial Services Limited Group of Companies

The Banking Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off- balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 December 2011 and 2010. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

56. Capital Management (Continued)

(c) Pan Caribbean Financial Services Limited Group of Companies (continued)

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

	PCFS		PCB	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Tier 1 capital	7,041,585	6,956,085	2,567,871	2,518,548
Tier 2 capital	1,380,884	1,071,808	71,610	69,876
Total regulatory capital	8,422,469	8,027,893	2,639,481	2,588,424
Total required capital	3,520,793	3,478,042	10,034,935	810,476
Risk-weighted assets:				
On-statement of financial position	10,542,524	15,780,894	7,725,499	6,045,913
Off-statement of financial position	-	-	894,705	678,948
Foreign exchange exposure	1,292,447	1,400,013	1,720,001	1,379,898
Total risk-weighted assets	11,834,971	17,180,907	10,340,205	8,104,759
Actual capital base to risk weighted assets	21%	47%	26%	32%
Required capital base to risk weighted assets	10%	10%	10%	10%

(d) Derivative products

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

57. Fiduciary Risk

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements. As at 31 December 2011, these subsidiaries had financial assets under administration of approximately $96,703,297,000 (2010 - $84,650,043,000).

58. Commitments

In the normal course of business, the Group has entered into commitments at the year end date for which no provision has been made in these financial statements. The off statement of financial position commitments and their maturity profiles are as follows:

The Group

	Contractual cash flows within 1 year $'000	Contractual Cash flows 1-5 years $'000	Contractual Cash flows after 5 years $'000	Current year Total $'000
At 31 December 2011				
Loan commitments	402,883	284,572	98,805	786,260
Guarantees, acceptances and other financial facilities	628,241	417,099	33,399	1,078,739
Operating lease commitments	373,804	374,733	39,969	788,506
	1,404,928	1,076,404	172,173	2,653,505
At 31 December 2010				
Loan commitments	344,243	17,000	822	362,065
Guarantees, acceptances and other financial facilities	507,199	532,323	39,284	1,078,806
Operating lease commitments	341,297	537,572	-	878,869
	1,192,739	1,086,895	40,106	2,319,740

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 2011				
Loan commitments	89,922	-	-	89,922
Operating lease commitments	245,951	189,633	-	435,584
	335,873	189,633	-	525,506
At 31 December 2010				
Loan commitments	58,070	-	-	58,070
Operating lease commitments	224,384	285,996	-	510,380
	282,454	285,996	-	568,450

59. Contingent Liabilities

(a) Universal life policies

The design of a Universal Life policy is such that on realistic assumptions, the fund value built-up from premiums paid and from investment earnings is required in later years to pay the administrative costs and mortality charges.

A review of the company's Universal Life policies portfolio revealed that approximately 17,000 Universal Life policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the issue was recognised, the company initiated discussion with the Regulators, the Financial Services Commission (FSC), as a result of which the affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums at their expense. Approximately 95% of these policyholders agreed to adjustments to their policies.

The company estimated that less than 1% of the affected policyholders have filed complaints with the FSC, which carried out investigations and made a submission to the company. The FSC suggested a number of alternatives to remedy the issue.

The company is in discussions with the FSC on the matter. The cost, if any, of resolving this issue cannot be quantified at this time.

(b) Legal proceedings

The Group and the company are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

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Branch Manager
Mark Lindsay

Unit Managers
Clifton Thomas
Natallea Johnson
Dalton Thompson

NOTES

Form of Proxy

Sagicor Life Jamaica Limited

Sagicor

I ________________________ of ________________________ being a member

of Sagicor Life Jamaica Limited hereby appoint ________________________

of ________________________ or failing him ________________________

of ________________________ as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on the Tuesday, May 22, 2012 at 3:00 pm at the Sagicor Life Jamaica Auditorium, 28-48 Barbados Avenue, Kingston 5 and at any adjournment thereof.

$100.00 stamp to be affixed

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

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Accounts and Reports of Directors and Auditors For the year ended December 31, 2011	☐	☐
2. To elect Directors		
In accordance with Article 99 and 98(f)		
Dr. Dodridge D. Miller	☐	☐
Professor Sir Hilary M. Beckles	☐	☐
Jacqueline Coke Lloyd	☐	☐
Dr. the Hon.R.D. Williams	☐	☐
3. To fix the remuneration of Directors	☐	☐
4. To 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 this ________________ day of ________________ 2012

Signature ________________________

NOTE:

(I) 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.

Talk to Us

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Tel: 929-8920-9

Website:
www.sagicorja.com

Comments and Suggestions
MyExperience@sagicor.com

To learn more about our
Investment Products:
http://www.sagicorja.com/sagicor_brochure.html

Customer Care:
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