SAGICOR FINANCIAL CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2007

SAGICOR FINANCIAL CORPORATION
INDEX TO THE FINANCIAL STATEMENTS
December 31, 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Sagicor Financial Corporation

We have audited the accompanying consolidated financial statements of **Sagicor Financial Corporation and its subsidiaries (the "Group")**, which comprise the consolidated balance sheet as of December 31, 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Independent Auditors' Report

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants

March 31, 2008

Eckler Ltd.
Consultants and Actuaries

Eckler Ltd.
110 Sheppard Avenue East
Suite 900
Toronto, Ontario
Canada M2N 7A3

SAGICOR FINANCIAL CORPORATION

APPOINTED ACTUARY'S
2007 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Corporation ("Sagicor") which includes the policy liabilities of its life insurance subsidiaries:

- Sagicor Life Inc. (Barbados),
- Life of Jamaica Limited (Jamaica),
- Sagicor Capital Life Insurance Company Limited (Bahamas),
- Capital Life Insurance Company Bahamas Limited (Bahamas),
- Sagicor Panama (Capital de Seguros, SA) (Panama),
- Sagicor Allnation Insurance Company (Delaware, USA),
- Nationwide Insurance Company Limited (Trinidad & Tobago),
- Sagicor Life of the Cayman Islands Limited (Cayman Islands),
- Sagicor Life Insurance Company (Texas, USA), and
- Laurel Life Insurance Company (Texas, USA),

for the balance sheet, at 31st December 2007, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its Life Insurance Subsidiaries was conducted by other actuaries than myself for some companies, using either the Policy Premium Method ("PPM") as an approximation to the Canadian Asset Liability Method ("CALM"), or using CALM directly, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Standards of Practice (Life) of the Canadian Institute of Actuaries. I have reviewed and accepted their valuation and have relied on them in order to issue this certificate.

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

Sylvain Goulet

Sylvain Goulet, fcia, fsa, maaa
Affiliate Member of the (British) Institute of Actuaries
Affiliate Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Corporation
31st March 2008

SAGICOR FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEET
As of December 31, 2007 ***Amounts expressed in US $000***

	Notes	2007	2006
ASSETS			
Investment property	5	97,522	90,578
Property, plant and equipment	6	92,938	80,528
Investment in associated companies	7	30,334	26,836
Intangible assets	8	138,524	112,708
Financial investments	9	2,683,007	2,524,822
Reinsurance assets	10	320,155	321,689
Income tax assets	11	23,622	18,333
Miscellaneous assets and receivables	12	171,459	100,101
Cash resources		92,140	87,682
Total assets		**3,649,701**	**3,363,277**
LIABILITIES			
Policy liabilities			
Actuarial liabilities	13	1,364,304	1,373,584
Other insurance liabilities	14	313,915	152,701
Investment contract liabilities	15	242,376	220,855
		1,920,595	1,747,140
Other liabilities			
Notes and loans payable	16	152,719	160,488
Deposit and security liabilities	17	790,565	745,435
Provisions	18	23,542	20,565
Income tax liabilities	19	15,107	18,678
Accounts payable and accrued liabilities	20	160,466	128,666
Total liabilities		3,062,994	2,820,972
EQUITY			
Share capital	21	231,695	230,235
Reserves	22	21,735	48,106
Retained earnings		201,744	135,509
Total shareholders' equity		455,174	413,850
Participating accounts	23	9,396	9,902
Minority interest in subsidiaries		122,137	118,553
Total equity		586,707	542,305
Total equity and liabilities		**3,649,701**	**3,363,277**

These financial statements have been approved for issue by the Board of Directors on March 31, 2008.

_____________________ Director _____________________ Director

SAGICOR FINANCIAL CORPORATION
CONSOLIDATED INCOME STATEMENT
Year ended December 31, 2007 ***Amounts expressed in US $000***

	Notes	**2007**	**2006**
REVENUE			
Premium revenue	24	535,871	468,703
Reinsurance premium expense	24	(105,485)	(91,081)
Net premium revenue		430,386	377,622
Net investment income	25	261,212	238,379
Share of operating income of associated companies		4,224	2,727
Fees and other revenue	26	50,734	43,602
Gains arising on acquisition	37.1	26,398	-
Total revenue		772,954	662,330
BENEFITS			
Policy benefits and change in actuarial liabilities	27	333,601	293,390
Policy benefits and change in actuarial liabilities reinsured	27	(33,028)	(29,698)
Net policy benefits and change in actuarial liabilities		300,573	263,692
Interest expense	28	84,063	82,277
Total benefits		384,636	345,969
EXPENSES			
Administrative expenses		142,190	125,371
Commissions and related compensation		77,932	57,066
Premium taxes		7,269	6,620
Finance costs		12,276	9,420
Depreciation and amortisation		20,101	17,350
Total expenses		259,768	215,827
INCOME FROM ORDINARY ACTIVITIES		128,550	100,534
Income taxes	32	(19,824)	(13,909)
NET INCOME FOR THE YEAR		**108,726**	**86,625**
NET INCOME ATTRIBUTABLE TO:			
Shareholders		86,289	67,663
Participating policyholders		(226)	(303)
Minority interest		22,663	19,265
		108,726	86,625
Net income attributable to shareholders - EPS			
Basic earnings per common share	34	32.3 cents	25.4 cents
Fully diluted earnings per common share	34	32.3 cents	25.4 cents

SAGICOR FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2007

Amounts expressed in US $000

	Share capital	Reserves	Retained earnings	Par [1] accounts	Minority interest	Total
	Note 21	**Note 22**		**Note 23**		
Balance, beginning of year	230,235	48,106	135,509	9,902	118,553	542,305
Net gains / (losses) recognised directly in equity	-	(30,777)	(78)	(20)	(10,171)	(41,046)
Net income / (loss) for the year	-	-	86,289	(226)	22,663	108,726
Total recognised gains and income for the year	-	(30,777)	86,211	(246)	12,492	67,680
Issue of shares	484	-	-	-	2,675	3,159
Value of employee services rendered (net)	-	1,705	-	-	87	1,792
Net disposal of treasury shares	976	-	-	-	-	976
Disposal of equity interest	-	-	-	-	(3,593)	(3,593)
Dividends declared (note 35)	-	-	(17,321)	-	(8,167)	(25,488)
Other movements	-	2,701	(2,655)	(260)	90	(124)
	1,460	(26,371)	66,235	(506)	3,584	44,402
Balance, end of year	231,695	21,735	201,744	9,396	122,137	586,707

[1] Participating

SAGICOR FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2006

Amounts expressed in US $000

	Share capital	Reserves	Retained earnings	Par [1] accounts	Minority interest	Total
	Note 21	Note 22		Note 23		
Balance, beginning of year	229,226	53,264	82,665	10,460	100,754	476,369
Net gains / (losses) recognised directly in equity	-	(5,938)	(22)	1	3,960	(1,999)
Net income / (loss) for the year	-	-	67,663	(303)	19,265	86,625
Total recognised gains and income for the year	-	(5,938)	67,641	(302)	23,225	84,626
Issue of shares	2,826	-	-	-	2,061	4,887
Value of employee services rendered (net)	-	1,472	-	-	-	1,472
Purchase of treasury shares	(1,817)	-	-	-	-	(1,817)
Dividends declared (note 35)	-	-	(15,991)	-	(7,241)	(23,232)
Other movements	-	(692)	1,194	(256)	(246)	-
	1,009	(5,158)	52,844	(558)	17,799	65,936
Balance, end of year	230,235	48,106	135,509	9,902	118,553	542,305

[1] Participating

SAGICOR FINANCIAL CORPORATION
CONSOLIDATED CASH FLOW STATEMENT
Year ended December 31, 2007 ***Amounts expressed in US $000***

	Notes	**2007**	**2006**
Cash flows from operating activities			
Income from ordinary activities		128,550	100,534
Adjustments for non-cash items, interest and dividends	36	(138,815)	(73,271)
Interest and dividends received		207,016	192,160
Interest paid		(95,857)	(86,366)
Income taxes paid		(17,023)	(13,524)
Changes in operating assets	36	(275,300)	(115,856)
Changes in operating liabilities	36	119,673	52,293
Net cash (used in) / from operating activities		(71,756)	55,970
Cash flows from investing activities			
Property, plant and equipment, net	36	(10,532)	(11,345)
Investment in associated companies, net		(1,315)	310
Intangible assets, net		(4,120)	(2,228)
Acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents		(2,289)	-
Net cash used in investing activities		(18,256)	(13,263)
Cash flows from financing activities			
Common shares issued		27	-
Net disposal / (purchase) of treasury shares		898	(1,817)
Dividends paid to shareholders		(17,137)	(15,797)
Shares issued to minority interest		2,348	1,767
Dividends paid to minority interest		(8,157)	(7,269)
Notes and loans payable, net	36	(7,952)	79,150
Net cash (used in) / from financing activities		(29,973)	56,034
Effects of exchange rate changes		8,803	(11,238)
Net (decrease) / increase in cash and cash equivalents		(111,182)	87,503
Cash and cash equivalents, beginning of year		224,674	137,171
Cash and cash equivalents, end of year	36	113,492	224,674

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagicor Financial Corporation allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

The principal activities of the Sagicor Group are as follows:

- Insurance
- Annuities
- Pensions
- Pension fund management
- Mutual fund management
- Corporate trust services
- Securities dealing
- Currency dealing
- Merchant banking
- Loan finance and deposit taking

The Group operates across the Caribbean, in the United States of America (USA) and in the United Kingdom (UK).

The table below identifies the principal operating subsidiaries in the Group, their principal activities, their country of incorporation and the effective equity interest held by the shareholders of Sagicor.

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pension administration services	Barbados	100%
Life of Jamaica Limited	Life and health insurance and annuities	Jamaica	59%
Sagicor Life Insurance Company	Life insurance and annuities	Texas, USA	100%
Sagicor Capital Life Insurance Company Limited	Life and health insurance, annuities and pension administration services	The Bahamas	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%

Year ended December 31, 2007 Amounts expressed in US $000

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Panamá, SA (formerly Capital de Seguros, SA)	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	59%
Laurel Life Insurance Company	Life insurance	Texas, USA	100%
Sagicor Allnation Insurance Company	Health insurance	Delaware, USA	100%
Sagicor Corporate Capital Limited (formerly Gerling Corporate Capital Limited) (1) - Lloyd's of London corporate underwriting member participating in Syndicate 1206	Property and casualty insurance	UK	90%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	59%
Sagicor General Insurance (Cayman) Limited (2)	Property, casualty and health insurance	The Cayman Islands	45%(2)
LOJ Pooled Investment Funds Limited	Pension fund management	Jamaica	59%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	59%
Pan Caribbean Financial Services Limited	Development banking and investment management	Jamaica	64%
Pan Caribbean Merchant Bank Limited	Merchant banking	Jamaica	64%

Year ended December 31, 2007 Amounts expressed in US $000

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Pan Caribbean Asset Management Limited	Investment management	Jamaica	64%
Manufacturers Investments Limited	Investment management	Jamaica	64%
Sagicor Merchant Limited	Investment management	Trinidad & Tobago	100%
Globe Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
Mutual Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management Inc	Investment management	Barbados	100%
LOJ Property Management Limited	Property management	Jamaica	59%
Sagicor Insurance Managers Limited (2)	Captive insurance management services	The Cayman Islands	45%(2)
Sagicor International Management Services, Inc	Management and business development services	Florida, USA	100%
Sagicor Finance Limited (3)	Group financing vehicle	The Cayman Islands	100%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor USA Inc	Insurance holding company	Delaware, USA	100%
Sagicor Europe Limited (4)	Insurance holding company	The Cayman Islands	90%
Sagicor Syndicate Holdings Limited (formerly Gerling Syndicate Holdings Limited) (1)	Holding company	UK	90%
Sagicor at Lloyd's Limited (formerly Gerling at Lloyd's Limited) (1)	Managing agent of Lloyd's of London syndicate	UK	90%
Sagicor Syndicate Services Limited (formerly Gerling Syndicate Services Limited) (1)	Property and casualty insurance agency	UK	90%

Year ended December 31, 2007 Amounts expressed in US $000

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Byrne & Stacey Underwriting Limited [5]	Property and casualty insurance agency	UK	90%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%

(1) Acquired September 1, 2007.

(2) Through control of Life of Jamaica Limited, the Group has a voting interest of 75% (2006 – 51%) in the subsidiary. The effective equity interest was increased from 31% in October 2007.

(3) Incorporated March 30, 2006.

(4) Incorporated June 28, 2007.

(5) Acquired October 4, 2007.

The associated companies of the Group are as follows:

Associated Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
FamGuard Corporation Limited	Investment holding company	Bahamas	20%
Family Guardian Insurance Company Limited	Life and health insurance and annuities	Bahamas	20%
Family Guardian General Insurance Agency Limited	General insurance brokerage	Bahamas	20%
BahamaHealth Insurance Brokers and Benefit Consultants Limited	Insurance brokers and benefit consultants	Bahamas	20%
Primo Holding Limited [6]	Property investment	Barbados	38%

(6) Acquired March 30, 2007.

For ease of reference, when the term "insurer" is used in the following notes, it refers to either one or more Group subsidiaries that engage in insurance.

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The Group had adopted accounting policies for the computation of actuarial liabilities on life insurance and annuity contracts which comply with the Canadian Asset Liability Method (CALM). As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that CALM should continue to be applied. The adoption of IFRS 4 – insurance contracts, permits the Group to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately. The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities and financial assets held at fair value through income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

All amounts in these financial statements are shown in thousands of United States dollars, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

(a) Amendments to IFRS

New and revised IFRSs and revised International Accounting Standards (IASs) are effective from the 2007 reporting year.

A new standard has been introduced and is as follows:

IFRS 7	Financial Instruments: Disclosures

The standards which have amendments for the 2007 reporting year are as follows:

IFRS 4	Insurance Contracts
IAS 1	Presentation of Financial Statements
IAS 32	Financial Instruments: Presentation

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions has been withdrawn and has been superseded by IFRS 7. The disclosure requirements of IAS 32 also have been withdrawn and have been superseded by IFRS 7.

The amendments have affected the note disclosures of financial and insurance risk, and have introduced new disclosures for managing capital. The disclosures set out in notes 41, 42 and 45 reflect the new requirements. Comparative disclosures have been made except in instances where it is impractical to do so.

(b) Amendments to International Financial Reporting Interpretations

The International Financial Reporting Interpretations Committee (IFRIC) has issued new or revised interpretations which are effective from the 2007 reporting year. The new interpretations are as follows:

IFRIC 7	Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies)
IFRIC 8	Scope of IFRS 2 (Share-based Payment)
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

IFRIC 7, IFRIC 8 and IFRIC 9 have no significant effect on these financial statements.

IFRIC 10 requires that impairment of goodwill and equity investments recorded at interim reporting dates should not be reversed at balance sheet date if the impairment test had been conducted at balance sheet date and resulted in a lower amount of impairment. The impact of this interpretation on Sagicor is not likely to be significant since Sagicor tests goodwill impairment during the fourth quarter of the financial year, and impairment of equity instruments is relatively infrequent.

The interpretation, IFRIC 11 - Group and Treasury Share Transactions, has been issued with an effective date for accounting periods beginning on or after March 1, 2007. Sagicor has early adopted this interpretation for the 2007 year, because of its applicability to equity compensation granted to employees of subsidiaries. The application of the interpretation affects the equity of the subsidiaries and does not directly affect these consolidated financial statements.

(c) Change in presentational currency

For the 2007 reporting year, the Group has changed the financial statement presentational currency to thousands of United States dollars. Prior to this year, the presentational currency was thousands of Barbados dollars. Accordingly, the 2006 comparative amounts have been restated in thousands of United States dollars. Throughout 2006 and 2007, the Barbados dollar was pegged to the United States dollar at a rate of 2 to 1.

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest balances represent the interest of minority shareholders in subsidiaries not wholly owned by the Group.

The Group uses the purchase method of accounting for the acquisitions of subsidiaries and insurance businesses. 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 attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If, after reassessment of the net assets acquired, the cost of the acquisition is less than the Group's share of net assets acquired, the difference is recognised in income.

(b) Investment in associated companies

The investments in associated companies, which are not majority owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group recognises in income its share of associated companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

The Group recognises in equity its share of associated companies reserve movements.

2. ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(c) Joint Ventures

Interests in the assets, liabilities and earnings of jointly controlled ventures are included in these consolidated financial statements using the proportionate consolidation method, eliminating all material related party balances.

(d) Divestitures

Realised gains on the disposal of subsidiaries, operations, associates and joint ventures are included in revenue.

(e) Pension and investment funds

Insurers have issued deposit administration and unit linked contracts in which the full return of the assets supporting these contracts accrue directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group manages a number of segregated pension funds and mutual funds. These funds are segregated and investment returns on these funds accrue directly to unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements.

(f) Employees share ownership plan (ESOP)

The Company has established an ESOP Trust which either acquires Company shares on the open market, or is allotted new shares by the Company. The Trust holds the shares on behalf of employees until the employees' retirement or termination from the Group. Until distribution to employees, shares held by the Trust are accounted for as treasury shares. All dividends received by the Trust shall be applied towards the purchase of additional Company shares.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each reporting unit of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). A reporting unit may be an individual subsidiary, a branch of a subsidiary or an intermediate holding company group of subsidiaries.

The consolidated financial statements are presented in thousands of United States dollars, which is the Group's presentational currency.

Year ended December 31, 2007 Amounts expressed in US $000

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) Reporting units

The results and financial position of reporting units that have a functional currency other than the Group's presentational currency are translated as follows:

(i) Income statements, movements in equity and cash flows are translated at average exchange rates for the year.
(ii) Balance sheets are translated at the exchange rates ruling on December 31.
(iii) Resulting exchange differences are recognised in the equity reserve for currency translation.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted dollars at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks or in the case of pounds sterling, according to prevailing market rates.

Exchange rates of the other principal operating currencies to the United States dollar were as follows:

	December 2007 closing rate	2007 average rate	December 2006 closing rate	2006 average rate
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Jamaica dollar	70.4430	68.7285	66.9482	65.6514
Trinidad & Tobago dollar	6.3114	6.3110	6.2946	6.2900
Pounds sterling	0.5024	0.4964	n/a	n/a

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the equity reserve for currency translation. When a foreign entity is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and other purchase accounting adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the rate ruling on December 31.

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss.

Translation differences on non-monetary items such as equities held available for sale are included in the fair value reserve in equity.

2.4 Segment reporting

The Group’s primary segments are geographic and the secondary segments are defined by business activity.

Geographical segments are determined by the location of the subsidiary or branch initiating the business. Except for the Sagicor at Lloyd’s Syndicate 1206 business, this segmentation is not materially different from the segmentation by location of the customers.

The Group's business segments reflect how the Group’s operations are managed within geographical segments.

Certain balances can be clearly allocated to geographical segments, but not to business segments. These include certain associated company, income tax, and pension plan balances which relate to specific geographical segments, but are attributable to more than one business segment. In such instances, these balances are allocated to their geographic segments, but are not allocated by business segment.

Other balances not allocated to segments mainly comprise borrowings and finance costs related to Group expansion and other corporate activities.

2.5 Investment property

Investment property is recorded initially at cost. At subsequent balance sheet dates, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties. These are accounted for under the proportionate consolidation method.

2. ACCOUNTING POLICIES (continued)

2.5 Investment property (continued)

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2.6.

Investment property may include property of which a portion is held for rental to third parties and another portion is occupied by the Group for administrative purposes. This type of property is accounted for as an investment property if the Group's occupancy level is 25% or less of the total available occupancy. Otherwise, this type of property is accounted for as an owner-occupied property.

Rental income is recognised on an accruals basis.

2.6 Property, plant and equipment

Property, plant and equipment are recorded initially at cost.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are taken to the fair value reserve in equity, unless there is a cumulative depreciation in respect of an individual property, which is then recorded in the income statement. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. On disposal of owner-occupied property, the amount included in the reserve is transferred to retained earnings. Owner-occupied property includes property held under partnership and joint venture arrangements with third parties. These are accounted for under the proportionate consolidation method.

Subsequent expenditure is capitalised when it will result in future economic benefits to the Group.

Any gain or loss on disposal included in income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

The Group, as lessor, enters into operating leases with third parties to lease assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives. The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

2. ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment are as follows:

Asset	Estimated useful life
Buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Leased equipment and vehicles	5 to 6 years

2.7 Intangible assets

(a) Goodwill

Goodwill (defined in note 2.2(a)) arising from an acquisition of a subsidiary or insurance business is allocated to appropriate cash generating units. A cash generating unit is not larger than a subsidiary's operations in a geographical segment or in a business segment. Goodwill arising from an investment in an associate is included in the carrying value of the investment in associated companies.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment.

(b) Other intangible assets

Other intangible assets identified on acquisitions are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. In addition for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment.

2. ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

The estimated useful lives of recognised intangible assets are as follows:

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	4 - 20 years
	Broker relationships	10 years
Marketing related	Trade names	4 years, indefinite
Contract based	Syndicate capacity	Indefinite
	Licences	15 years
Technology based	Software	2 – 10 years

2.8 Financial assets

(a) Classification

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets with fixed maturities and for which management has both the intent and ability to hold to maturity are classified as held to maturity.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise:

- assets designated by management on acquisition, since the assets form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies and comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders;

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

- held for trading securities which are acquired principally for the purpose of selling in the short-term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Other financial assets are classified as available for sale.

(b) Recognition and measurement

Purchases and sales of these investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets, loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income.

Financial assets in the available for sale category are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are recorded in the fair value reserve. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) Fair value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

The impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for available for sale financial assets is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

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, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

(e) Securities purchased under agreements to resell

Securities purchased under agreements to resell are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(f) Finance leases

The Group, as lessor, enters into finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method.

(g) Derivative financial instruments

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(h) Financial assets held in trust under modified coinsurance arrangements

These assets are held in trust for a reinsurer and are in respect of policy liabilities ceded to the reinsurer. The assets are included in the balance sheet along with a corresponding account payable to the reinsurer. The income statement includes the interest income from these assets and a corresponding interest expense due to the reinsurer.

2.9 Real estate developed or held for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are valued at the lower of cost and net realisable value.

Real estate acquired through foreclosure is classified as real estate held for resale and is 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.

2.10 Impairment of 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 its value in use.

2.11 Cash and cash equivalents

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

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less 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.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts

(a) Classification

The Group issues policy contracts that transfer insurance risk and / or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity rate risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

A number of insurance contracts contain a discretionary participation feature. A discretionary participation feature entitles the holder to receive, supplementary to the main benefit, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of management; and
- that are contractually based on
  - the performance of a specified pool of contracts;
  - investment returns on a specified pool of assets held by the insurer; or
  - the profit or loss of a fund or insurer issuing the contract.

Policy bonuses and policy dividends constitute discretionary participation features which the Group classifies as liabilities.

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity.

(b) Recognition and measurement

Policy contracts issued by the Group are summarised below.

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks over property, motor, accident and marine.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

Casualty insurance contracts provide coverage for the risk of causing physical harm to third parties. Personal accident, employers' liability and public liability are common types of casualty insurance.

Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative earnings patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with that earnings pattern. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and un-reported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to balance sheet date.

Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard to variations in business written and the underlying terms and conditions. The claim reserve is not discounted and is included in other insurance liabilities.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit sharing commission due to the Group is recognised only when there is reasonable certainty of collectibility, at which time it is recorded as commission income.

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At balance sheet date, commissions and premium taxes arising on unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable by the Group arises from contracts between an insurer and a broker; it is accrued on an aggregate basis and it is adjusted to actual in respect of each individual contract when due.

(ii) Health insurance contracts

Health insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is recognised when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims are recorded on settlement. Reserves are recorded as described in note 2.13.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

An insurer may obtain reinsurance coverage for its health insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate.

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At balance sheet date, commissions and premium taxes arising on unearned premiums are recorded as deferred policy acquisition costs.

(iii) Long-term traditional insurance contracts

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Some of these contracts have a discretionary participation feature in the form of regular bonuses or dividends. Other benefits such as disability or waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, either the contract may terminate or an automatic premium loan may settle the premium or the contract may continue at a reduced value.

Policy benefits are recognised on notification of death, receipt of surrender request, on the maturity date of endowment policies, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the balance sheet and are secured by the cash values of the respective policies. Policy bonuses may be “non-cash” and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

Reserves for future policy liabilities are recorded as described in note 2.13.

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are recognised on the same basis as earned premiums.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(iv) Long-term universal life and unit linked insurance contracts

Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned allowances, are debited to the investment accounts. Allowances and expense charges are in respect of applicable commissions, cost of insurance, administrative expenses and premium taxes. Fund withdrawals may be permitted.

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter but additional non-recurring premiums may be paid.

Policy benefits are recognised on notification of death, receipt of a withdrawal request or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.13.

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are generally recognised only on settlement of premiums.

(v) Reinsurance contracts assumed

Reinsurance contracts assumed by an insurer are accounted for in a similar manner as if the insurer has issued the risk.

Reinsurance contracts assumed include blocks of life and annuity policies assumed from third party insurers. In some instances, the Group also administers these policies.

(vi) Reinsurance contracts held

As noted in sections (i) to (iv) above, an insurer may obtain reinsurance coverage for insurance risks underwritten. The Group cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the originating insurer of its liability.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

Policy liabilities include blocks of life and annuity policies ceded to reinsurers on coinsurance or modified coinsurance bases. The Group records as a receivable the reinsurer's share of the insurer's liabilities on these policies.

The benefits to which an insurer is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, the impairment is recorded in the statement of income. The obligations of an insurer under reinsurance contracts held are recognised as reinsurance liabilities or payables.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate.

(vii) Deposit administration and other investment contracts

Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;

- fair value through income where the insurer is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense. Interest guarantees which may adversely affect the Group are recorded in actuarial liabilities.

In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Other investment contracts are recognised initially at fair value and are subsequently stated at amortised cost and are accounted for as deposit administration contracts which are similarly classified.

(c) <u>Embedded derivatives</u>

Certain insurance contracts contain embedded derivatives which are options whose value may vary in response to changes in interest rates or other market variables.

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.13.

2. ACCOUNTING POLICIES (continued)

2.12 Policy contracts (continued)

(d) Liability adequacy tests

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

2.13 Actuarial liabilities

(a) Life insurance and annuity contracts

The Canadian Asset Liability Method (CALM) is used for the determination of actuarial liabilities of long-term insurance contracts. These liabilities consist of amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts.

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these provisions for adverse deviations will be included in future income to the extent they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on Group and industry experience and are updated annually.

CALM is based on an explicit projection of cash flows using best estimate assumptions for each material cash flow item and contingency. Investment returns are based on projected investment income using the current asset portfolios and projected re-investment strategies. Each assumption is adjusted by a margin for adverse deviation.

Certain life insurance policies issued by the insurer contain equity linked policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at fair value through income and unit values of each fund are determined by dividing the value of the assets in the fund at balance sheet date by the number of units in the fund. The resulting liability is included in actuarial liabilities.

(b) Health insurance contracts

The actuarial liabilities of health insurance policies are estimated in respect of claims that have been incurred but not yet reported and claims that have been reported but not yet paid, due to the time taken to process the claim.

2. ACCOUNTING POLICIES (continued)

2.14 Financial liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.12(b) (vii) and in the following paragraphs.

(a) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are recognised initially at fair value and are subsequently stated at amortised cost. Securities sold under agreements to repurchase are treated as collateralised financing transactions. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(b) Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

(c) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the investment yield method.

Borrowings undertaken for the purposes of Group expansion are classified as notes or loans payable and the associated cost is classified as finance costs. Borrowings undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as other funding instruments and are included in deposit and security liabilities and the associated cost is included in interest expense.

(d) Fair value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

2. ACCOUNTING POLICIES (continued)

2.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.16 Interest income and expenses

Interest income and expenses are 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 includes coupon interest and accrued discount and premium on financial instruments.

2.17 Fees and other revenue

Fees and other revenue are recognised on an accrual basis when the related service has been provided.

2.18 Employee benefits

(a) Pension benefits

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to the income statement over the average service lives of the related employees. Past service costs are charged to the income statement on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits vest immediately.

For defined contribution plans, the Group pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in expenses in the income statement.

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(b) Other retirement benefits

Certain Group subsidiaries provide 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.

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on various profit and other objectives of the Group as a whole or of individual subsidiaries. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

(d) Equity compensation benefits

The Group has a number of share-based compensation plans in place for administrative, sales and managerial staff.

(i) Equity-settled share-based transactions with staff

The services received in an equity-settled transaction with staff are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date.

If the equity instruments granted vest immediately and the individual is not required to complete a further period of service before becoming entitled to those instruments, the services received are recognised in full on grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are accounted for in the income statement during the vesting period, with a corresponding increase in the share based payment reserve or in minority interest. Until the instrument vests, the number of instruments vesting is re-measured annually and the corresponding change in fair value is adjusted at the re-measurement date.

Amounts held in the share based payment reserve are transferred to share capital or minority interest either on the distribution of share grants or on the exercise of share options.

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(ii) Cash-settled share-based transactions with staff

The services received in a cash-settled transaction with staff and the liability to pay for those services, are recognised at fair value as the individual renders services. Until the liability is settled, the fair value of the liability is re-measured at balance sheet date and at the date of settlement, with any changes in fair value recognised in income during that period.

(iii) Measurement of the fair value of equity instruments granted

The equity instruments granted consist either of grants of, or options to purchase, common shares of listed entities within the Group. Common shares granted are measured at the listed price prevailing on the grant date. Options granted are measured using the Black-Scholes valuation model, which incorporates factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

(e) 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 redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

Year ended December 31, 2007 Amounts expressed in US $000

1. ACCOUNTING POLICIES (continued)

2.19 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of premium tax are as follows:

	Life insurance and non-registered annuities	**Health insurance**	**Property and casualty insurance**
Barbados	3% - 5%	3%	3.75% - 5%
Jamaica	3%	Nil	Nil
Trinidad and Tobago	Nil	6%	6%
United Kingdom	n/a	n/a	5%
United States of America	0.75% - 3.5%	Nil	Nil

(b) Income taxes

The Group is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2007 are as follows:

	Life insurance and non-registered annuities	**Registered annuities**	**Other lines of business**
Barbados	5% of gross investment income	Nil	25% of net income
Jamaica	15% of investment income [(1)]	Nil	$33^{1/3}$ % of net income
Trinidad and Tobago	15% of investment income	Nil	25% - 30% of net income
United Kingdom	n/a	n/a	28% of net income
United States of America	35% of net income	35% of net income	35% of net income

[(1)] applicable also to health insurance

2. ACCOUNTING POLICIES (continued)

2.19 Taxes (continued)

(i) Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

(ii) Deferred income taxes

The Group uses the balance sheet liability method of accounting for deferred income tax. Deferred tax assets and liabilities resulting from temporary differences are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised. No provision is made for deferred taxes which could arise on the remittance of retained earnings from subsidiaries, unless there is a current intention to remit such earnings.

2.20 Participating Accounts

(a) “Closed” participating account

For participating policies of Sagicor Life Inc in force at de-mutualisation, Sagicor Life Inc established a closed participating account in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a closed participating fund. Policy dividends and bonuses of the said policies are paid from the participating fund on a basis substantially the same as prior to de-mutualisation. The participating account also includes an ancillary fund comprising the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

(b) “Open” participating account

Sagicor Life Inc also established an open participating account for participating policies it issues after de-mutualisation. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an open participating account.

2. ACCOUNTING POLICIES (continued)

2.20 Participating Accounts (continued)

The open participating account was established at de-mutualisation. On February 1, 2005, Sagicor Life Inc amalgamated with Life of Barbados Limited, and participating policies of the latter were transferred to the open participating account. Accordingly, the liabilities of these participating policies and matching assets were transferred to the open participating account. The liabilities transferred included an ancillary fund comprising the provisions for adverse deviations on the transferred policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc. Additional assets to support the profit distribution to shareholders (see below) were also transferred to the account.

Distributable profits of the open participating account are shared between participating polices and shareholders in a ratio of 90:10. Profits are distributed to the participating policies in the form of declared bonuses and dividends. Profits which are distributed to shareholders are included in the allocation of Group net income to shareholders. Undistributed profits remain in the participating account.

(c) <u>Financial statement presentation</u>

The assets and liabilities of the participating accounts are not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also not presented separately in the financial statements. However, the overall surplus of assets held in the participating funds over the associated liabilities is presented in equity as the participating accounts. The overall net income that is attributable to the participating funds is disclosed as an allocation of net income. Movements in reserves attributable to the participating funds are presented in equity under the participating accounts.

The allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts.

2.21 Treasury shares

Where a Group entity purchases the Company's common shares, the consideration paid, including any directly attributable cost, is deducted from share capital. Where such shares are subsequently sold to a third party, the deduction from share capital is reversed, and any difference with net consideration received is taken to retained earnings.

2.22 Dividend distributions

Dividend distributions on the Company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

2. ACCOUNTING POLICIES (continued)

2.23 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insureds or depositors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting polices may have a material impact on the Group's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the Group's financial statements are set out below.

3.1 Impairment of financial assets

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

An available for sale equity investment is considered impaired when there is a significant or prolonged decline in the fair value below cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3.2 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 which may be very sensitive to the underlying assumptions utilised. These intangibles may be marketing related, consumer related, contract based or technology based.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Impairment of intangible assets

(a) Goodwill

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

The Group updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill.

(b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible'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's value in use, estimates are required of future cash flows generated as a result of holding the asset.

3.4 Actuarial liabilities

(a) Canadian asset liability method (CALM)

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items on the balance sheet, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the asset and liability cash flows, as well as any mismatch during the valuation period.

The actuarial liabilities are determined by the amount of assets required to ensure that sufficient monies are available to meet the policy liabilities as they become due, even under adverse economic circumstances.

The AA identifies the current economic scenario and the existing investment portfolio as at the date of the actuarial valuation. The investments required to support the policy liabilities are then determined under a variety of future interest rate environments using scenario testing. The total policy liability is determined as the amount of assets required in order that sufficient monies are available to meet the liabilities as they become due under the "worst case" economic scenario, that is, the scenario that produces the highest investment requirement.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.4 Actuarial liabilities (continued)

The CALM methodology produces the total reserve requirement for each CALM fund. In general, the CALM methodology is used to determine the net overall actuarial liabilities required by the insurer. Policy premium method (PPM) equivalents are used to determine the amount of reinsurance balances in the reserve, the distribution of the total reserve by country (for statutory reporting), and the distribution of the reserve by policy (for MCCSR negative reserves). PPM equivalents and other approximations to CALM have also been used in calculating certain components in the actuarial liabilities.

(b) Best estimate reserve assumptions & provisions for adverse deviations

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate for each major geographical segment, namely Barbados, Jamaica, Trinidad & Tobago, USA and other Caribbean. The assumption for operating expenses and taxes is in some instances split by participating, non-participating or universal life / unit linked business.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardized across the major geographical segments. Provisions are determined within a specific range established by the Canadian Standards of Practice.

The principal assumptions and margins used in the determination of actuarial liabilities are summarised in note 13.3. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

3.5 Property and casualty insurance contracts

(a) Policy benefits in the course of settlement

The estimation of the ultimate liability arising from claims incurred under property and casualty insurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Property and casualty insurance contracts (continued)

Claim liabilities are based on estimates due to the fact that the ultimate disposition of claims incurred prior to the balance sheet date, whether reported or not, is subject to the outcome of events that may not yet have occurred. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of casualty contracts. Events which may effect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

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

Management engages independent actuaries, either to assist in making or to confirm the estimate of claim liabilities.

The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

(b) <u>Premium income</u>

Sagicor at Lloyd’s insurance syndicate writes some of its premium by delegated authority to insurance intermediaries. Due to delays in the notification of complete and accurate premium income written, premium income earned may have to be estimated. Accordingly, premium income written has to be re-assessed in future periods and adjustments made to earned premium.

Year ended December 31, 2007 Amounts expressed in US $000

4. SEGMENTS

4.1 Geographical Segments

	Year ended December 31, 2007				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	606,486	571,037	131,563	13,513	(23,659)
Jamaica	1,105,410	861,875	298,195	58,194	(20,889)
Trinidad & Tobago	441,316	333,040	101,656	15,053	(13,681)
United Kingdom	248,929	154,158	59,283	30,107	13,135
USA	798,664	719,016	50,106	111	6,889
Other Caribbean	442,187	258,741	129,836	36,191	13,175
Not allocated to segments	6,709	165,127	2,315	(24,619)	(86,152)
	3,649,701	3,062,994	772,954	128,550	(111,182)

	Year ended December 31, 2006				
	Total assets	Total liabilities	Total Revenue	Income from ordinary activities	Total cash Flows
Barbados	578,045	539,982	126,215	19,546	23,880
Jamaica	1,057,299	805,878	280,162	51,907	(6,628)
Trinidad & Tobago	399,475	279,618	83,565	25,826	(13,539)
USA	840,034	769,398	56,062	6,943	(1,890)
Other Caribbean	410,594	259,732	116,288	16,051	(5,676)
Not allocated to segments	77,830	166,364	38	(19,739)	91,356
	3,363,277	2,820,972	662,330	100,534	87,503

Other balances by geographical segment are disclosed in notes 6, 7, 8, 13, 41 and 47.

Year ended December 31, 2007 Amounts expressed in US $000

4. SEGMENTS (continued)

4.2 Business segments

	Total assets		Total revenue	
	2007	**2006**	**2007**	**2006**
Life insurance, health insurance and annuities from contracts issued to individuals	1,974,500	1,957,228	379,433	365,107
Life insurance, health insurance, annuities and pensions from contracts issued to groups	451,853	416,359	186,909	163,581
Property and casualty insurance	377,419	115,020	92,190	29,268
Banking, investment management and other financial services	812,647	774,944	110,660	103,549
Not allocated to segments (1)	33,282	99,726	3,762	825
	3,649,701	3,363,277	772,954	662,330

(1) Includes associated company, income tax and pension plan balances attributable to more than one business segment.

5. INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

	2007	**2006**
Balance, beginning of year	90,578	90,793
Additions at cost	1,744	1,522
Transfers to real estate developed for resale	-	(1,275)
Transfers to property, plant & equipment	(2,532)	(4,509)
Disposals	(582)	(4,489)
Appreciation in fair values	9,332	9,301
Effects of exchange rate changes	(1,018)	(765)
Balance, end of year	97,522	90,578

Investment property includes $20,276 (2006 - $18,651) which represents the Group's proportionate interest in joint ventures set out below.

Year ended December 31, 2007 Amounts expressed in US $000

5. INVESTMENT PROPERTY (continued)

Description of property	Percentage owned by the Group
Barbados:	
Land at Fort George Heights, Upton, St Michael	**50%**
Land at Plum Tree, St Thomas	**50%**
Trident House Properties, Lower Broad Street, Bridgetown	**33%**
United Nations House, Marine Gardens, Christ Church	**25%**
BET Building, Wildey, St Michael	**10%**
Trinidad & Tobago:	
Ernst & Young Building, Sweet Briar Road, Port-of-Spain	**60%**

Pension Funds managed by the Group own a 50% interest in Fort George Heights and Plum Tree respectively, a 33% interest in Trident House Properties and a 25% interest in United Nations House.

Other balances included in the financial statements in respect of the above partnerships and joint ventures are as follows:

	2007	2006
Cash, miscellaneous assets and receivables	908	1,042
Other funding instruments, accounts payable and accrued liabilities	195	443
Revenue	2,358	2,246
Expenses	39	24

Year ended December 31, 2007 Amounts expressed in US $000

6. PROPERTY, PLANT AND EQUIPMENT

	Year ended December 31, 2007				
	Owner-occupied properties	**Furnishings & leasehold improve-ments**	**Office equipment & vehicles**	**Operating lease vehicles & equipment**	**Total**
Net book value, beginning of year	50,374	8,896	12,017	9,241	80,528
Additions at cost	173	2,944	4,236	5,115	12,468
Assumed on acquisitions	-	234	480	-	714
Transfers from investment property	2,532	-	-	-	2,532
Disposals	-	(5)	(122)	(1,501)	(1,628)
Appreciation in fair values	7,715	-	-	-	7,715
Depreciation charge	(820)	(1,174)	(4,079)	(2,702)	(8,775)
Effects of exchange rate changes	(309)	(89)	(218)	-	(616)
Net book value, end of year	59,665	10,806	12,314	10,153	92,938
Represented by:					
Cost or valuation	60,741	23,735	43,817	15,613	143,906
Accumulated depreciation	(1,076)	(12,929)	(31,503)	(5,460)	(50,968)
	59,665	10,806	12,314	10,153	92,938

Year ended December 31, 2007 Amounts expressed in US $000

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Year ended December 31, 2006				
	Owner-occupied properties	Furnishings & leasehold improve-ments	Office equipment & vehicles	Operating lease vehicles & equipment	Total
Net book value, beginning of year	45,632	5,018	13,612	9,863	74,125
Additions at cost	490	5,100	4,068	3,645	13,303
Transfers from investment property	4,509	-	-	-	4,509
Transfers to intangible assets	-	-	(1,135)	-	(1,135)
Disposals	(131)	(21)	(333)	(1,567)	(2,052)
Appreciation in fair values	790	-	-	-	790
Depreciation charge	(724)	(1,141)	(4,045)	(2,700)	(8,610)
Effects of exchange rate changes	(192)	(60)	(150)	-	(402)
Net book value, end of year	50,374	8,896	12,017	9,241	80,528
Represented by:					
Cost or valuation	51,396	20,727	41,042	14,077	127,242
Accumulated depreciation	(1,022)	(11,831)	(29,025)	(4,836)	(46,714)
	50,374	8,896	12,017	9,241	80,528

Year ended December 31, 2007 Amounts expressed in US $000

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions to and depreciation of property, plant and equipment by geographical segment are as follows:

	Additions		**Depreciation**	
	2007	**2006**	**2007**	**2006**
Barbados	7,109	8,296	4,978	4,997
Jamaica	2,019	885	1,534	1,585
Trinidad & Tobago	979	1,645	832	633
United Kingdom	24	-	67	-
USA	933	629	388	359
Other Caribbean	1,064	1,814	941	1,031
Not allocated to segments	340	34	35	5
	12,468	13,303	8,775	8,610

Owner-occupied property includes $2,460 (2006 - $1,486) which represents the Group's proportionate interest in joint ventures set out below.

Description of property	**Percentage owned by the Group**
Belize:	
Belize Insurance Centre, North Front Street, Belize City	**50%**
Grenada:	
The Mutual / Trans-Nemwil Office Complex, The Villa, St George's	**50%**

Year ended December 31, 2007 Amounts expressed in US $000

7. INVESTMENT IN ASSOCIATED COMPANIES

	2007	2006
Investment, beginning of year	26,836	24,915
Additions	2,653	664
Income from ordinary activities	4,224	2,727
Amortisation of and other charges to intangible assets which were identified on acquisition	(2,457)	(494)
Income taxes	(3)	(8)
Dividends received	(1,338)	(974)
Other movements in equity	462	-
Effects of exchange rate changes	(43)	6
Investment, end of year	30,334	26,836

The investment in associated companies and the income from ordinary activities by geographical segment are as follows:

	Investment in associated companies		Income from ordinary activities	
	2007	2006	2007	2006
Barbados	1,903	125	260	(2)
Jamaica	39	41	-	-
Trinidad & Tobago	16,896	14,064	2,519	1,687
Other Caribbean	11,496	12,606	1,445	1,042
	30,334	26,836	4,224	2,727

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

	2007	2006
Total assets	327,887	293,024
Total liabilities	218,166	203,368
Total revenue	95,308	88,264
Net income for the year	16,979	10,976

Year ended December 31, 2007 Amounts expressed in US $000

8. INTANGIBLE ASSETS

(a) Analysis and changes for the year

	Year ended December 31, 2007					
	Goodwill	**Customer & broker relation-ships**	**Trade names**	**Syndicate capacity & licences**	**Software**	**Total**
Net book value, beginning of year	59,148	44,328	3,536	-	5,696	112,708
Additions at cost	-	-	-	-	4,120	4,120
Assumed on acquisitions	-	-	-	53	491	544
Identified on acquisitions:						
Sagicor at Lloyd's (note 37.1)	-	842	-	25,178	1,147	27,167
Byrne & Stacey Underwriting (note 37.2)	4,853	754	-	-	499	6,106
Sagicor General Insurance (Cayman) (note 37.4)	439	-	-	-	-	439
Disposals	(63)	-	-	-	-	(63)
Amortisation and other charges	-	(2,998)	(3,444)	(34)	(2,394)	(8,870)
Effects of exchange rate changes	(1,127)	(1,977)	(92)	(302)	(129)	(3,627)
Net book value, end of year	63,250	40,949	-	24,895	9,430	138,524
Represented by:						
Cost	65,065	48,956	7,037	24,929	17,301	163,288
Accumulated charges and amortisation	(1,815)	(8,007)	(7,037)	(34)	(7,871)	(24,764)
	63,250	40,949	-	24,895	9,430	138,524

Year ended December 31, 2007 Amounts expressed in US $000

8. INTANGIBLE ASSETS (continued)

	Year ended December 31, 2006				
	Goodwill	**Customer relation-ships**	**Trade names**	**Software**	**Total**
Net book value, beginning of year	60,703	49,038	5,832	4,521	120,094
Transfer from property, plant and equipment	-	-	-	1,135	1,135
Additions at cost	-	-	-	2,228	2,228
Amortisation and other charges	(983)	(3,046)	(2,119)	(2,099)	(8,247)
Effects of exchange rate changes	(572)	(1,664)	(177)	(89)	(2,502)
Net book value, end of year	59,148	44,328	3,536	5,696	112,708
Represented by:					
Cost	60,131	49,637	7,389	11,016	128,173
Accumulated charges and amortisation	(983)	(5,309)	(3,853)	(5,320)	(15,465)
	59,148	44,328	3,536	5,696	112,708

(b) Geographical segment information

	Goodwill		**Additions to intangible assets**		**Amortisation of intangible assets**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Barbados	22,633	22,633	2,022	743	606	724
Jamaica	19,406	20,411	761	693	6,828	5,260
Trinidad & Tobago	4,902	4,916	-	-	-	3
United Kingdom	4,795	-	43	-	196	-
USA	-	-	1,109	703	724	1,457
Other Caribbean	11,514	11,188	133	41	506	803
Not allocated to segments	-	-	52	48	10	-
	63,250	59,148	4,120	2,228	8,870	8,247

Year ended December 31, 2007 Amounts expressed in US $000

8. INTANGIBLE ASSETS (continued)

(c) Goodwill

Goodwill arising on past acquisitions is reviewed by cash generating unit (CGU). The recoverable amount of a CGU is determined either by its value in use or by its fair value less costs to sell.

A CGU's value in use is estimated using cash flow projections prepared by management. Detailed cash flow projections are prepared for three years and are extrapolated for subsequent years.

The fair value of a CGU is estimated by capitalising its expected earnings over time.

Cash flow discount factors, residual growth rates and earnings multiples utilised in the assessment of recoverable amounts as of December 31, 2007 were as follows:

	2007		
	Cash flow discount factor	**Cash flow residual growth rate**	**Earnings multiples**
Barbados	13.3% - 15.3%	4.0% – 4.5%	8.7
Jamaica	21.2%	7.0%	4.8 – 5.3
Trinidad & Tobago	n/a	n/a	8.0
Other Caribbean	11.2%- 14.6%	3.5%	8.5 – 9.0

Year ended December 31, 2007 Amounts expressed in US $000

9. FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	3,441	3,394	3,251	3,225
Available for sale securities:				
Debt securities	1,309,824	1,309,824	1,230,746	1,230,746
Equity securities	162,052	162,052	163,334	163,334
	1,471,876	1,471,876	1,394,080	1,394,080
Securities at fair value through income:				
Debt securities	85,392	85,392	87,719	87,719
Equity securities	26,662	26,662	23,774	23,774
	112,054	112,054	111,493	111,493
Loans and receivables:				
Debt securities	351,793	344,269	329,144	330,739
Mortgage loans	293,998	291,273	247,893	247,150
Policy loans	126,403	131,247	125,891	125,891
Finance loans and finance leases	145,764	145,764	122,888	122,888
Securities purchased under agreements to resell	15,980	15,980	22,320	22,320
Deposits	161,698	161,698	167,862	167,863
	1,095,636	1,090,231	1,015,998	1,016,851
Total financial investments	2,683,007	2,677,555	2,524,822	2,525,649

Year ended December 31, 2007 Amounts expressed in US $000

9. FINANCIAL INVESTMENTS (continued)

9.1 Analysis of financial investments (continued)

	2007	2006
Securities at fair value through income comprise:		
Securities designated at fair value upon initial recognition	90,706	88,889
Securities held for trading	21,348	22,604
	112,054	111,493
Debt securities comprise:		
Government debt securities	1,074,471	1,029,059
Corporate debt securities	394,871	328,590
Collateralised mortgage obligations	229,436	240,226
Other securities	51,672	52,985
	1,750,450	1,650,860

Debt securities include $7,168 (2006 - $7,447) that contain options to convert to common shares of the issuer.

Corporate debt securities include:

(i) convertible loans totalling $6,785 (2006 - $4,772) issued to the Group by an associated company. These loans can be converted into equity or bonds issued by the associated company.

(ii) $13,670 (2006 - $11,917) in bonds issued by an associated company.

Equity securities include $6,705 (2006 - $6,252) in mutual funds managed by the Group.

Year ended December 31, 2007 Amounts expressed in US $000

9. FINANCIAL INVESTMENTS (continued)

9.2 Pledged assets

As of December 31, 2006, debt securities included $39,220 held in trust supporting reinsurance liabilities assumed. As of December 31, 2007, the trust was unwound and the related assets were transferred to the Group's general investment portfolio. The Group manages these investments and bears the investment risk.

Debt securities include $23,182 (2006 - $23,450) and policy loans include $29,932 (2006 - $30,412) in assets held in trust for a reinsurer (note 20). The income from these assets accrues to the reinsurer.

Debt and equity securities include $17,825 (2006 - $20,497) as collateral for loans payable.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of $5,158 (2006 - $5,311), and mortgages and mortgage backed securities having a total market value of $121,514 (2006 - $123,896).

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. As of December 31, 2007, these pledged assets totalled $514,838 (2006 - $474,831). Of these assets pledged as security $237,012 (2006 – $189,075) represent collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

Deposits include $49,236 (2006 – nil) pledged as collateral for a letter of credit facility obtained by the Group.

9.3 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked contracts and certain deposit administration contracts.

	2007	2006
Debt securities	63,844	65,150
Equity securities	23,730	22,044
Mortgage loans	47,824	43,659
Securities purchased under agreements to resell	311	2,452
	135,709	133,305

Year ended December 31, 2007 Amounts expressed in US $000

10. REINSURANCE ASSETS

	2007	2006
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	247,760	276,471
Policy benefits in the course of settlement (note 14.2)	34,658	21,001
Provision for unearned premiums (note 14.3)	31,686	17,943
Other items	6,051	6,274
	320,155	321,689

11. INCOME TAX ASSETS

	2007	2006
Deferred income tax assets (note 33)	11,645	4,226
Income and withholding taxes recoverable	11,977	14,107
	23,622	18,333

12. MISCELLANEOUS ASSETS AND RECEIVABLES

	2007	2006
Pension plan assets (note 31)	2,048	1,004
Real estate developed or held for resale	6,116	12,901
Deferred policy acquisition costs	25,917	3,747
Premiums in the course of collection	78,299	27,926
Amounts due from managed funds	3,709	3,014
Other accounts receivable	55,370	51,509
	171,459	100,101

Year ended December 31, 2007 Amounts expressed in US $000

12. MISCELLANEOUS ASSETS AND RECEIVABLES (continued)

(a) Real estate developed or held for resale

Real estate developed for resale includes $3,964 (2006 - $8,837) which is expected to be realised after one year.

Real estate developed for resale includes $2,020 (2006 - $3,161) which represents the Group's proportionate interest in the joint ventures set out below.

Description of property	**Percentage owned by the Group**
Barbados:	
Land at Fort George Heights, Upton, St Michael	**50%**
Rolling Hills Development, Byde Mill, St George	**81% (2006 only)**

(b) Deferred policy acquisition costs

The movement in deferred acquisition costs for the year is as follows:

	Gross amount	
	2007	**2006**
Balance, beginning of year	3,747	3,088
Assumed on acquisitions	20,802	-
Expensed	(23,590)	(9,240)
Additions	25,449	9,897
Effect of exchange rate changes	(491)	2
Balance, end of year	25,917	3,747

Year ended December 31, 2007 Amounts expressed in US $000

13. ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
(a) Life insurance, annuities and health insurance - contracts issued to individuals:				
Life - participating polices	288,081	279,539	2,805	3,277
Life and annuity - non-participating policies	795,574	817,992	199,714	220,831
Health	4,156	3,951	1,721	1,590
Unit linked funds	93,061	89,490	-	-
Reinsurance contracts held	2,370	6,057	-	-
	1,183,242	1,197,029	204,240	225,698
(b) Life insurance, annuities and health insurance - contracts issued to groups:				
Life	28,640	25,280	2,369	2,395
Annuities	131,660	133,467	40,627	47,929
Health	20,762	17,808	524	449
	181,062	176,555	43,520	50,773
Total actuarial liabilities	1,364,304	1,373,584	247,760	276,471

The following notes are in respect of the above:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $144,958 (2006 - $152,710) in assumed reinsurance.
- Liabilities for reinsurance contracts held occur because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of the policy.

Year ended December 31, 2007 Amounts expressed in US $000

13. ACTUARIAL LIABILITIES (continued)

13.2 Movement in actuarial liabilities

The movement in actuarial liabilities for the year is as follows:

	Gross amount		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Balance, beginning of year	1,373,584	1,395,599	276,471	302,998
Transfers	-	902	-	-
Change in actuarial liabilities (note 27)	(925)	(17,568)	(28,709)	(26,531)
Effect of exchange rate changes	(8,355)	(5,349)	(2)	4
Balance, end of year	1,364,304	1,373,584	247,760	276,471

The change in liability by geographical segment is as follows:

	Gross amount	
	2007	**2006**
Barbados	16,579	4,085
Jamaica	21,389	12,660
Trinidad & Tobago	21,646	3,603
USA	(45,891)	(45,897)
Other Caribbean	(14,648)	7,981
	(925)	(17,568)

13.3 Assumptions – life insurance and annuity contracts

(a) Process used to set actuarial assumptions and margins for adverse deviations

At each date for valuation of actuarial liabilities, the Appointed Actuary (AA) of each insurer reviews the assumptions made at the last valuation date. The AA tests the validity of each assumption by reference to current data, and where appropriate, changes the assumptions for the current valuation.

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Recent changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population.

For the 2007 valuation, insurers conducted studies of their own recent mortality experience. The resulting experience was measured against an industry standard (Canadian Institute of Actuaries (CIA) 1986 – 1992 tables) and resulted in the assignment of probabilities of death by policy duration. Appropriate modification factors were selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality was determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience and established guidelines from Actuarial Institutes.

(c) Assumptions for lapse

Lapses relate to the forced termination of policies due to non-payment of premium or to the voluntary termination of policies by policyholders.

Lapse studies were performed by certain insurers for the 2007 valuation, to determine the most recent experience of persistency. Appropriate rates of termination by policy duration were determined and applied in the actuarial valuations.

(d) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are however assumed to decrease and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

Year ended December 31, 2007 Amounts expressed in US $000

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

The ultimate rate of return (URR) is the assumed rate that will ultimately be earned on government bonds and is as follows:

	2007	2006
Geographical segment	**URR**	**URR**
Barbados	5.0%	5.0%
Jamaica	7.0%	7.0%
Trinidad & Tobago	5.5%	5.0%
USA	4.0%	4.0%
Other Caribbean	5.0 – 5.25%	5.0%

(e) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs were updated for the 2007 valuations and were applied on a per policy basis.

(f) Asset defaults

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Group experience and includes a specific margin for equity securities and a combined margin for debt securities, mortgage loans and deposits.

(g) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuations. The application of these margins resulted in the following provisions for adverse deviations being included in the actuarial liabilities:

Provisions for adverse deviations	**2007**	**2006**
Mortality and morbidity	27,024	23,240
Lapse	21,797	18,451
Investment yields and asset default	61,975	54,286
Operating expenses and taxes	12,772	10,488
	123,568	106,465

13. ACTUARIAL LIABILITIES (continued)

13.3 Assumptions – life insurance and annuity contracts (continued)

(h) Movement in actuarial liabilities arising from changes in assumptions

The increase in actuarial liability for the year includes the effects arising from changes in assumptions.

Components of the net increase in actuarial liabilities have been estimated using Policy Premium Method equivalents. Because the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions and in actuarial modelling may have a significant effect in the period in which they are recorded.

The total effect of changes in assumptions and actuarial modelling are as follows.

	2007	**2006**
Decrease in actuarial liabilities	(44,722)	(51,603)

There have been no specific changes in assumptions and actuarial modelling which represent more than 5% of actuarial liabilities at the beginning of the year.

13.4 Assumptions – 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.

Year ended December 31, 2007 Amounts expressed in US $000

14. OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2007	2006
Dividends on deposit and other policy balances	63,411	60,875
Policy benefits in the course of settlement	141,860	56,540
Provision for unearned premiums	108,644	35,286
	313,915	152,701

14.2 Policy benefits in the course of settlement

(a) Analysis of policy benefits in the course of settlement

	Gross liability		Reinsurers' share	
	2007	2006	2007	2006
Life insurance and annuity benefits	40,792	35,268	11,390	10,850
Health claims	1,166	1,009	2,947	1,315
Property and casualty claims	99,902	20,263	20,321	8,836
	141,860	56,540	34,658	21,001

Health claims include $797 (2006 - $824) in provisions for claims incurred but not yet reported. Property and casualty claims include $32,463 (2006 – $4,105) in provisions for claims incurred but not yet reported.

(b) Movement in policy benefits in the course of settlement

	Gross amount		Reinsurers' share	
	2007	2006	2007	2006
Balance, beginning of year	56,540	54,798	21,001	21,742
Assumed on acquisitions	79,442	-	10,629	-
Policy benefits incurred	334,526	310,958	61,737	56,229
Policy benefits paid	(326,800)	(308,339)	(58,112)	(56,604)
Effect of exchange rate changes	(1,848)	(877)	(597)	(366)
Balance, end of year	141,860	56,540	34,658	21,001

Year ended December 31, 2007 Amounts expressed in US $000

14. OTHER INSURANCE LIABILITIES (continued)

14.3 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

	Gross liability		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Property and casualty insurance	107,383	34,013	31,686	17,943
Health insurance	1,261	1,273	-	-
	108,644	35,286	31,686	17,943

(b) Movement in provision for unearned premiums

	Gross amount		Reinsurers' share	
	2007	**2006**	**2007**	**2006**
Balance, beginning of year	35,286	28,484	17,943	12,331
Assumed on acquisitions	65,681	-	5,415	-
Premiums written	135,852	95,266	68,183	53,921
Premium revenue	(126,557)	(88,457)	(59,523)	(48,318)
Effect of exchange rate changes	(1,618)	(7)	(332)	9
Balance, end of year	108,644	35,286	31,686	17,943

Year ended December 31, 2007 Amounts expressed in US $000

15. INVESTMENT CONTRACT LIABILITIES

	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying Value	Fair Value
Deposit administration liabilities	180,882	180,882	176,194	175,836
Other investment contracts	61,494	61,405	44,661	44,103
	242,376	242,287	220,855	219,939

16. NOTES AND LOANS PAYABLE

	December 31, 2007		December 31, 2006	
	Carrying value	Fair Value	Carrying value	Fair Value
7.5% senior notes due 2016	146,883	151,875	146,514	152,977
Bank loans	5,836	5,836	13,974	13,974
	152,719	157,711	160,488	166,951

The Group issued ten year US$150 million senior notes which are repayable in 2016 and carry a 7.5% rate of interest fixed for the period. The notes are traded and are listed on the Luxembourg Euro MTF Market.

Bank loans are secured either by portfolios of investment securities or by the holdings in subsidiaries.

Year ended December 31, 2007 Amounts expressed in US $000

17. DEPOSIT AND SECURITY LIABILITIES

	December 31, 2007		December 31, 2006	
	Carrying value	Fair Value	Carrying value	Fair Value
Other funding instruments:				
Loans from banks and other financial institutions	163,719	168,065	161,556	165,057
Deposits:				
Customer deposits	136,641	136,641	123,157	123,157
Securities:				
Securities sold under agreements to repurchase	487,306	487,306	457,741	457,741
Bank overdrafts	2,899	2,899	2,981	2,981
	790,565	794,911	745,435	748,936

Loans from banks and other financial institutions include balances of $118,376 (2006 - $120,655) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

The collateral for other funding instruments and securities sold under agreements to resell is set out in note 9.2.

Un-disbursed facilities in respect of other funding instruments and bank overdrafts total approximately $ nil (2006 – $1,779).

18. PROVISIONS

	2007	2006
Pension plans and other retirement benefits (note 31)	21,648	17,963
Other	1,894	2,602
	23,542	20,565

Year ended December 31, 2007 Amounts expressed in US $000

19. INCOME TAX LIABILITIES

	2007	2006
Deferred income tax liabilities (note 33)	6,635	7,434
Income taxes payable	8,472	11,244
	15,107	18,678

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Amounts due to policyholders	7,718	1,649
Amounts due to reinsurers	82,351	67,767
Amounts due to managed funds	2,105	3,609
Other accounts payable and accrued liabilities	68,292	55,641
	160,466	128,666

Amounts due to reinsurers include $53,114 (2006 – $53,862) due to a reinsurer in respect of assets held in trust by the Group (see note 9.2).

21. SHARE CAPITAL

The Company is authorised to issue an unlimited number of common shares issuable in series, and an unlimited number of preference shares issuable in series.

	Year ended December 31, 2007		Year ended December 31, 2006	
	Number of shares '000	$000	Number of shares '000	$000
Issued and fully paid common shares of no par value:				
Balance, beginning of year	266,187	230,235	265,553	229,226
Allotments	238	484	1,432	2,826
Balance, end of year	266,425	230,719	266,985	232,052
Treasury shares:				
Net shares disposed / (acquired) by ESOP trustees	429	976	(798)	(1,817)
Total share capital	266,854	231,695	266,187	230,235

The Company's shares are listed on the Barbados and Trinidad stock exchanges. From February 14, 2007, the Company's shares were listed on the London stock exchange.

Year ended December 31, 2007 Amounts expressed in US $000

22. RESERVES

	Year ended December 31, 2007					
	Fair value reserves		Currency trans-lation reserve	Share based payment reserves	Statutory reserves	Total
	Available for sale assets	Owner occupied property				
Balance, beginning of year	55,815	9,531	(22,811)	1,472	4,099	48,106
Unrealised (losses)/gains arising on revaluation, net of taxes	(10,847)	6,693	-	-	-	(4,154)
Gains transferred to income on disposal and impairment	(17,524)	-	-	-	-	(17,524)
Retranslation of foreign operations	-	-	(9,099)	-	-	(9,099)
Net gains / (losses) recognised directly in equity	(28,371)	6,693	(9,099)	-	-	(30,777)
Value of employee services rendered (net)	-	-	-	1,705	-	1,705
Other movements	873	(203)	215	-	1,816	2,701
	(27,498)	6,490	(8,884)	1,705	1,816	(26,371)
Balance, end of year	28,317	16,021	(31,695)	3,177	5,915	21,735

Year ended December 31, 2007 Amounts expressed in US $000

22. RESERVES (continued)

	Year ended December 31, 2006					
	Fair value reserves		Currency trans-lation reserve	Share based payment reserves	Statutory reserves	Total
	Available for sale assets	Owner occupied property				
Balance, beginning of year	56,007	8,886	(16,439)	-	4,810	53,264
Unrealised gains arising on revaluation, net of taxes	4,689	645	-	-	-	5,334
Gains transferred to income on disposal and impairment	(4,900)	-	-	-	-	(4,900)
Retranslation of foreign operations	-	-	(6,372)	-	-	(6,372)
Net gains / (losses) recognised directly in equity	(211)	645	(6,372)	-	-	(5,938)
Value of employee services rendered (net)	-	-	-	1,472	-	1,472
Other movements	19	-	-	-	(711)	(692)
	(192)	645	(6,372)	1,472	(711)	(5,158)
Balance, end of year	55,815	9,531	(22,811)	1,472	4,099	48,106

Year ended December 31, 2007 Amounts expressed in US $000

23. PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year were as follows:

	Closed participating account		Open participating account	
	2007	2006	2007	2006
Balance, beginning of year	7,158	5,270	2,744	5,190
Net unrealised (losses) / gains arising on available for sale investment securities	(20)	1	-	-
Return of transfer to support profit distribution to shareholders	-	-	(260)	(256)
Net income / (loss) for the year	1,372	1,887	(1,598)	(2,190)
Balance, end of year	8,510	7,158	886	2,744

The amounts in the financial statements relating to participating accounts are as follows:

	Closed participating account		Open participating account	
	2007	2006	2007	2006
Assets	94,761	92,409	227,604	212,121
Liabilities	86,251	85,251	226,718	209,376
Revenues	10,548	10,929	35,684	35,150
Benefits	7,356	7,285	29,851	27,830
Expenses	1,633	1,568	6,747	8,669
Income taxes	187	189	684	841

Year ended December 31, 2007 Amounts expressed in US $000

24. PREMIUM REVENUE

	Gross revenue		Reinsurance expense	
	2007	**2006**	**2007**	**2006**
Life insurance	249,534	231,602	39,271	37,508
Annuities	53,423	56,091	240	365
Health insurance	123,190	113,548	5,312	5,662
Property and casualty insurance	109,724	67,462	60,662	47,546
	535,871	468,703	105,485	91,081

Gross revenue includes $22,260 (2006 - $19,188) in reinsurance assumed.

25. NET INVESTMENT INCOME

	2007	**2006**
Investment income:		
Interest income	206,618	194,612
Dividend income	6,719	6,275
Rental income from investment property	5,629	5,345
Net investment gains	38,377	29,579
Foreign exchange gains	3,836	2,870
Other investment income	1,655	2,965
	262,834	241,646
Investment expenses:		
Allowances for impairment losses	(421)	183
Direct operating expenses of investment property	1,155	1,305
Other direct investment expenses	888	1,779
	1,622	3,267
Net investment income	261,212	238,379

Year ended December 31, 2007 Amounts expressed in US $000

25. NET INVESTMENT INCOME (continued)

The Group manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc) and the income there-from is presented accordingly.

(a) Interest income

	2007	2006
Debt securities	148,325	143,735
Mortgage loans	20,183	17,921
Policy loans	9,091	9,185
Finance loans and finance leases	15,285	13,212
Securities purchased under agreements to resell	3,477	4,028
Deposits	9,845	6,395
Other balances	412	136
	206,618	194,612

Interest from debt securities includes $1,678 (2006 - $1,324) from an associated company.

(b) Net investment gains / (losses)

	2007	2006
Debt securities	9,051	9,487
Equity securities	19,730	10,502
Investment property	9,512	9,314
Other financial investments	84	276
	38,377	29,579

Year ended December 31, 2007 Amounts expressed in US $000

26. FEES AND OTHER REVENUE

	2007	2006
Fee income – assets under administration	12,520	11,895
Fee income – deposit administration and policy funds	3,075	2,676
Commission income on insurance and reinsurance contracts	11,144	11,340
Other fees and commission income	10,758	7,706
Other operating and miscellaneous income	13,237	9,985
	50,734	43,602

27. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross amount		Reinsurers' share	
	2007	2006	2007	2006
Policy benefits:				
Life insurance benefits	130,074	129,422	25,725	23,936
Annuity benefits	84,414	82,410	24,567	22,669
Health insurance claims	89,182	82,803	3,845	3,353
Property & casualty insurance claims	30,856	16,323	7,600	6,271
Total policy benefits	334,526	310,958	61,737	56,229
Change in actuarial liabilities (note 13.2)	(925)	(17,568)	(28,709)	(26,531)
Total policy benefits and change in actuarial liabilities	333,601	293,390	33,028	29,698

Gross policy benefits include $22,263 (2006 - $21,171) arising from reinsurance assumed.

Year ended December 31, 2007 Amounts expressed in US $000

28. INTEREST EXPENSE

	2007	2006
Insurance contracts	2,457	2,659
Investment contracts	17,044	17,501
Other funding instruments	9,448	8,654
Deposits	9,528	8,082
Securities	42,804	41,397
Other Items	2,782	3,984
	84,063	82,277

The Group manages its interest-bearing obligations by the type of obligation (i.e. investment contracts, securities etc) and the interest there-to is presented accordingly.

29. EMPLOYEE COSTS

Included in administrative expenses, commissions and related compensation are the following:

	2007	2006
Administrative staff salaries, directors' fees and other short-term benefits	63,890	55,770
Employer contributions to social security schemes	4,863	4,270
Equity compensation benefits	2,413	1,718
Employer contribution to defined contribution pension schemes	654	344
Costs – defined benefit pension schemes	3,132	2,489
Costs – other retirement benefits	1,178	878
	76,130	65,469

The total number of administrative staff at December 31 was 1,807 persons (2006 – 1,764 persons).

Year ended December 31, 2007 Amounts expressed in US $000

30 EMPLOYEE EQUITY COMPENSATION BENEFITS

30.1 The Company

Effective December 31, 2005, the Company introduced a Long Term Incentive (LTI) plan for designated executives of the Sagicor Group and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Group. A total of 26,555,274 common shares of the Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management of the Group during the year. Share grants may vest over a four year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Group as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

The movement in restricted share grants during the year is as follows. B$ represents Barbados $.

	2007		2006	
	Number of grants '000	**Weighted average exercise price**	**Number of grants '000**	**Weighted average exercise price**
Balance, beginning of year	214	B$ 3.81	-	-
Grants issued	425	B$ 3.87	305	B$ 3.81
Grants vested	(218)	B$ 3.84	(91)	B$ 3.81
Balance, end of year	421	B$ 3.85	214	B$ 3.81

Effective December 31, 2005 and during 2006, the Company authorised further compensation to designated key management which, at the option of the recipient, could be settled either in cash or in shares issued by the Company, or by a combination of cash and shares. During 2006, 1,342,000 common shares were issued to key management out of the compensation awarded. These shares were issued at the market price prevailing at the exercise dates for a total value of $2,647.

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Options are granted at the fair market price of the shares at the time that the option is granted. 25% of the options each vest on the first, second, third and fourth anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

Year ended December 31, 2007 Amounts expressed in US $000

30 EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.1 The Company (continued)

The movement in share options during the year is as follows. B$ represents Barbados $.

	2007		2006	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	932	B$ 3.95	-	-
Options granted	2,050	B$ 4.01	932	B$ 3.95
Options exercised	(14)	B$ 3.95	-	-
Balance, end of year	2,968	B$ 3.99	932	B$ 3.95
Exercisable at the end of the year	219	B$ 3.95	-	-

Further details of share options and the assumptions used in determining their pricing are as follows:

	2007 options	2006 options
Share price at grant date	B$ 4.01	B$ 3.95
Fair value of options at grant date	B$ 0.82	B$ 1.38
Expected volatility	19.3%	35.8%
Expected life	7.0 years	7.0 years
Expected dividend yield	3.0%	3.0%
Risk-free interest rate	4.8%	6.0%

The expected volatility is based on statistical analysis of monthly share prices over the two years prior to grant date.

30 EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.1 The Company (continued)

(c) ESOP

During 2007 and 2006, the Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment.

During the year, 429,000 common shares were disposed of by the Trustees (2006 - 798,000 common shares acquired).

(d) Expense

The expense recorded in the income statement in respect of the LTI plan and ESOP totalled $2,000 (2006 - $1,197).

30.2 Life of Jamaica Limited (LOJ)

(a) Long-term incentive plan

Effective May 1, 2003, LOJ instituted a share based long-term incentive plan for senior executives. 150,000,000 ordinary shares (or 5% of the authorised share capital at that date) have been set aside for the plan.

LOJ introduced a new Long Term Incentive (LTI) plan effective January 2007. This plan 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 LOJ 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 on LOJ stock on the date of grant. The exercise price of the options is the closing bid price on the grant date.

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.

Year ended December 31, 2007 Amounts expressed in US $000

30 EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.2 Life of Jamaica Limited (LOJ) (continued)

Details of the share options outstanding are as follows. J$ represents Jamaica $.

	2007		2006	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	23,866	J$ 6.54	19,470	J$ 5.99
Options granted	-	-	4,396	J$ 9.00
Options exercised	(4,533)	J$ 5.50	-	-
Balance, end of year	19,333	J$ 6.79	23,866	J$ 6.54
Exercisable at the end of the year	13,286	J$ 6.45	13,185	J$ 4.48

Further details of share options outstanding at December 31, 2007 are as follows:

	Options
Fair value of options outstanding	J$ 21,615,000
Share price at grant date	J$ 3.90 – 11.30
Exercise price	J$ 2.70 – 11.30
Standard deviation of expected share price returns	34.0%
Weighted average remaining contractual term	2 years
Risk-free interest rate	12.0% - 26.1%

The expected volatility is based on statistical analysis of daily share prices over three years.

The total expense recorded in the income statement in respect of the share option plan totalled $271 (2006 – $90).

30 EMPLOYEE EQUITY COMPENSATION BENEFITS

30.2 Life of Jamaica Limited (LOJ) (continued)

(b) Employee share purchase plan

LOJ has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled $1,502 (2006 - $1,623).

30.3 Pan Caribbean Financial Services Limited (PCFS)

PCFS offers share options to employees who have completed the minimum eligibility period of employment. Options are conditional on the employee completing a minimum service period of one year. Options are forfeited if the employee leaves PCFS before the options vest. PCFS share options were granted as follows:

(i) 17,220,000 share options on 8 March 2004. These options expired on 31 December 2007. The exercise price for the options is J$10. The options were vested 31 December 2006. 12,668,000 of these options were vested and exercised. The balance of the 4,552,000 vested options was exercised in 2007.

(ii) 1,200,000 share options on 1 March 2005. These options expire on 28 February 2009. The exercise price for the options is J$36.50. The options vest over four years - 25% on each anniversary date of the grant. 600,000 of these shares were forfeited and contracts for 525,000 were cancelled. 75,000 of the share options vested on 1 March 2006.

(iii) 1,200,000 share options on 1 March 2006. These options expire on 28 February 2010. The exercise price for the options is J$21.75. These options vest over four years – 25% each anniversary date of the grant.

(iv) 600,000 share options on 1 March 2007. These options expire on 28 February 2011. The exercise price for the options is J$19.29. These options vest over four years – 25% each anniversary date of the grant.

(v) 4,074,246 share options on 1 April 2007. These options expire on 31 March 2011. The exercise price for the options is J$18.00. These options vest over four years – 25% each anniversary date of the grant.

Year ended December 31, 2007 Amounts expressed in US $000

30 EMPLOYEE EQUITY COMPENSATION BENEFITS (continued)

30.3 Pan Caribbean Financial Services Limited (PCFS) (continued)

The movement in share options was as follows. J$ represents Jamaica $.

	2007		2006	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	5,902	J$ 16.20	11,210	J$ 12.70
Options granted	4,674	J$ 21.27	1,200	J$ 19.29
Options exercised	(4,552)	J$ 20.68	(5,458)	J$ 9.71
Options lapsed / forfeited	(75)	J$ 36.50	(1,050)	J$ 36.50
Balance, end of year	5,949	J$ 16.49	5,902	J$ 16.20
Exercisable at the end of the year	375	J$ 24.70	4,702	J$ 10.85

Further details of share options outstanding at December 31, 2007 are as follows:

	Options
Fair value of options outstanding	J$ 42,178,000
Weighted average share price at grant date	J$ 16.84
Exercise price	J$ 18.00 - 36.50
Standard deviation of expected share price returns	10.0%
Weighted average remaining contractual term	5 years
Risk-free interest rate	13.3%

The expected volatility is based on statistical analysis of daily share prices over one year.

The total expense recorded in the income statement in respect of the share option plan totalled $142 (2006 – $ 182).

Year ended December 31, 2007 Amounts expressed in US $000

31. EMPLOYEE RETIREMENT BENEFITS

Certain Group subsidiaries have contributory defined benefit pension schemes in place for eligible administrative staff. Some subsidiaries also offer medical and life insurance benefits that contribute to the health care and life insurance coverage of retirees and beneficiaries.

(a) Amounts recognised in the balance sheet

The amounts recognised in the balance sheet are determined as follows:

	Pension benefits		Other retirement benefits	
	2007	**2006**	**2007**	**2006**
Fair value of retirement plan assets	75,229	65,340	1,052	970
Present value of retirement obligations	(96,016)	(81,796)	(8,063)	(7,211)
	(20,787)	(16,456)	(7,011)	(6,241)
Unrecognised actuarial losses	5,869	3,303	2,329	2,435
Amounts recognised in the balance sheet	(14,918)	(13,153)	(4,682)	(3,806)
Represented by:				
Asset balances	2,048	1,004	-	-
Liability balances	(16,966)	(14,157)	(4,682)	(3,806)
	(14,918)	(13,153)	(4,682)	(3,806)

Included in liability balances are interest bearing deposit administration fund balances totalling $18,929 (2006 - $16,845) representing employee pension plan funds on deposit with the Group.

Year ended December 31, 2007 Amounts expressed in US $000

31. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Amounts recognised in the income statement

The amounts recognised in the income statement are determined as follows:

	Pension benefits		Other retirement benefits	
	2007	**2006**	**2007**	**2006**
Current service cost	3,348	2,804	665	436
Interest cost	7,351	6,349	928	555
Net actuarial (gains) / losses recognised during the year	1,168	1,048	68	(3)
Past service cost	65	174	1,242	-
Curtailment gain	-	-	(1,591)	-
Expected return on retirement plan assets	(8,800)	(7,886)	(134)	(110)
Total cost	3,132	2,489	1,178	878

(c) Retirement plan assets

The movement in the fair value of retirement plan assets is as follows:

	Pension benefits		Other retirement benefits	
	2007	**2006**	**2007**	**2006**
Plan assets, beginning of year	65,340	60,504	970	-
Expected return on plan assets	8,800	7,886	134	110
Actuarial gains and losses	97	(1,080)	-	989
Contributions made by the Group	3,912	2,748	-	-
Contributions made by plan participants	2,139	1,970	-	-
Benefits paid	(2,716)	(4,165)	-	-
Other	119	(877)	-	(110)
Effects of exchange rate changes	(2,462)	(1,646)	(52)	(19)
Plan assets, end of year	75,229	65,340	1,052	970

The actual return on retirement plan assets was $9,896 (2006 – $7,244).

Year ended December 31, 2007 Amounts expressed in US $000

31. EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Retirement obligations

The movement in the retirement obligations are as follows:

	Pension benefits		Other retirement benefits	
	2007	**2006**	**2007**	**2006**
Retirement obligations, beginning of year	81,796	70,986	7,211	4,559
Current service cost	3,348	2,804	665	436
Interest cost	7,351	6,349	928	555
Contributions made by employees	2,175	2,043	-	-
Actuarial gains and losses	4,805	5,362	926	1,973
Benefits paid	(2,744)	(3,245)	(142)	(80)
Past service cost	519	455	1,242	-
Curtailments	-	-	(2,334)	-
Other	1,238	(1,367)	(78)	-
Effects of exchange rate changes	(2,472)	(1,591)	(355)	(232)
Retirement obligations, end of year	96,016	81,796	8,063	7,211

Year ended December 31, 2007 Amounts expressed in US $000

31. EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Principal assumptions

The principal actuarial assumptions used were as follows:

	-------------- Pension benefits --------------			Other retirement benefits
	Jamaica	**Trinidad & Tobago**	**Barbados & other countries**	**Jamaica**
Discount rate	13.0%	8.0%	7.75%	13.0%
Expected return on plan assets	13.0%	8.0%	8.0%	13.0%
Future salary increases	10.0%	6.5%	6.5%	10.0%
Future pension increases	4.5%	1.5%	2.5%	n/a
Portion of employees opting for early retirement	0.0%	0.0%	0.0%	n/a
Future changes in National Insurance Scheme Ceilings	0.0%	2.5%	3.5%	n/a
Long term increase in health costs	n/a	n/a	n/a	12.0%

Year ended December 31, 2007 Amounts expressed in US $000

32. INCOME TAXES

The income tax expense is comprised of:

	2007	2006
Current tax	15,861	13,783
Deferred tax	3,960	118
Share of tax of associated companies	3	8
	19,824	13,909

In summary, income tax is levied on the following sources of income:

	2007	2006
Investment income subject to direct taxation	67,323	62,426
Income from ordinary activities subject to direct taxation	15,504	14,714
Total income subject to taxation	82,827	77,140

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	2007	2006
Income subject to tax	82,827	77,140
Tax calculated at the applicable rates on income subject to tax	16,096	14,399
Adjustments to current tax for items not subject to tax or not allowed for tax	(5,319)	(4,299)
Other current tax adjustments	(143)	5
Adjustments for current tax of prior periods	(724)	982
Movement in unrecognised deferred tax asset	6,227	(102)
Deferred tax expense relating to the origination of temporary differences	130	663
Deferred tax (income) expense relating to changes in tax rates and the imposition of new taxes	(56)	(49)
Deferred tax income that arises from the write down (reversal of a write down) of a deferred tax asset	1,729	(979)
Tax on distribution of profits from policyholder funds	325	1,501
Other taxes	1,559	1,788
	19,824	13,909

Year ended December 31, 2007 Amounts expressed in US $000

33. DEFERRED INCOME TAXES

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

	2007	2006
Deferred income tax assets:		
Pensions and other retirement benefits	353	706
Unused tax losses	11,134	3,718
Other items	158	(198)
Total (note 11)	11,645	4,226
Deferred income tax liabilities:		
Accelerated tax depreciation	2,053	1,672
Policy reserves taxable in the future	-	186
Pensions and other retirement benefits	247	67
Accrued interest	661	686
Unrealised gains on available for sale investments	820	3,500
Other items	2,854	1,323
Total (note 19)	6,635	7,434
Deferred income tax balances include the following:		
Assets to be settled after one year	11,153	3,767
Liabilities to be settled after one year	3,273	5,918

The Group has not recognised potential deferred income tax assets of $29,055 (2006 – $22,474) arising from unrecognised tax losses of $99,490 (2006 - $74,447). Deferred income taxes have not been provided for income taxes that would be payable on the distribution of retained earnings of certain subsidiaries because either there is no intention to distribute those earnings or they are not subject to tax on receipt.

34. EARNINGS PER COMMON SHARE

The basic earnings per common share is computed by dividing the net income for the year attributable to shareholders by the weighted average number of common shares in issue during the year, excluding treasury shares.

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options and of ESOP shares grants (see note 30.1).

	2007	2006
Net income for the year attributable to shareholders	86,289	67,663
Weighted average number of shares in issue in thousands	266,810	266,514
LTI restricted share grants	333	70
LTI share options	23	-
ESOP shares	159	6
Adjusted weighted average number of shares in issue	267,325	266,590
Basic earnings per common share	32.3 cents	25.4 cents
Fully diluted earnings per common share	32.3 cents	25.4 cents

35. DIVIDENDS PER COMMON SHARE

	2007		2006	
	Barbados cents per share	**$000**	**Barbados cents per share**	**$000**
Dividends declared and paid:				
A final dividend in respect of the prior year	7.0	9,317	6.0	8,007
An interim dividend in respect of the current year	6.0	8,004	6.0	7,984
	13.0	17,321	12.0	15,991
Dividends declared after balance sheet date:				
A final dividend in respect of the current year	8.0	11,087	7.0	9,317

Year ended December 31, 2007 Amounts expressed in US $000

36. CASH FLOWS

36.1 Operating activities

	2007	2006
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(213,337)	(200,887)
Net investment gains	(38,377)	(29,579)
Gain arising on acquisition	(26,398)	-
Net increase in actuarial liabilities	27,784	8,963
Interest expense and finance costs	96,339	91,697
Depreciation and amortisation	20,101	17,350
Other items	(4,927)	39,185
	(138,815)	(73,271)

	2007	2006
Changes in operating assets:		
Investment property	(982)	2,999
Debt securities	(125,710)	(89,100)
Equity securities	4,958	28,084
Mortgage loans	(46,620)	(36,188)
Policy loans	(959)	(586)
Finance loans and finance leases	(27,590)	(8,454)
Securities purchased under agreement to resell	(1,301)	1,751
Deposits	(69,944)	(15,105)
Other assets and receivables	(7,152)	743
	(275,300)	(115,856)

Year ended December 31, 2007 Amounts expressed in US $000

36. CASH FLOWS (continued)

36.1 Operating activities (continued)

The gross changes in investment property, debt securities and equity securities are as follows.

	Investment property		Debt securities		Equity securities	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Disbursements	(1,744)	(1,522)	(544,296)	(860,567)	(59,985)	(29,477)
Disposal proceeds	762	4,521	418,586	771,467	64,943	57,561
	(982)	2,999	(125,710)	(89,100)	4,958	28,084

	2007	**2006**
Changes in operating liabilities:		
Insurance liabilities	15,071	5,449
Investment contract liabilities	26,039	9,933
Other funding instruments	4,332	14,608
Deposits	17,100	12,699
Securities	42,946	11,296
Other liabilities and payables	14,185	(1,692)
	119,673	52,293

36.2 Investing activities

	2007	**2006**
Property, plant and equipment		
Purchases	(12,468)	(13,303)
Disposal proceeds	1,936	1,958
	(10,532)	(11,345)

Year ended December 31, 2007 Amounts expressed in US $000

36. CASH FLOWS (continued)

36.3 Financing activities

	2007	2006
Notes and loans payable		
Proceeds	6,113	159,985
Repayments	(14,065)	(80,835)
	(7,952)	79,150

36.4 Cash and cash equivalents

	2007	2006
Cash resources	89,771	81,539
Call deposits and other liquid balances with maturities of three months or less from acquisition date	46,305	156,194
Bank overdrafts	(2,899)	(2,981)
Other borrowings for cash purposes with maturities of three months or less from origination	(19,685)	(10,078)
	113,492	224,674

37. ACQUISITIONS

37.1 Sagicor at Lloyd's

Effective September 1, 2007, Sagicor Europe Limited acquired Gerling Corporate Capital Limited, the sole corporate member participating in Lloyd's of London Syndicate 1206. Sagicor Europe also acquired the Syndicate's managing agency Gerling at Lloyd's Limited and its affiliated entities Gerling Syndicate Holdings Limited and Gerling Syndicate Services Limited. Upon acquisition, the acquired entities were re-branded with 'Sagicor' replacing 'Gerling' in each of their names. The Syndicate and acquired entities constitute an 'Integrated Lloyd's Vehicle' (ILV).

Sagicor Europe Limited was incorporated for the purpose of being the immediate holding company of the ILV. Sagicor has a 90% interest in Sagicor Europe, with management and employees of the ILV holding the remaining 10%. Sagicor Europe intends to issue additional shares to the employees of the ILV resulting in an ultimate 85:15 ownership ratio.

The Syndicate writes property and casualty insurance business in the Lloyd's insurance market. It engages mainly in the sub-classes of personal accident and non-marine property insurances.

Year ended December 31, 2007 Amounts expressed in US $000

37. ACQUISITIONS (continued)

37.1 Sagicor at Lloyd's (continued)

The fair values of the net assets acquired, the purchase consideration, and the gain arising are set out below.

	Total fair value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	550	550
Intangible assets (note 8)	27,671	504
Financial investments	54,510	54,510
Reinsurance assets	16,044	16,044
Miscellaneous assets and receivables	85,498	85,498
Cash resources	9,218	9,218
Other insurance liabilities	(145,123)	(145,123)
Accounts payable and accrued liabilities	(17,316)	(17,316)
Total net assets	31,052	3,885
Share of net assets acquired by the Group	31,052	
Purchase consideration and related costs:		
Cash	4,654	
Gain arising on acquisition	26,398	
The gain arising on acquisition is attributable to:		
Shareholders	23,719	
Minority interest	2,679	
	26,398	

The gain arising on the acquisition reflects the willingness of the ILV management and Sagicor to combine their resources to pursue a common strategy, and the desire of the vendor to exit the Lloyd's market. As a result, the purchase consideration may not have been representative of an open market price for the Syndicate.

Year ended December 31, 2007 Amounts expressed in US $000

37. ACQUISITIONS (continued)

37.1 Sagicor at Lloyd's (continued)

(a) Details of acquiree's net income

	2007
Acquiree's net income for the year ended December 31, 2007	3,137
Acquiree's net income consolidated by the Group for the period September 1 to December 31, 2007	1,728

37.2 Byrne & Stacey Underwriting

On October 4, Sagicor Syndicate Holdings Limited acquired Byrne & Stacey Underwriting Limited (BSU), an insurance agency placing business with Syndicate 1206.

The fair values of the net assets acquired, the purchase consideration, and the goodwill arising are set out below.

	Total fair value	Acquiree's carrying value
Net assets acquired:		
Property, plant and equipment	163	163
Intangible assets (note 8)	1,293	40
Miscellaneous assets and receivables	1,307	1,307
Cash resources	820	820
Income tax liabilities	(224)	(224)
Accounts payable and accrued liabilities	(2,050)	(2,050)
Total net assets	1,309	56
Share of net assets acquired by the Group	1,309	
Purchase consideration and related costs:		
Cash and deferred compensation	6,162	
Goodwill arising on acquisition (note 8)	4,853	
The goodwill arising on acquisition is attributable to:		
Shareholders	4,361	
Minority interest	492	
	4,853	

Year ended December 31, 2007 Amounts expressed in US $000

37. ACQUISITIONS (continued)

37.2 Byrne & Stacey Underwriting (continued)

BSU was acquired from its management who continue to manage the business on a day to day basis. It is common in such circumstances for the purchase consideration to compensate the vendors for the stream of future revenue which is expected from a going concern.

(a) Details of acquiree's net income

	2007
Acquiree's net loss for the year ended December 31, 2007	(8)
Acquiree's net income consolidated by the Group for the period October 4 to December 31, 2007	87

37.3 Effect of acquisitions on Group results

Assuming the Sagicor at Lloyd's and Byrne & Stacey Underwriting acquisitions were effective at the beginning of 2007, the additional total revenue of the Group would be $59,663 and the additional net income to the Group would be $1,314.

37.4 Sagicor General Insurance (Cayman) Limited

On October 22, 2007, Life of Jamaica Limited took its interest in Sagicor General Insurance (Cayman) Limited (SGIC) to 75% by acquiring an additional 24% of SGIC's issued shares from a minority interest. As a result, the Sagicor Group's equity interest in SGIC increased by 14% to 45%.

The net assets acquired, the purchase consideration, and the goodwill arising are set out below.

	2007
Share of net assets acquired	3,593
Purchase consideration:	
Cash	4,032
Goodwill arising on acquisition (note 8)	439

Post-acquisition net income for the additional 14% of $44 has been included in the net income attributable to shareholders.

Year ended December 31, 2007 Amounts expressed in US $000

37. ACQUISITIONS (continued)

37.5 Primo Holding Limited

On March 30, 2007, the Group and a managed fund subscribed for new shares in Primo Holding Limited. After the subscription, the Group and the managed fund each had a 37.5% shareholding in Primo Holding Limited.

The net assets acquired, the purchase consideration, and the goodwill arising are set out below.

	2007
Share of net assets on acquisition	1,681
Purchase consideration:	
Cash	1,519
Gain arising on acquisition	162

Primo Holding Limited is a property investment company in Barbados. Post-acquisition net income of $155 has been consolidated in these financial statements.

38. EVENTS AFTER THE BALANCE SHEET DATE

38.1 Acquisition of insurance portfolio

Sagicor Capital Life Insurance Company Limited acquired from the Canadian company, Industrial Alliance Insurance and Financial Services Inc. (IA) insurance business in the Netherland Antilles, Aruba, Barbados and Cayman Islands, which was previously owned by National Life of Canada, before that company's business operations were combined with the business operations of IA.

The acquisition was effective January 18, 2008. The liabilities assumed are estimated at $44,384 which is matched by an equivalent amount of assets. The purchase consideration was $3,463 approximately.

The insurance portfolio comprises approximately 9,000 inforce life and annuity contracts issued to individuals and groups. The assets consist mainly of financial investments.

Management intends to assess the fair value of the assets and liabilities assumed after which a definitive disclosure can be made.

38.2 Acquisition of Barbados Farms Limited

On December 7, 2007, the Company made an offer to purchase any and all of the outstanding common shares of Barbados Farms Limited (BFL), not already owned or controlled by Sagicor. The offer was at BBD 5.00 per share to be satisfied 65% by the issue of shares of the Company and 35% by cash.

The offer closed on January 9, 2008, at which time a total of 77% of the issued shares of BFL had been tendered to and accepted by Sagicor. The acquisition was completed in February 2008 for a total consideration of $39,692, which was satisfied by the issue of 10,319,819 new Sagicor shares and by cash of $13,892.

The common shares of BFL are listed on the Barbados Stock Exchange. BFL engages in agriculture, primarily the production of sugar cane. BFL also owns the lands which are utilised for agriculture along with other lands which are either leased, being developed for resale or not in use. The audited financial statements of BFL for the year ended June 30, 2007 disclosed that its assets totalled $26,689, its annual revenue totalled $3,202 and its income after tax totalled $800.

Management intends to engage independent valuers to assist in the determination of the fair value of the net assets acquired, after which a definitive disclosure can be made.

38.3 Issue of preference shares

Pan Caribbean Financial Services Limited issued a prospectus dated January 18, 2008 in the Jamaica market for the issue of up to 10 million 12.5% cumulative redeemable preference shares at a fixed price of J$ 200 per share. The offer closed on February 29, 2008 with a total subscription of 6.3 million shares.

Year ended December 31, 2007 Amounts expressed in US $000

38. EVENTS AFTER THE BALANCE SHEET DATE (continued)

38.4 Cancellation of insurance policies

On December 20, 2007, an agreement was entered into whereby health insurance policies issued by Sagicor Allnation Insurance Company would be cancelled and new policies for the unexpired periods of and under the same terms as the cancelled policies would be issued by another insurance carrier. Sagicor Allnation's policies were cancelled effective February 1, 2008 when the approximate gross unearned premium on these policies totalled $1,420. The net cost to the Group of completing this transaction was minimal, and will be included in the 2008 financial statements. During 2007, these policies generated gross premium revenue of $5,469.

39. COMMITMENTS AND CONTINGENT LIABILITIES

39.1 Commitments

In the normal course of business, the Group has entered into commitments at balance sheet date for which no provision has been made in these financial statements. Commitments for loan disbursements, real estate expenditure, operating lease and rental payments are disclosed in note 41.2(a).

(a) Participation in Lloyd's Syndicate 44

On December 18, 2007, Sagicor Europe Limited entered into an agreement to acquire the sole corporate member participating in Syndicate 44 with effect from underwriting year 2008. In addition Sagicor at Lloyd's Limited entered into an agreement to assume the responsibility as managing agent of Syndicate 44. These agreements are subject to the receipt of regulatory approvals by March 31, 2008.

The principal activity of Syndicate 44 is the transaction of term life insurance business, issuing contracts to individuals and to groups, predominately in the United Kingdom.

39.2 Contingent liabilities

Guarantee and financial facilities at balance sheet date for which no provision has been made in these financial statements include the following:

	2007	2006
Customer guarantees and letters of credit	8,030	4,591
Letter of credit facility (note 45.2 (c))	80,016	-
	88,046	4,591

39. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

39.2 Contingent liabilities (continued)

There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

(a) Legal proceedings

During the normal course of business, the Group is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

(c) Insurance contracts

The Group develops and markets insurance products under various types of insurance contracts. The design of these products is consistent with international best practice and reflects the current thinking at the time of development. The Group keeps its products under review to ensure that they meet both policyholder and company expectations.

One such insurance product is the universal life product which was developed and launched in 1987 in Jamaica. 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 master file as at November 2003 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 problem was recognised, the Group 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. 95% of these policyholders agreed to adjustments to their policies.

The Group 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 problem.

Year ended December 31, 2007 Amounts expressed in US $000

39. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

39.2 Contingent liabilities (continued)

The Group is in discussions with the FSC on the matter. The cost, if any, of resolving this issue cannot be quantified at this time.

40. RELATED PARTY TRANSACTIONS

(a) Key management

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals were as follows:

	2007	2006
Compensation:		
Salaries, directors' fees and other short-term benefits	13,301	12,172
Equity compensation benefits	2,139	1,362
Pension and other retirement benefits	694	555
	16,134	14,089

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	3,555	174	3,729
Assumed on acquisitions	-	10	10
Advances	502	209	711
Repayments	(334)	(31)	(365)
Effects of exchange rate changes	-	(10)	(10)
Balance, end of year	3,723	352	4,075

Mortgage loans bear interest at rates from 4.5% to 8.5%. Other loans bear interest at rates from 5% to 10%.

Year ended December 31, 2007 Amounts expressed in US $000

40. RELATED PARTY TRANSACTIONS (continued)

(b) Employee pension plans

Certain Group subsidiaries have employee pension plans which are administered by the Group as segregated pension plans. The assets of the segregated pension plans at December 31, 2007 amounted to $74,789 (2006 - $66,499) and are included in the assets under administration referred to in note 47.

(c) First Jamaica Investment Limited (First Jamaica)

First Jamaica holds a 25% interest in LOJ and is a significant minority interest. Because of the size of this shareholding, First Jamaica is considered to be a related party of the Group. As of December 31, the Group has the following balances with First Jamaica:

	2007	2006
Financial investments	-	4,445
Accounts receivable	-	1,500
Accounts payable	-	3,181

41. FINANCIAL RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, and dealing in securities, exposes the Group to various insurance and financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below and in note 43.

41.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. Credit risks are primarily associated with financial investments and reinsurance contracts held.

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. Limits may be placed on the amount of risk accepted in relation to one borrower.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

The maximum exposures of the Group to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2007		2006	
	$000	%	$000	%
Debt securities	1,750,450	55.8	1,650,860	57.3
Mortgage loans	293,998	9.4	247,893	8.6
Policy loans	126,403	4.0	125,891	4.4
Finance loans and finance leases	145,764	4.7	122,888	4.3
Securities purchased under agreements to resell	15,980	0.5	22,320	0.8
Deposits	161,698	5.2	167,862	5.8
Reinsurance assets	320,155	10.3	321,689	11.2
Deferred policy acquisition costs	25,917	0.8	3,747	0.1
Premiums in the course of collection	78,299	2.5	27,926	1.0
Other accounts receivable	55,370	1.9	51,509	1.7
Cash resources	92,140	3.0	87,682	3.0
Total balance sheet exposures	3,066,174	98.1	2,830,267	98.2
Loan commitments	48,931	1.6	47,373	1.6
Customer guarantees and letters of credit	8,030	0.3	4,591	0.2
Total off balance sheet exposures	56,961	1.9	51,964	1.8
Total	3,123,135	100.0	2,882,231	100.0

The amounts in respect of customer guarantees and letters of credit represent potential claims against customers in the event of a call on customer guarantees and letters of credit issued by the Group.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

The Group's exposures to individual counterparty credit risks exceeding 2.5% of total exposures are set out below.

	2007	2006
Debt securities:		
Government of Jamaica debt securities denominated in Jamaica dollars (long-term issue credit rating B by Standard & Poor's)	446,087	445,547
Government of Jamaica debt securities denominated in United States dollars (long-term issue credit rating B by Standard & Poor's)	298,359	271,572
Federal government of USA debt securities (long-term issue credit rating AAA by Standard & Poor's)	299,560	292,158
Government of Barbados debt securities denominated in Barbados dollars (long-term issue credit rating A - by Standard & Poor's)	72,320	73,819
Government of Barbados debt securities denominated in United States dollars (long-term issue credit rating BBB+ by Standard & Poor's)	8,012	8,584
Deposits & cash:		
The Bank of Nova Scotia (long-term issue credit rating AA - by Standard & Poor's)	72,697	23,861
FirstCaribbean International Bank (long-term issue credit rating A - by Standard & Poor's)	34,337	97,627
Reinsurance assets:		
Scottish Re (U.S.) Inc (financial strength rating B (Fair) by A.M. Best)	152,472	168,721
Washington National Insurance Company (financial strength rating B+ (Good) by A.M. Best)	80,749	95,261

The reinsurers' share of liabilities held by Scottish Re is secured by assets held in trust by a third party totalling $143,580 (2006 - $ 148,372) and by the Group (see note 9.2).

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans and finance loans and finance leases. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 80% to 100% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $15.

The Group's exposure to mortgage loans and finance loans and finance leases by geographic segment are as follows.

	2007	2006
Barbados	148,133	126,588
Jamaica	126,214	105,467
Trinidad & Tobago	100,172	85,406
USA	27,531	22,087
Other Caribbean	37,712	31,233
	439,762	370,781

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% 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 the securities are transferred to the Group for the duration of the agreement.

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due. The Group is most exposed to the risk of past due assets with respect to its financial investments namely, its debt securities, mortgage loans, finance loans and finance leases.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 90 to 120 days past due and finance loans and finance leases less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed but is included in the totals for collateral in the following tables.

The tables below summarise the carrying value of financial investments which are past due, but are not considered to be impaired and the estimated fair value of collateral.

As of December 31, 2007	Debt securities	Mortgage loans	Finance loans and finance leases
Carrying values:			
With amounts past due up to 3 months	11,352	35,052	33,531
With amounts past due up to 12 months	813	6,978	328
With amounts past due up to 5 years	75	11,801	183
With amounts past due over 5 years	594	5,252	244
Total	12,834	59,083	34,286
Estimated fair value of collateral	101	135,042	76,538

As of December 31, 2006	Debt securities	Mortgage loans	Finance loans and finance leases
Carrying values:			
With amounts past due up to 3 months	29,503	27,067	32,555
With amounts past due up to 12 months	3,965	8,395	590
With amounts past due up to 5 years	1,454	9,256	185
With amounts past due over 5 years	96	2,022	244
Total	35,018	46,740	33,574
Estimated fair value of collateral	3,060	128,296	53,762

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

Balances relating to impaired financial investments are summarised in the following tables. The accumulated allowance for impairment reflects the Group's assessment of total individually impaired investments at balance sheet date.

As of December 31, 2007	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
Debt securities	9,977	(4,094)	5,883	30
Mortgage loans	6,514	(1,823)	4,691	7,666
Finance loans and finance leases	2,847	(1,793)	1,054	4,792
Total	19,338	(7,710)	11,628	12,488

As of December 31, 2006	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
Debt securities	34,773	(7,277)	27,496	13,707
Mortgage loans	14,264	(3,229)	11,035	19,266
Finance loans and finance leases	3,379	(1,897)	1,482	5,754
Total	52,416	(12,403)	40,013	38,727

Interest of $1,480 (2006 - $3,987) has been accrued on impaired financial investments.

(b) Repossessed assets

The Group may foreclose on overdue mortgage loans and finance loans and finance leases by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Group will seek to dispose of by sale. In some instances, the Group may provide re-financing to a new purchaser on customary terms.

41. FINANCIAL RISK (continued)

41.1 Credit risk (continued)

(c) Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated. The carrying value of financial investments at balance sheet date which were renegotiated during the year totalled $482 (2006 - $814).

41.2 Liquidity risk

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

Asset liability matching is a tool used by the Group to mitigate liquidity risks particularly in operations with significant maturing short-term liabilities.

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.

Investment property may be held to back insurance liabilities. As these assets are relatively illiquid, the insurers hold less than 10% of their total assets in investment property.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

(a) Financial liabilities and commitments

Cash flows payable by the Group in respect of its financial liabilities and commitments are summarised in the following tables. Maturity profile amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of balance sheet date, it is assumed that the interest rate then prevailing continues until final maturity.

As of December 31, 2007	Due within 1 year or on demand	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities:				
Investment contract liabilities	210,022	13,650	21,695	245,367
Notes and loans payable	11,250	51,670	189,375	252,295
Deposit and security liabilities:				
Other funding instruments	93,784	37,835	75,331	206,950
Deposits	99,196	37,349	11,803	148,348
Securities	494,263	358	-	494,621
Bank overdrafts	2,899	-	-	2,899
Accounts payable and accrued liabilities	115,208	13,696	31,562	160,466
Total financial liabilities	1,026,622	154,558	329,766	1,510,946
Off balance sheet commitments:				
Loan commitments	42,914	2,690	2,215	47,819
Expenditure on real estate	6,276	-	-	6,276
Operating lease agreements and rental payments	3,084	11,613	-	14,697
Total off balance sheet commitments	52,274	14,303	2,215	68,792
Total	1,078,896	168,861	331,981	1,579,738

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

As of December 31, 2006	Due within 1 year or on demand	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities:				
Investment contract liabilities	201,380	6,992	13,817	222,189
Notes and loans payable	19,378	52,087	200,625	272,090
Deposit and security liabilities:				
Other funding instruments	95,210	35,270	63,963	194,443
Deposits	80,622	41,333	12,071	134,026
Securities	458,580	416	4	459,000
Bank overdrafts	2,981	-	-	2,981
Accounts payable and accrued liabilities	81,013	15,839	31,814	128,666
Total financial liabilities	939,164	151,937	322,294	1,413,395
Off balance sheet commitments:				
Loan commitments	39,373	4,957	1,841	46,171
Expenditure on real estate	2,740	-	-	2,740
Operating lease agreements and rental payments	1,512	3,656	478	5,646
Total off balance sheet commitments	43,625	8,613	2,319	54,557
Total	982,789	160,550	324,613	1,467,952

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

(b) Insurance liabilities

The maturity profiles of the Group's insurance liabilities are summarised in the following tables. Maturity profile amounts are stated at their carrying values recognised in the balance sheet and are analysed by their expected maturity dates, which have been estimated by actuarial or other statistical methods.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Actuarial liabilities	131,967	269,048	963,289	1,364,304
Other insurance liabilities	210,099	47,377	56,439	313,915
Total	342,066	316,425	1,019,728	1,678,219

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Actuarial liabilities	126,162	273,100	974,322	1,373,584
Other insurance liabilities	86,071	12,962	53,668	152,701
Total	212,233	286,062	1,027,990	1,526,285

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

(c) Financial assets

The maturity profiles of the Group's financial assets are summarised in the following tables. Maturity profile amounts are stated at their carrying values recognised in the balance sheet and are analysed by their contractual maturity dates.

As of December 31, 2007	**Due within 1 year**	**Due between 1 and 5 years**	**Due after 5 years**	**Total**
Debt securities	320,831	506,243	923,376	1,750,450
Mortgage loans	11,203	33,343	249,452	293,998
Policy loans	4,530	16,044	105,829	126,403
Finance loans and finance leases	57,748	51,926	36,090	145,764
Securities purchased under agreements to resell	15,980	-	-	15,980
Deposits	158,798	2,379	521	161,698
Reinsurance assets	91,081	85,404	143,670	320,155
Deferred policy acquisition costs	25,917	-	-	25,917
Premiums in the course of collection	77,425	874	-	78,299
Other accounts receivable	53,049	596	1,725	55,370
Cash resources	92,140	-	-	92,140
Total	908,702	696,809	1,460,663	3,066,174

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.2 Liquidity risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Debt securities	269,508	532,602	848,750	1,650,860
Mortgage loans	6,437	23,295	218,161	247,893
Policy loans	5,086	15,889	104,916	125,891
Finance loans and finance leases	48,530	46,859	27,499	122,888
Securities purchased under agreements to resell	22,320	-	-	22,320
Deposits	153,569	12,709	1,584	167,862
Reinsurance assets	68,169	93,251	160,269	321,689
Deferred policy acquisition costs	3,747	-	-	3,747
Premiums in the course of collection	27,926	-	-	27,926
Other accounts receivable	48,957	764	1,788	51,509
Cash resources	87,682	-	-	87,682
Total	741,931	725,369	1,362,967	2,830,267

41.3 Interest rate risk

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

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

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

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

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Group manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

Asset liability matching is a tool used by the Group to mitigate fair value risk by using fixed income securities to back insurance and financial liabilities. In addition, by holding fixed income securities to maturity, the Group is able to mitigate fair value risk relating to these assets.

The Group's financial assets and financial liabilities as disclosed in the balance sheet approximate their fair value, except as disclosed in notes 9, 15, 16 and 17.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the Group's insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 43). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance and investment contract liabilities are categorised by their expected maturities.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Other insurance liabilities	22,236	3,101	55,707	232,871	313,915
Investment contract liabilities	209,727	31,007	1,642	-	242,376
Notes and loans payable	1,515	5,836	145,368	-	152,719
Deposit and security liabilities:					
Other funding instruments	89,439	24,001	50,279	-	163,719
Deposits	95,840	26,205	14,596	-	136,641
Securities	487,012	294	-	-	487,306
Bank overdrafts	2,899	-	-	-	2,899
Accounts payable and accrued liabilities	227	-	-	160,239	160,466
Total	908,895	90,444	267,592	393,110	1,660,041

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Other insurance liabilities	18,686	3,097	53,139	77,779	152,701
Investment contract liabilities	200,245	16,900	3,710	-	220,855
Notes and loans payable	9,689	5,808	144,991	-	160,488
Deposit and security liabilities:					
Other funding instruments	85,194	18,467	57,895	-	161,556
Deposits	74,069	35,422	13,666	-	123,157
Securities	457,386	352	3	-	457,741
Bank overdrafts	2,981	-	-	-	2,981
Accounts payable and accrued liabilities	430	-	-	128,236	128,666
Total	848,680	80,046	273,404	206,015	1,408,145

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the Group's financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

As of December 31, 2007	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Debt securities	752,168	282,246	715,914	122	1,750,450
Mortgage loans	85,118	27,954	180,926	-	293,998
Policy loans	4,530	16,044	105,829	-	126,403
Finance loans and finance leases	57,105	51,828	36,090	741	145,764
Securities purchased under agreements to resell	15,980	-	-	-	15,980
Deposits	158,590	2,709	196	203	161,698
Reinsurance assets (excluding share of actuarial liabilities)	2,532	239	4,830	64,794	72,395
Deferred policy acquisition costs	-	-	-	25,917	25,917
Premiums in the course of collection	-	87	-	78,212	78,299
Other accounts receivable	239	489	40	54,602	55,370
Cash resources	51,985	448	-	39,707	92,140
Total	1,128,247	382,044	1,043,825	264,298	2,818,414

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

As of December 31, 2006	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
Debt securities	510,328	448,079	692,335	118	1,650,860
Mortgage loans	80,610	17,299	149,984	-	247,893
Policy loans	4,207	15,920	105,764	-	125,891
Finance loans and finance leases	48,075	46,812	27,498	503	122,888
Securities purchased under agreements to resell	22,320	-	-	-	22,320
Deposits	153,569	12,709	1,584	-	167,862
Reinsurance assets (excluding share of actuarial liabilities)	3,123	287	5,103	36,705	45,218
Deferred policy acquisition costs	-	-	-	3,747	3,747
Premiums in the course of collection	-	-	52	27,874	27,926
Other accounts receivable	383	524	38	50,564	51,509
Cash resources	44,634	-	175	42,873	87,682
Total	867,249	541,630	982,533	162,384	2,553,796

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

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

	2007	2006
Financial assets		
Debt securities	9.4%	9.4%
Mortgage loans	7.8%	8.2%
Policy loans	9.6%	8.3%
Finance loans and finance leases	12.1%	11.6%
Securities purchased under agreements to resell	15.0%	11.4%
Deposits	5.7%	4.8%
Financial liabilities		
Investment contract liabilities	8.3%	7.8%
Notes and loans payable	8.1%	7.4%
Deposit and security liabilities:		
Other funding instruments	6.3%	6.1%
Deposits	7.6%	7.1%
Securities	9.3%	9.3%

(a) 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 43.2.

The sensitivity of the Group's principal operating subsidiaries engaged in property and casualty insurance and in banking, investment management and other financial services are considered below.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.3 Interest rate risk (continued)

(i) Sagicor Europe Limited and its subsidiaries

The effect of an increase of 1% in interest rates of interest bearing financial assets and financial liabilities at balance sheet date to income from ordinary activities is as follows.

As of December 31, 2007	
Total interest bearing assets	124,266
Revenue effect of a 1% increase in interest rates	1,243
Total interest bearing liabilities	144
Expense effect of a 1% increase in interest rates	1
Effect on income from ordinary activities of an increase in interest rates of	1,242

A 1% decrease in interest rates would have an equal and opposite effect to that disclosed above.

(ii) Pan Caribbean Financial Services Limited and its subsidiaries (PCFS)

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and equity.

The sensitivity of income 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 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.

	2007		**2006**	
	Effect on net income	**Effect on equity**	**Effect on net income**	**Effect on equity**
Change in interest rate:				
-2%	17	555	32	618
+2%	(20)	(501)	(27)	(542)

41.4 Foreign exchange risk

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

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest limited proportions in United States dollar assets which are held to back liabilities in other operating currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities at balance sheet date by currency are summarised in the following table.

As of December 31, 2007	Balances denominated in					
	Barbados $	Jamaica $	Trinidad $	UK £	US $	Other currencies
ASSETS						
Financial investments	346,181	556,418	280,301	54,765	1,194,160	251,182
Reinsurance assets	14,638	820	11,373	962	267,962	24,400
Receivables and deferred policy acquisition costs	27,089	20,369	11,203	25,069	47,172	32,393
Cash resources	9,876	9,125	3,811	4,592	45,207	19,529
	397,784	586,732	306,688	85,388	1,554,501	327,504
Other assets	136,582	103,640	59,311	42,043	5,095	44,433
Total assets	534,366	690,372	365,999	127,431	1,559,596	371,937
LIABILITIES						
Actuarial liabilities	359,953	149,234	205,875	25	550,657	98,560
Other insurance liabilities	71,310	15,781	26,941	34,341	111,750	53,792
Investment contract liabilities	54,398	63,693	74,563	-	16,181	33,541
Notes and loans payable	-	-	-	-	152,719	-
Deposit and security liabilities	51,748	277,399	41	233	442,524	18,620
Accounts payable and accrued liabilities	24,234	14,057	9,866	7,779	88,804	15,726
	561,643	520,164	317,286	42,378	1,362,635	220,239
Other liabilities	11,970	11,191	7,300	-	293	7,895
Total liabilities	573,613	531,355	324,586	42,378	1,362,928	228,134
Net position	(39,247)	159,017	41,413	85,053	196,668	143,803

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

As of December 31, 2006	Balances denominated in				
	Barbados $	Jamaica $	Trinidad $	US $	Other currencies
ASSETS					
Financial investments	339,901	547,028	239,850	1,203,865	194,178
Reinsurance assets	6,237	1,058	7,065	285,214	22,115
Receivables and deferred policy acquisition costs	23,697	17,275	6,459	31,837	6,928
Cash resources	14,552	11,727	9,102	23,933	28,368
	384,387	577,088	262,476	1,544,849	251,589
Other assets	122,971	115,112	52,009	8,755	44,041
Total assets	507,358	692,200	314,485	1,553,604	295,630
LIABILITIES					
Actuarial liabilities	343,419	136,516	184,646	600,561	108,442
Other insurance liabilities	60,923	32,169	14,851	20,601	24,157
Investment contract liabilities	55,080	52,360	65,800	21,726	25,889
Notes and loans payable	-	-	-	160,488	-
Deposit and security liabilities	49,716	266,213	44	414,630	14,832
Accounts payable and accrued liabilities	14,444	22,624	7,579	65,431	18,588
	523,582	509,882	272,920	1,283,437	191,908
Other liabilities	10,036	16,010	7,360	510	5,327
Total liabilities	533,618	525,892	280,280	1,283,947	197,235
Net position	(26,260)	166,308	34,205	269,657	98,395

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of a financial instrument

This occurs when a financial instrument is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at balance sheet date and the exchange gain or loss is taken to income (note 25).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income.

The operating currencies whose values noticeably fluctuate against the USD are the Jamaica dollar (JMD) and the Pounds Sterling (GBP). The theoretical impact of JMD and GBP currency risk on reported results and of the Group's investment in foreign operations is considered below.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

The effects of a 5% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2007 and for the year then ended are considered in the following tables.

	Balances denominated in JMD	Balances denominated in USD	Total balances	Effect of a 5% depreciation
Balance sheet:				
Assets	693,552	406,511	1,100,063	(33,027)
Liabilities	531,179	326,034	857,213	(25,295)
Net position	162,373	80,477	242,850	(7,732)

Represented by:	
Currency risk of the Group's investment in foreign operations	(7,732)

	Amounts denominated in JMD	Amounts denominated in USD	Total amounts	Effect of a 5% depreciation
Income statement:				
Revenue	232,003	41,781	273,784	(7,120)
Benefits	(115,514)	(18,730)	(134,244)	5,501
Expenses	(80,997)	(2,065)	(83,062)	3,857
Income taxes	(12,970)	-	(12,970)	618
Net income	22,522	20,986	43,508	2,856

Represented by:	
Currency risk relating to the future cash flows of a financial instrument	3,928
Currency risk of reported results of foreign operations	(1,072)
	2,856

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.4 Foreign exchange risk (continued)

A 5% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

The effects of a 5% depreciation in the GBP relative to the USD arising from GBP reporting units as of December 31, 2007 and for the year then ended are considered in the following tables.

	Balances denominated in GBP	Balances denominated in USD	Total balances	Effect of a 5% depreciation
Balance sheet:				
Assets	126,206	99,660	225,866	(6,005)
Liabilities	42,285	97,775	140,060	(2,012)
Net position	83,921	1,885	85,806	(3,993)

Represented by:

Currency risk of the Group's investment in foreign operations	(3,993)

	Amounts denominated in GBP	Amounts denominated in USD	Total amounts	Effect of a 5% depreciation
Income statement:				
Revenue	39,724	15,665	55,389	(1,799)
Benefits	(7,059)	(5,697)	(12,756)	336
Expenses	(11,336)	(5,197)	(16,533)	539
Income taxes	(451)	-	(451)	21
Net income	20,878	4,771	25,649	(903)

Represented by:

Currency risk relating to the future cash flows of a financial instrument	90
Currency risk of reported results of foreign operations	(993)
	(903)

A 5% appreciation in the GBP relative to the USD would have equal and opposite effects to that disclosed above.

Year ended December 31, 2007 Amounts expressed in US $000

41. FINANCIAL RISK (continued)

41.5 Other price risk

The Group is exposed to other price risk arising from changes in equity prices. The group mitigates this risk by holding a diversified portfolio and by minimising the use of equity securities to back its insurance and financial liabilities.

(a) Sensitivity

The effects of an across the board 5% change in equity prices of the Group's available for sale equity securities at balance sheet date are set out below.

	Carrying value	Effect of a 5% change at Dec 31, 2007
Available for sale equity securities:		
Listed on Caribbean stock exchanges and markets	99,865	4,993
Listed on US stock exchanges and markets	50,756	2,538
Listed on other exchanges and markets	11,431	572

42 INSURANCE RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, and dealing in securities, exposes the Group to various insurance and financial risks.

Risks arising from insurance contracts include credit, liquidity and market risks which have been disclosed in note 41. The effects of other risks arising from insurance contracts are disclosed in note 43 and in the sections below.

42.1 Short term 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.

42. INSURANCE RISK (continued)

42.1 Short term insurance contracts (continued)

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim, 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 insurance risks arising from short-term contracts are premium risk, claims risk and reinsurance risk (see note 42.4).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed. Premium risk may arise from

- the use of inadequate experience and statistical data in deriving premium rates;
- market softening conditions.

Claims risk is the risk that incurred claims may exceed expectations. Claim risk may arise from

- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

For the Group's property and casualty insurance contracts, significant risk exposures arise from low frequency high severity events such as hurricanes, windstorms and earthquakes. Single events, such as major fires and accidents may also generate significant claims. The development of incurred claims may also be a significant factor in the class of insurance (see note 44).

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

42.2 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 balance sheet liability arising from the contract.

For long-term contracts inforce, 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.

Policy benefits payable under long-term contracts may be triggered

- by an insurable event, i.e. a death, disability or critical illness claim;
- at a specified time, i.e. an annuity settlement or a policy maturity;
- on the exercise of a surrender or withdrawal request by the policyholder.

Year ended December 31, 2007 Amounts expressed in US $000

42. INSURANCE RISK (continued)

42.2 Long-term insurance contracts (continued)

Settlement of these benefits is therefore expected over a wide time span, extending over the remaining lives of the insureds and annuitants. Industry and Group experience do suggest that settlement will in fact occur over this time period, but does not remove the uncertainty which exists over the timing of future benefit cash outflows.

Significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality will lengthen the payout period of annuities.

Insurers are also exposed to lapse and expense risk. At early durations, lapses and surrenders are likely to result in a loss to the insurer, as the acquisition costs associated with the policy contract would not have been recovered from product margins. Higher expenses in maintaining a policy contract may mean that the policy liability may be inadequate to cover future policy maintenance expenses, thereby requiring the insurer to increase the associated policy reserve.

The sensitivity of actuarial liabilities to insurance risk is disclosed in note 43.2.

42.3 Concentrations of insurance risk

The Group carries significant insurance risks concentrated in certain countries within the Caribbean. In these countries, the Group carries a notable proportion of the insured population (life, annuity health) or insured assets or casualty risk (property and casualty) of the country as a whole.

Significant concentration of life insurance, annuity, and health risks occurs in Antigua, Barbados, Cayman Islands, Jamaica, Netherlands Antilles, St Lucia and Trinidad and Tobago. Significant concentration of property and casualty risks occurs in Barbados, Cayman Islands and Trinidad and Tobago.

Total insurance coverage on insurance policies quantifies some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total sums insured at December 31, gross and net of reinsurance are summarised below.

	Gross amount insured		**Net amount insured**	
	2007	**2006**	**2007**	**2006**
Contracts issued to individuals – life insurance	12,491,143	11,602,510	9,435,236	8,472,839
Contracts issued to groups – life insurance	7,978,419	6,697,013	5,628,106	4,825,703
Property and casualty insurance – Caribbean operations	8,459,278	7,601,220	3,405,222	3,906,426

42 INSURANCE RISK (continued)

42.3 Concentrations of insurance risk (continued)

Concentration of insurance risk per policy is mitigated by obtaining reinsurance coverage. Levels of reinsurance cover are summarised in note 42.4.

The Group's property and casualty UK operations assess its exposures by modelling realistic disaster scenarios of potential catastrophic events. The most severe realistic disaster scenario which has been modelled is the occurrence of an earthquake in San Francisco triggering $69,000,000 in losses, resulting in an estimated gross loss to the Group's property and casualty UK operations of $29,900 and a net loss of $10,600 after reinsurance recoveries.

42.4 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 well 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, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

Year ended December 31, 2007 Amounts expressed in US $000

42. INSURANCE RISK (continued)

42.4 Reinsurance risk (continued)

The principal features of retention programs used by insurers are summarised in the tables below:

Type of insurance contract		Retention by insurers
Property & casualty insurance – Caribbean operations		
	Property risks	• maximum retention of $10,000 for a single event; • maximum retention of $5,000 for a catastrophic event; • quota share retention to maximum of 40% in respect of the treaty limits; • quota share retention is further reduced to a maximum of $500 per event.
	Motor and liability risks	• maximum retention of $500 for a single event; • treaty limits apply.
	Miscellaneous accident risks	• maximum retention of $108 for a single event; • treaty limits apply.
	Engineering business risks	• maximum retention of $150 • treaty limits apply for material damage and for liability claims.
	Marine risks	• maximum retention of $75 for a single event; • treaty limits apply.
	Property, motor, liability, and engineering risk	• catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits; • treaty limits apply to catastrophic excess of loss coverage.
Property & casualty insurance – UK operations		
	All property and accident risks – syndicate underwriting years 2005 and 2006	• 0% retention
	Property risks – syndicate underwriting year 2007	• underwritten risks limited to a maximum of $1,250 per risk in non-catastrophe prone areas • underwritten risks limited to a maximum of $1,250 per risk in catastrophe prone areas • maximum retention of $7,500 per loss for catastrophe exposed risks • treaty limits apply to catastrophic excess of loss coverage
	Miscellaneous accident risks – syndicate underwriting year 2007	• underwritten risks limited to a maximum of $1,250 per risk • maximum retention of $14,928 for a single event • maximum retention of $3,981 per individual life

Year ended December 31, 2007 Amounts expressed in US $000

42. INSURANCE RISK (continued)

42.4 Reinsurance risk (continued)

Type of insurance contract	Retention by insurers
Health insurance contracts with individuals	Retention per individual to a maximum of $400
Health insurance contracts with groups	Retention per individual to a maximum of $200
Life insurance contracts with individuals	Retention per individual life to a maximum of $350
Life insurance contracts with groups	Retention per individual life to a maximum of $100
Life insurance and annuity blocks of contracts	0% to 37.5% retention on policy liabilities

Certain insurers of the Group have ceded to a re-insurer further amounts representing 50% of the retentions above $5 for individual life contracts.

Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

The effects of reinsurance ceded are disclosed in the notes 13, 14, 24 and 27. Information on reinsurance balances are disclosed in notes 10, 20 and 41.

43. SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES

Actuarial liabilities comprise 81% of total insurance liabilities at balance sheet date (2006 – 90%). 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 below.

43.1 Sensitivity arising from the valuation of life insurance and annuity contracts

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used in CALM,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

Under the CALM methodology, the AA is required to test the actuarial liability under 7 economic scenarios. These tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

43 SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES

43.1 Sensitivity arising from the valuation of life insurance and annuity contracts (continued)

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under CALM reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group, are:

- Operating expenses and taxes
- Lapse
- Mortality and morbidity

43.2 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and 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 balance sheet 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 to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT or limited sensitivity tests have been conducted by insurers. The scenarios developed and tested by insurers operating in the Caribbean region are as follows.

(i) Worsening rate of lapse. For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were increased. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were decreased.

SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

43.2 Dynamic capital adequacy testing (DCAT) (continued)

(ii) High interest rate. Assumed increases in the investment portfolio yield rates of 1% per year for 5 years (or 0.5% for 10 years) were tested in this scenario.

(iii) Low interest rate. Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years (or 0.5% per year for 10 years) were tested in this scenario.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality and morbidity rates were decreased by 3% of the base rate for 5 years.

(v) Higher expenses. To test this scenario, policy unit maintenance expense rates were increased by 5% for 5 years above those reflected in the base scenario.

The DCAT conducted has not tested any correlation that may exist between assumptions.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities at balance sheet date for insurers in the Caribbean region.

Caribbean operations	**As of December 31, 2007**		**As of December 31, 2006**	
	$000	**%**	**$000**	**%**
Base net actuarial liability	847,647	100.0	809,666	100.0
Scenario	**(Increase) / decrease**		**(Increase) / decrease**	
(i) Worsening rate of lapse	(31,892)	(3.8)	(29,189)	(3.6)
(ii) High interest rate	152,475	18.0	164,242	20.3
(iii) Low interest rate	(74,486)	(8.8)	(79,586)	(9.8)
(iv) Worsening mortality / morbidity	(29,092)	(3.4)	(26,780)	(3.3)
(v) Higher expenses	(21,109)	(2.5)	(37,547)	(4.6)

43 SENSITIVITY ANALYSIS OF ACTUARIAL LIABILITIES (continued)

43.2 Dynamic capital adequacy testing (DCAT) (continued)

The use of differing sensitivity rates by insurers reflects differences in the insurers' environment. The scenarios developed and tested by insurers operating in the USA are as follows:

(vi) Adverse lapse. For business which produces higher valuation reserves with an increase in lapse rates, the lapse rate margins for adverse deviation (MfADs) were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the lapse rate MfADs were halved.

(vii) Increasing interest rate. A 1% flat increase was applied to the statutory and pricing interest rate MfADs in this scenario. Inflation rates on inforce business are keyed to the risk free 10-year U.S. Treasury Bond rate in order to maintain a dynamic relationship between inflation rates and interest rates.

(viii) Decreasing interest rate. A 1% flat decrease was applied to the statutory and pricing interest rate MfADS in this scenario. Inflation rates on inforce business are keyed to the risk free 10-year U.S. Treasury Bond rate in order to maintain a dynamic relationship between inflation rates and interest rates.

(ix) Adverse mortality. To test this scenario, base mortality MfADs were doubled.

(x) Higher expenses. To test this scenario, base expense MfADs were doubled.

Correlations that may exist between assumptions were not explicitly taken into account. For term products in the new business projections, the adverse lapse scenario has a ripple effect of worsening mortality due to selective lapsation at the end of the level term period. Also, dynamic lapse rates interact with changing market interest rates on interest sensitive life and annuity products in the DCAT model. The effect of these correlative activities is not explicitly broken out.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities at balance sheet date for insurers in the USA.

USA operations	**As of December 31, 2007**	
	$000	**%**
Base net actuarial liability	268,897	100.0
Scenario	**(Increase) / decrease**	
(vi) Adverse lapse	(642)	(0.2)
(vii) Increasing interest rate	20,001	7.4
(viii) Decreasing interest rate	(24,176)	(9.0)
(ix) Adverse mortality	(3,766)	(1.4)
(x) Higher expenses	(1,240)	(0.5)

Year ended December 31, 2007 Amounts expressed in US $000

44. 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 balance sheet.

Gross	**2005**	**2006**	**2007**	**Total**
Estimate of ultimate claims incurred:				
At the end of the reporting year	12,870	12,626	23,553	49,049
One year later	14,446	11,670	-	-
Two years later	13,407	-	-	-
Most recent year	13,407	11,670	23,553	48,630
Cumulative payments to date	(11,806)	(7,967)	(8,031)	(27,804)
Liability recognised in the balance sheet	1,601	3,703	15,522	20,826
Liability in respect of prior years				7,885
Liability in respect of UK operations [1]				71,191
Total liability				99,902

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

Reinsurers' share	**2005**	**2006**	**2007**	**Total**
Estimate of ultimate claims incurred:				
At the end of the reporting year	3,822	2,730	11,258	17,810
One year later	3,195	2,319	-	-
Two years later	3,013	-	-	-
Most recent year	3,013	2,327	11,258	16,598
Cumulative payments to date	(2,902)	(1,297)	(2,366)	(6,565)
Recoverable recognised in the balance sheet	111	1,030	8,892	10,033
Recoverable in respect of prior years				4,251
Recoverable in respect of UK operations[1]				6,037
Total recoverable from reinsurers				20,321

[1] Acquired during 2007

Year ended December 31, 2007 Amounts expressed in US $000

45. 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 as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders by pricing insurance, investment and other contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of Group operations.

45.1 Capital resources

The principal capital resources of the Group at balance sheet date were as follows:

	2007	**2006**
Shareholders' equity	455,174	413,850
Minority interest	122,137	118,553
Notes and loans payable	152,719	160,488
Total balance sheet capital resources	730,030	692,891
Letter of credit facility	80,016	-
Total off balance sheet resources	80,016	-
Total capital resources	810,046	692,891

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

The capital adequacy of the principal operating subsidiaries is discussed in the following section.

Year ended December 31, 2007 Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy

(a) Sagicor Life Inc Group [(1)]

Capital adequacy is managed at the operating company level. It is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised[(2)] requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Surplus and Capital Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. The estimated MCCSR for the Sagicor Life Inc Group as of December 31, 2007 (2006 – actual MCCSR) is set out below.

	2007	**2006**
	MCCSR	**MCCSR**
Sagicor Life Inc Group	300%	263%

[(1)] Comprises Sagicor Life Inc, Life of Jamaica Limited, Sagicor Capital Life Insurance Company Limited and Nationwide Insurance Company Limited.

[(2)] It is to be noted that many of the jurisdictions in which the Sagicor Life Inc Group operates have no capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard.

(b) Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model were adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

Year ended December 31, 2007 Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life Insurance Company looks to maintain at least 250% of the Company Action Level, allowing it flexibility in its asset and product mix. The RBC ratios, defined to be "the % of the Company Action Level" as of December 31, 2007 and 2006 are set out in the table below.

	2007	2006
	RBC	**RBC**
Sagicor Life Insurance Company	350%	360%

(c) <u>Sagicor at Lloyd's: Syndicate 1206</u>

The Financial Services Authority (FSA) Lloyd's sourcebook requires Lloyd's syndicates to comply with an Individual Capital Adequacy Standards regime. A key objective of the regime is that syndicate management focuses on risk management in that there is a clearly defined link between risk and capital setting.

Sagicor at Lloyd's Syndicate 1206 has adopted an approach whereby risks identified as having a material effect on the capital requirements are documented within a risk register and shown as prime risks. It is recognised that this register is dependent on both the identification and subsequent analysis of individual risks by management. The risk register is subject to regular review and is updated to reflect the changes in the syndicate's risk profile. The risk classes comprise insurance, credit, market, liquidity, Group and operational risks.

The Individual Capital Assessment (ICA) is calculated using "stress and scenario" methodology for prime risk categories except for reserving risk where a stochastic model is used. Prime risks have been correlated to minimise potential aggregation of risks.

Year ended December 31, 2007 Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

Each year, an ICA is prepared based on a one year event horizon and capital requirements are based on the 99.5% confidence level over the next year. The ICA provides for all losses modelled to ultimate. An overall ICA number is computed. To this is added a premium and the resulting total, known as the Funds at Lloyd's requirement (FaL) is placed at the disposal of Lloyd's of London. The FaL may consist of cash, securities or banker's irrevocable standby letter of credit. The FaL is put into effect before the start of the underwriting year and remains in place until the underwriting year closes and its profits are distributed or its losses are assumed by the participating member. An underwriting year is normally held open for a period of three years. The FaL for Syndicate 1206 is as follows:

	2008 underwriting year	2007 underwriting year
	FaL - £000	FaL - £000
Syndicate 1206	41,407	33,125

The Group has satisfied the 2008 underwriting FaL by the provision of a banker's letter of credit in the amount of £40,200,000 ($80,016) at balance sheet date, which was up-stamped to £41,407,000 in January 2008.

(d) Pan Caribbean Financial Services Group

Capital adequacy and the use of regulatory capital are monitored monthly by the PCFS Group 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:

- Hold the minimum level of regulatory capital;
- Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

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 ratios of the regulated companies within the Group for the years ended December 31, 2007 and 2006. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

Year ended December 31, 2007 Amounts expressed in US $000

45. CAPITAL MANAGEMENT (continued)

45.2 Capital adequacy (continued)

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

	PCFS		PCMB		PCAM	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Actual capital base to risk weighted assets	77%	79%	20%	23%	323%	204%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

46. STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments.

Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling $735,000 (2006 - $660,000) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

47. FIDUCIARY RISK

The Group provides investment management, administration and corporate trust services to pension and mutual funds and other corporate entities which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. Those assets are held in a fiduciary capacity and are not included in these financial statements. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

Year ended December 31, 2007 Amounts expressed in US $000

47. FIDUCIARY RISK (continued)

In the ordinary course of business, the Group manages assets of pension funds, mutual funds, unit trusts and other assets which are not included in the group's balance sheets. The invested and cash assets under administration by geographical segment are as follows:

	2007	2006
Barbados	401,641	362,123
Jamaica	1,074,724	940,773
Trinidad & Tobago	7,251	10,052
Other Caribbean	23,491	21,932
	1,507,107	1,334,880