BF&M LIMITED

Annual Report 2015

STRONG

PROGRESSIVE

GROWING

Contents

Mission

To strengthen and further develop our position as the leading insurer in the jurisdictions where we do business, through a professional, innovative and caring approach to meeting all of the insurance needs of the communities we serve. Through the excellence of our service, we intend to satisfy the aspirations of our staff, the needs of our policyholders, and the requirements of our shareholders.

R. John Wight, CPA, CA, CPCU
Group President & Chief Executive Officer

Group Executive


L-R
Michael White, FIA
Group Chief Financial Officer

Abigail Clifford, B.A., M.Sc.
Group Chief Human Resources Officer


L-R
Paul Matthews, B.A., PMP
Group Chief Information Officer

Ingrid Innes, A.G.D.M., M.B.A.
Managing Director & Chief Executive Officer
Insurance Corporation of Barbados Limited

Directors

[1] **Gavin R. Arton,** Chairman, Retired Senior Vice President, XL Capital Ltd.

[2] **L. Anthony Joaquin,** Deputy Chairman, FCA, Retired Managing Partner, Ernst & Young

[2] **Nancy L. Gosling,** B.Comm., LL.D, C.G.A., President & Chief Executive Officer, Gosling Brothers Limited

[1] **Gregory D. Haycock,** FCA, J.P., Retired Senior Partner, KPMG

[1] **Stephen W. Kempe,** President, Admiral Management Services Limited

[2] **Catherine S. Lord,** B.Sc., J.P., Retired

[1] **Garry A. Madeiros,** OBE, FCA, J.P., Retired President & CEO, Belco Holdings Limited (now named Ascendant Group Limited)

[2] **Paul Markey,** Retired Chairman, Aon Bermuda*

[1] **Richard D. Spurling,** Retired Partner, Appleby, Barristers & Attorneys

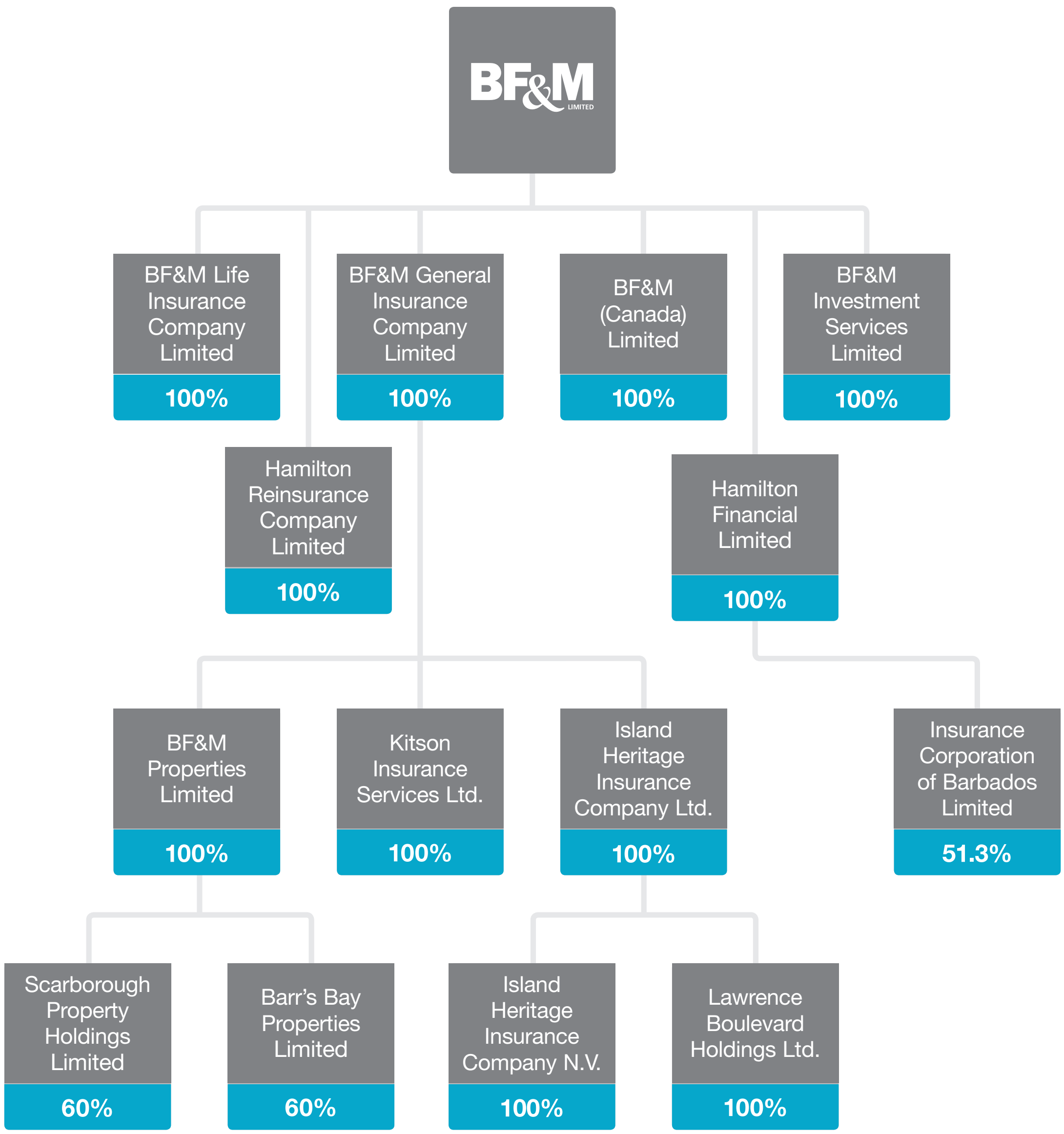
[1] **Ann B. Teixeira,** LLIF, Consultant, Retired Life Insurance Executive, Sun Life Financial (U.S.)**

[2] **C.L.F. "Lee" Watchorn,** FCIA, FSA, President, Watchorn Advisory Group

R. John Wight, CPA, CA, CPCU, Group President & Chief Executive Officer, BF&M Limited

[1]Finance, Compensation & Corporate Governance Committee
[2]Audit, Compliance & Corporate Risk Management Committee
*Appointed January 2016
**Retired May 2015

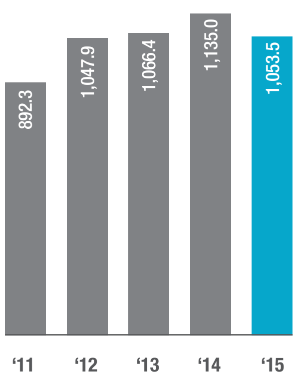
Corporate Structure



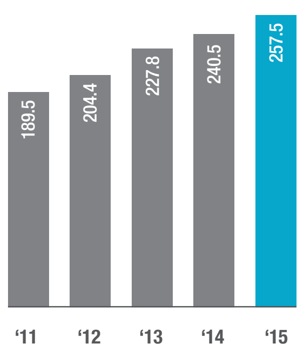
Financial & Statistical Summary

At End of Year

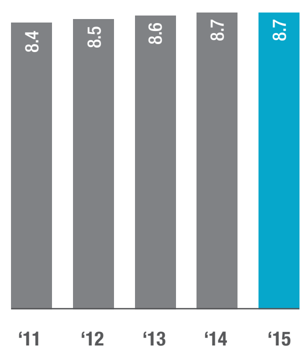
Total General Fund Assets
in millions of dollars



Shareholders’ Equity
in millions of dollars

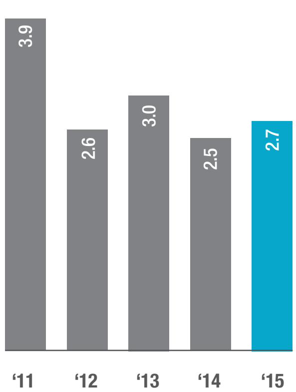


Number of Common Shares
in millions

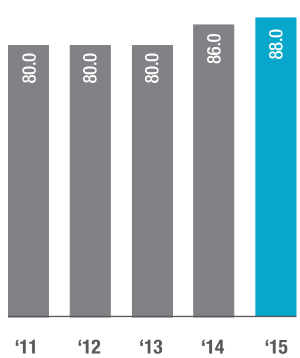


Per Common Share

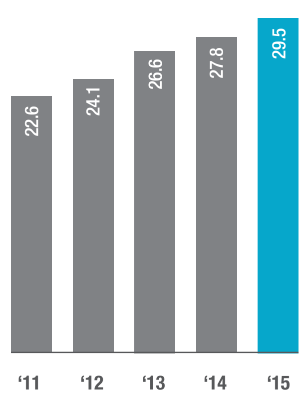
Net Earnings
in dollars



Cash Dividends
in cents

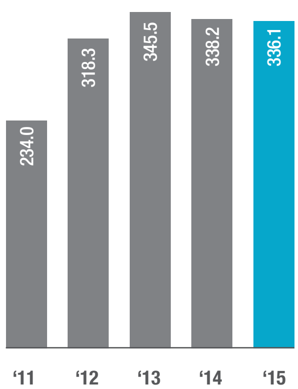


Book Value
in dollars

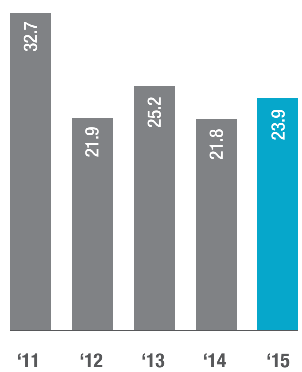


For the Year

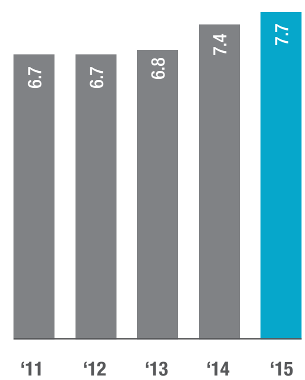
Gross Premiums Written
in millions of dollars



Shareholders' Net Income
in millions of dollars

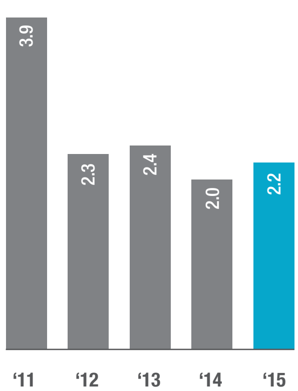


Dividends Declared
in millions of dollars

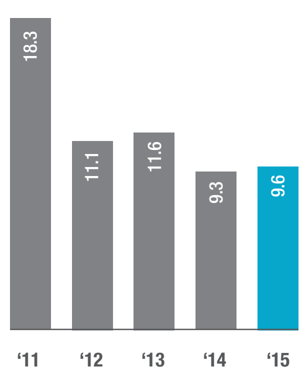


Financial Ratios

Return on Assets
percentage



Return on Common Shareholders' Equity
percentage



L-R
R. John Wight, CPA, CA, CPCU
Group President & Chief Executive Officer

Gavin R. Arton
Chairman

Shareholders' Report

2015 was another year of strong shareholders' net earnings for the BF&M Group. Net earnings were $23.9 million, following earnings of $21.8 million in 2014. This resulted in a Return on Shareholder's Equity of 9.6%, as compared with 9.3% in 2014. 2015 was in fact one of the strongest financial years on record for the BF&M Group from its core insurance and investment advisory businesses in Bermuda and the Caribbean.

The BF&M Group conducts its insurance and investment businesses in Bermuda and 15 islands in the Caribbean. The Group's business plan of diversification both geographically and by line of business in Property & Casualty features prominently into why the Group has and continues to achieve such a constant and healthy annual return on equity above our competitors in the Bermuda and Caribbean region. Return on equity has been greater than 9% for 15 straight years, through years of severe windstorms, investment market collapses, and continuing and ongoing recessionary pressures in virtually all the islands where the Company operates.

2015 was a very active year in positioning BF&M for the future. A decision was made to sell Bermuda International Insurance Services Limited, merge BF&M General Insurance Company Limited with Island Heritage Holdings Ltd., and merge Bermuda International Reinsurance Services Limited with BF&M Life Insurance Company Limited. In addition, the Company acquired Kitson Insurance Services Ltd., a Bermuda-based P&C brokerage agency company that has been operating in Bermuda since 1947. We will have more to say about these transactions later in the report.

We were pleased that rating agency A.M. Best maintained their Financial Strength Ratings for all four BF&M principal operating companies. A.M. Best's rating system is designed to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. Their opinions are derived from an evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best's ratings for these companies are as follows:

- BF&M General Insurance Company Limited
  ("BF&M General") – "A" Excellent
- BF&M Life Insurance Company Limited
  ("BF&M Life") – "A" Excellent
- Island Heritage Insurance Company Ltd.
  ("Island Heritage") – "A" Excellent
- Insurance Corporation of Barbados Limited
  ("ICBL") – "A-" Excellent

There is no insurance group writing domestic insurance in Bermuda and the Caribbean with stronger ratings.

The Group is very well capitalised and shareholder's equity at 31st December 2015 was $257 million. Based on the strong capitalisation and earnings, the Board of Directors maintained the 22c per share per quarter dividend, which had been increased in 2014.

As we note each year in our report, the accounting policy under International Financial Reporting Standards for valuing investments, in life insurance enterprises in particular, can and often does lead to significant volatility of financial results. The Group records a significant portion of its investments at fair value, which in 2015 resulted in a decrease in income of $6.5 million due to increased long-term interest rates which affected the Group's significant fixed income portfolio. This decrease of $6.5 million compared with an increase of $20.3 million in 2014.

In order to mitigate some of this volatility, that from year to year can potentially have a significant influence on earnings, the Group follows a disciplined asset liability matching policy so that, increases (or decreases) in the fair value of the majority of its investments are matched with corresponding increases (or decreases) in insurance reserves, reducing the net effect on earnings in any one year. In 2015, the difference between fair valuing investments and reserves for BF&M's life insurance companies produced a net loss of approximately $1.1 million. In 2014, the net difference resulted in a gain of approximately $2.4 million.

As mentioned earlier, BF&M recorded one of its strongest years ever from its core insurance and investment advisory services. The Group benefitted from increased business, reduced reinsurance costs, and lower than normal claims. While the core business operations performed very well, the Group did however incur an additional mortgage impairment expense of $6.6 million relating to several of its commercial and residential properties that reduced in value in 2015.

To improve the effectiveness of the Group's capital, several transactions and changes occurred during the year;

The acquisition of Kitson Insurance Services Ltd. in Q4 2015 was an important one for the Company. The majority of the business in Kitson is home and commercial property, but also motor, public liability, and financial lines. This was a very good transaction for BF&M and increases our market of P&C business in Bermuda at a time when new business opportunities are limited.

BF&M also sold one of its life insurance companies, Bermuda International Insurance Services Limited. A decision was made that the volatility of the earnings and risk profile in this business from year to year was greater than the Group's comfort level. Following that sale, Bermuda International Reinsurance Services Limited was merged with BF&M Life, with BF&M Life being the surviving entity. This streamlined the group's reporting structure and strengthened BF&M Life's capital base and earnings.

Finally, BF&M General was merged with Island Heritage Holdings Ltd. Island Heritage Insurance Company, the operating entity for our Cayman-based P&C business, remains as a subsidiary of BF&M General. Much work was done in 2015 to commence the process of integrating the Bermuda P&C and Cayman headquartered businesses, to optimise business effectiveness. We are confident of strategic and operational benefits accruing in 2016 and onwards in respect of that work.

Following these transactions and changes, the Group now has six profit centres which we will report on as follows:

- Bermuda General Insurance
- Bermuda Health & Life Insurance;
  Pension Administration Services
- Barbados Operations
- Cayman Operations
- Bermuda Investment Services
- Real Estate

Bermuda General Insurance

Net earnings were up considerably in 2015 over 2014, with the major reason being that 2014 year earnings were adversely impacted by the financial effects of Hurricanes Fay and Gonzalo in Bermuda. The 2015 storm season was essentially free of any major events, and non-storm related claims were in line with what we expected to see in a normal year.

Gross premiums written were higher in 2015 and benefitted from the acquisition of Kitson Insurance Services as that business was renewed with BF&M General post acquisition.

Bermuda

Information systems project work continues to be done with a timeline of the end of 2017 for BF&M General, Island Heritage, and ICBL all to be administering P&C insurance business on the same platform. Many benefits will be realised to the Group when this happens.

The Group continued the practice of purchasing a conservative reinsurance programme with world class reinsurers. The two hurricanes in 2014 proved the strength of our programme.

Bermuda Health & Life Insurance; Pension Administration Services

BF&M Life's core businesses of group and individual health, life, annuity, and pension had a very good year in 2015, albeit impacted by mortgage impairments referred to earlier in this report.

Group Life improved earnings due to favourable loss ratios with notable gross written premium growth. Further expansion into territories outside Bermuda continued through the year.

Group Health also improved earnings and continued to maintain a favourable loss ratio despite new types of claims expenses, increasing taxes and pressure on premium rates. Our Critical Illness product and superior level of customer care continue to provide market differentiation.

During 2015 the Company implemented LiveWell, a multidimensional wellness programme inclusive of a web-based platform, goal-based health challenges, a domestic provider network and onsite employer wellness and immunisation clinics. 23 of our plan sponsors are now using BF&M's wellness services with an additional 294 members participating in the health challenges.

Throughout the year our work with multiple local organisations including Bermuda Cancer and Health Centre, Open Airways, Bermuda Hospitals Board Chronic Disease Management Centre, the Department of Health, the Ministry of Youth and Sport and the Youth Olympic Team fuelled BF&M's community involvement and expanded our reach into the preventative healthcare arena.

Bermuda continues to face a high burden of chronic disease and lack of appropriate, coordinated resources to deliver care effectively outside the acute care setting. As our population ages both will become a greater challenge. In this regard, BF&M Life continues to support and provide cost-effective solutions which can be implemented proactively by both the public and private sector.

Our management and specialty teams continue to develop improved technology to enhance the customer and provider experience. Our efforts, innovations and advancements will continue throughout 2016.

Barbados Operations

The financial results of BF&M's Barbados-based businesses, through our 51.3% ownership interest in the Insurance Corporation of Barbados Limited improved measurably in 2015 over 2014.

The reasons for the increased performance related to very strong growth of new business. The Company continues to be the leading P&C insurer in Barbados.

The Barbados economy continues to face challenges. Standard & Poor's current rating for Barbados is 'B with a negative outlook'. ICBL holds a significant amount of Government debt and thus we continue to carefully monitor the economic situation in Barbados.


Barbados

Cayman Operations

Island Heritage, headquartered in Cayman, recorded reduced earnings in 2015 over 2014, in a year largely unaffected by hurricanes in the 15 islands that their insurance business is conducted in. Premium rates continue to drop in the region and this was one element of reduced income.

Most of Island Heritage's insurance business is sourced through producer channels and the Company continues to strengthen its relationships with the top agents and banks in multiple countries.

Bermuda Investment Services

BF&M Investment Services Limited ("BFMISL") provides pension investment management and consulting services and is fully licensed with the Bermuda Monetary Authority under the Investment Business Act. The Company provides a full range of investment services and provides clients with a wide range of investment options through their network of manager contacts.

BFMISL continued its support of BF&M's pension products in 2015. The Horizon Pension Product continued to gain market share in Bermuda and the new "Target Date" philosophy of saving for retirement is quickly gaining traction on the island.

Real Estate

BF&M's real estate portfolio consists mainly of three main commercial office buildings that we own and occupy in Bermuda, one commercial office building that we occupy in Cayman, and two commercial properties in Barbados. The investment properties in Bermuda are fully let, and the investment properties in Barbados are almost fully let.

People and Community

Bermuda

Our continued success is primarily due to the hard work of our management and staff, and this past year we acknowledged 18 of our long service employees, whose combined dedication totals 240 years of service. We thank them for their wonderful commitment to the Group and the customers we serve.

We have a philosophy that encourages investment in professional development which enhances an employee's career with BF&M. As such, many employees chose to study with LOMA, IIA, CII and other organisations. LOMA is an international trade association for the insurance and financial services industry. In addition, employees enroll in courses offered by the Bermuda Insurance Institute which provide valuable learning and educational opportunities for those interested in deepening their understanding of our industry. Following their studies this year, we are delighted to congratulate the following employees from the Bermuda and Canadian offices for receiving professional designations in 2015:

Fellow, Life Management Institute
Andrew Spencer; Charis Haynes

Associate, Life Management Institute
Ashkan Khazari; Charis Haynes; Tiffany Nelmes; Jai-Michael Phillips

Associate, Annuity Products and Administration
Surlena Smith

Associate, Reinsurance Administration
Sevonne Scott; Kristina Soares

Associate in Claims
Ayisha Smith, P&C

Group Benefits Associate
Rob Jackson


Cayman Islands

Many employees are well on their way to these designations with supporting LOMA and IIA/CII courses too.

In association with strengthening our talent, we were fortunate to hire two new additions to our Group Management team this year. Stacy Ashby joined us as our Vice President, Head of Internal Audit, as well as Gloria Legere as Vice President, Financial Controller, who joined us to head up our Bermuda financial operations. Both these managers have already brought their expertise and experience to bear on their respective roles, and we are delighted to welcome them to the BF&M family.

We are also pleased to announce the following group management promotions:

Angela Tucker	Chief Financial Officer	BF&M Life
Brian McLeod	Vice President, Operations	BF&M Life
Larenzo Ratteray	Vice President, Claims	BF&M General
Stephen Muso	Assistant Vice President, Personal Insurances	BF&M General
Raquel Fagundo	Assistant Vice President/ HR Manager Bermuda	BF&M Limited

They have all shown their worth and we thank them for their hard work and leadership abilities.

Finally, Ann Teixeira retired from the Board of Directors and we would like to thank her very much for her service to the Company. Following the year end we were very pleased to appoint Paul Markey, a well experienced insurance executive to the Board.

The Group continues to drive standards of excellence across all of our platforms. To further these aims, we were also proud to have again been selected as one of The BottomLine Magazine's 2015 Top Ten Employers, the only employer in Bermuda to place in the Top Ten each year since the awards began seven years ago. The survey examined which of the island's companies offered the most rewarding work environment and experience, and the survey pool of participants represents every major industry in Bermuda and represents a true diverse structure of companies.

As Official Healthcare Provider for the America's Cup and ORACLE TEAM USA, BF&M was proud to take a prominent role in the in the events associated with the Louis Vuitton America's Cup World Series. In addition to volunteering in their Endeavour Programme, BF&M participated in the warm-up events leading up to the three-day series, hosted a tent in the Event Village and entertained clients on the water.

Whilst we are proud to celebrate our accomplishments and be an industry leader for both our customers and staff, the wider needs of the Bermuda community are never far from our minds. We realise that many have continued to struggle in this harsh economic climate, and BF&M strives to operate a targeted approach to giving back to our community. We focus on those causes that either align with our business sectors or that are of particular importance to our employees. These are identified through our own endeavours and in conjunction with our local non-profit organisations. We were therefore honoured to have been awarded the Bermuda Insurance Institute's Corporate Social Responsibility Award for our community charitable giving programme.

Under our Assistant Vice President of Wellness, Brenda Dale, we launched the LiveWell programme, to promote health and wellness in a number of personal and interactive ways via a web platform, both internally and for our health clients. This has been exceptionally well received, and is growing steadily.

Under this umbrella, for 19 years we have supported the Bermuda Cancer and Health Centre by our lead sponsorship of the BF&M Breast Cancer Awareness Walk, Preventive Health Fair and School Spirit Award. This event is an opportunity to honour cancer survivors and the memory of loved ones. This gives us a meaningful and memorable way to support breast cancer awareness, education and research.

It should also be noted that our operations in Cayman, Barbados and Canada participate in local community and charitable causes, and I want to outline some of the wonderful work being done by our affiliate offices as follows:

Cayman

Our Cayman office is committed to both developing its employees as well as enriching its local community. Under the learning and development umbrella, monthly soft skills and insurance product training is offered and in-house courses are taught by the management team. Employees are recognised and rewarded for their achievements in professional certifications. In 2015, six employees obtained professional insurance designations from the CII UK (Chartered Insurance Institute) and the CILA UK (Chartered Institute of Loss Adjusters). In addition, we currently have 16 employees studying for various insurance qualifications, and one employee qualified as a certified member of the IIA (Institute of Internal Auditors).

Barbados

Our ICBL office in Barbados chose to assist a number of schools with programmes geared towards knowledge growth and development, as well as infrastructural and technological advancement. They also supported the Suzuki Music Barbados programme, which is devoted to talent education, developing confidence and self-esteem, discipline and concentration. The Christmas programme, assisting the Sterling Children's Home with gift bags of clothes and toiletries is also becoming a regular event on their community outreach programme, as is the 'Clean Up Barbados' exercise.

Like the Bermuda office, ICBL took a deliberate approach towards the promotion of health awareness, healthcare development, healthy living and proactive health practices. The Broadway to Barbados show, raised funds for the upgrade and upkeep of the Queen Elizabeth Hospital. Also, the Family Fun Walk and Run was this year supported by over 2,300 participants and in its 6th year, continues to grow as a community calendar event.

Bahamas

Our Bahamas office has been operational since 2007, but in comparison to our larger offices, hosts only a small number of staff at this juncture. All of our colleagues participate fully in their respective neighbourhoods, giving of their time for community promotion and wellness.

Canada

While we have already included the professional designations earned by our IT office in Canada, we also wanted to mention their involvement in their community by way of their donations to Beacon House, Bryony House and the School Breakfast Programme as well as food donations for the Food Bank during the holidays. Our employees also volunteer at a local drop-in centre for the homeless and hungry at Souls Harbour Rescue Mission.

Their annual Charity Drive benefitted three local charities in 2015, and since its inception in 2012, they have donated over $160,000 to a dozen charities. In addition, each week, employees donate their time to Meals on Wheels, delivering hot lunches to seniors.

We would like to thank our employees in all our jurisdictions who give so much of their time, talent and energy in supporting not only the corporate programmes that we each have in place, but for their own social responsibility with volunteering time in their respective communities.

Looking Forward

Our plan is to build further on a very strong foundation. We have an experienced and committed team executing a business plan that has proven to return excellent results to our shareholders over many years. Through the acquisition in 2015 of Kitson Insurance Services and the sale of Bermuda International Insurance Services, we are now better positioned to do what we do really well; underwriting insurance in Bermuda and the Caribbean.

We have demonstrated that we continue to outperform our peers and remain the strongest domestic insurance group in Bermuda and the Caribbean.

BF&M has a very bright future and we look forward to 2016 and beyond with great enthusiasm and expectations of continued success for our staff, policyholders, and shareholders.

Gavin R. Arton
Chairman

R. John Wight, C.A., CPCU
Group President & Chief Executive Officer

Financial Statements

STRONG

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Responsibility for Financial Reporting
For the year ended 31 December 2015

The management of BF&M Limited ("the Group") is responsible for the preparation of the consolidated financial statements contained in this report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Group's internal audit function.

The Audit, Compliance, and Corporate Risk Management Committee, composed of directors who are not officers or employees of the Group, reviews the consolidated financial statements on behalf of the Board of Directors before the statements are submitted to the shareholders.

The shareholders' independent auditors, PricewaterhouseCoopers Ltd., have audited the consolidated financial statements of the Group in accordance with International Standards on Auditing and have expressed their opinion in their report to the Group's shareholders. The auditors have unrestricted access to and meet periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These consolidated financial statements have been authorised for issue by the Board of Directors on 8 April 2016. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

R. John Wight

R. John Wight, CPA, CA, CPCU
Group President & Chief Executive Officer

Michael White, FIA
Group Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

12 April 2016

Independent Auditor's Report

To the Shareholders of BF&M Limited

We have audited the accompanying consolidated financial statements of BF&M Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BF&M Limited and its subsidiaries as at 31 December 2015 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

PricewaterhouseCoopers Ltd, Chartered Professional Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F: +1 (441) 295 1242, www.pwc.com/bermuda

Consolidated Statement of Financial Position
As at 31 December 2015
(in thousands of Bermuda dollars)

	Notes	2015 $	2014 $
Assets			
Cash and cash equivalents	7	96,245	53,805
Fixed deposits	8	-	2,021
Regulatory deposits	8	19,439	18,231
Investments	9	650,980	660,655
Insurance receivables and other assets	11	79,946	79,910
Deferred policy acquisition costs	12	8,952	10,118
Reinsurance assets	13	65,694	89,211
Investment properties	14	36,398	37,313
Property and equipment	15	24,876	24,585
Tax recoverable	16	925	472
Intangible assets	17	52,029	48,001
Restricted cash	8	18,034	12,996
Assets held for sale	4	-	97,661
Total general fund assets		**1,053,518**	**1,134,979**
Segregated funds assets	18	631,059	628,874
Total assets		**1,684,577**	**1,763,853**
Liabilities			
Other liabilities	19	72,451	69,455
Deferred tax liability	16	896	1,135
Loan payable	20	1,123	1,769
Retirement benefit obligations	21	4,571	4,325
Investment contract liabilities	22	342,686	336,003
Insurance contract liabilities	23	329,458	363,846
Liabilities held for sale	4	-	74,152
Total general fund liabilities		**751,185**	**850,685**
Segregated funds liabilities	18	631,059	628,874
Total liabilities		**1,382,244**	**1,479,559**
Equity			
Share capital	24	8,722	8,652
Contributed surplus	24	1,482	1,482
Share premium	24	61,387	60,303
Accumulated other comprehensive loss	29	(7,996)	(7,598)
Retained earnings		193,892	177,645
Total shareholders' equity		**257,487**	**240,484**
Non-controlling interests		44,846	43,810
Total equity		**302,333**	**284,294**
Total liabilities and equity		**1,684,577**	**1,763,853**

Approved by the Board of Directors

Gavin R. Arton
Chairman

R. John Wight

R. John Wight, CPA, CA, CPCU
Group President & Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2015
(in thousands of Bermuda dollars except for per share amounts)

	Notes	2015 $	2014 $
Income			
Gross premiums written		336,093	338,155
Reinsurance ceded		(137,236)	(139,327)
Net premiums written		**198,857**	**198,828**
Net change in unearned premiums	23	1,670	4,078
Net premiums earned		**200,527**	**202,906**
Investment income	9	3,744	35,265
Commission and other income	25	46,997	39,522
Rental income		4,054	4,259
Total income		**255,322**	**281,952**
Expenses			
Insurance contracts benefits and expenses			
Life and health policy benefits	26	97,490	121,504
Short-term claim and adjustment expenses	26	22,642	27,799
Investment contract benefits		1,113	(2,967)
Paid or credited to policyholder accounts		616	2,254
Participating policyholders' net (income) loss		(483)	542
Commission and acquisition expense		30,525	33,218
Operating expenses	27	62,889	64,452
Amortisation expense		10,329	7,980
Interest on loans		69	442
Total benefits and expenses		**225,190**	**255,224**
Income before income taxes		**30,132**	**26,728**
Income taxes	16	(2,260)	(2,018)
Net income for the year		**27,872**	**24,710**
Net income attributable to:			
Shareholders		**23,908**	**21,805**
Non-controlling interests in subsidiaries		3,964	2,905
Net income for the year		**27,872**	**24,710**
Earnings per share			
- Basic	24	$2.75	$2.53
- Fully diluted	24	$2.75	$2.53

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	2015 $	2014 $
Net income for the year after income taxes	27,872	24,710
Other comprehensive loss:		
Items that will not be reclassified to profit or loss		
Re-measurement of retirement benefit obligations	(543)	(3,251)
Items that may be subsequently reclassified to profit or loss		
Investments classified as available for sale		
Fair value (loss) gain	(27)	23
Currency translation differences	(213)	(102)
	(240)	(79)
Total other comprehensive loss for the year after income taxes	**(783)**	**(3,330)**
Total other comprehensive loss attributable to:		
Shareholders	(398)	(3,077)
Non-controlling interests in subsidiaries	(385)	(253)
Total other comprehensive loss for the year after income taxes	**(783)**	**(3,330)**
Comprehensive income	**27,089**	**21,380**
Comprehensive income attributable to:		
Shareholders	23,510	18,728
Non-controlling interests in subsidiaries	3,579	2,652
Comprehensive income	**27,089**	**21,380**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive loss is disclosed in Note 16.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	Notes	2015 $	2014 $
Share capital			
Balance - beginning of year		8,652	8,558
Shares issued under employee share purchase plan	24	18	21
Shares issued under equity incentive plan	24	4	8
Share grants issued under equity incentive plan	24	55	65
Share grants forfeited under equity incentive plan	24	(7)	-
Balance - end of year		**8,722**	**8,652**
Contributed surplus – beginning and end of year		**1,482**	**1,482**
Share premium			
Balance - beginning of year		60,303	59,037
Shares issued under employee share purchase plan	24	307	333
Shares issued under equity incentive plan	24	55	125
Share grants issued under equity incentive plan	24	912	1,081
Share grants forfeited under equity incentive plan	24	(109)	56
Deferred share grant	24	(81)	(329)
Balance - end of year		**61,387**	**60,303**
Accumulated other comprehensive loss			
Balance – beginning of year		(7,598)	(4,521)
Other comprehensive loss for the year		(398)	(3,077)
Balance - end of year		**(7,996)**	**(7,598)**
Retained earnings			
Balance - beginning of year		177,645	163,258
Net income for the year		23,908	21,805
Cash dividends		(7,661)	(7,418)
Balance – end of year		**193,892**	**177,645**
Total equity attributable to shareholders of the company		**257,487**	**240,484**
Attributable to non-controlling interests			
Balance - beginning of year		43,810	43,919
Net income for the year		3,964	2,905
Other comprehensive loss for the year		(385)	(253)
Cumulative adjustment for changes in non-controlling interest percentage		-	100
Shares issued to non-controlling interests		65	52
Cash dividends		(2,608)	(2,913)
Balance – end of year		**44,846**	**43,810**
Total equity		**302,333**	**284,294**

The dividends paid in 2015 and 2014 were $7,661 ($0.88 per share) and $7,418 ($0.86 per share) respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	2015 $	2014 $
Cash flows from operating activities		
Income before income taxes	30,132	26,728
Adjustments for:		
Investment income	(20,920)	(22,306)
Net realised (gain) / loss on investments	(4,068)	225
Change in fair value of investments	10,537	(20,491)
Unrealised gain on investments allocated to insurance contracts	-	(2,553)
Provision for losses on investments	6,615	1,917
Amortisation of property and equipment	2,266	2,030
Amortisation of investment properties	921	907
Amortisation of intangible assets	5,490	5,043
Impairment of available-for-sale investments	20	247
(Reversal) / Impairment of investment properties	(96)	522
Impairment of intangible assets	1,652	-
Loss on disposal of subsidiary	637	-
(Gain) / Loss on sale of property and equipment	(24)	50
Interest on loan	69	442
Compensation expense related to shares and options	1,039	1,094
Changes in assets and liabilities:		
Restricted cash	(5,038)	(3,143)
Regulatory deposits	(1,208)	1,345
Cash in assets held for sale	6,123	(6,123)
Insurance receivables and other assets	2,842	1,639
Deferred policy acquisition costs	1,166	(182)
Reinsurance assets	24,565	(12,450)
Taxes recoverable	(340)	441
Insurance contract liabilities	(40,052)	64,096
Investment contract liabilities	6,683	2,741
Other liabilities	2,800	3,216
Retirement benefit obligations	(297)	(1,156)
Cash generated from operations	**31,514**	**44,279**
Income taxes paid	(2,612)	(2,000)
Interest and dividends received	19,277	20,898
Net cash generated from operating activities	**48,179**	**63,177**
Cash flows from investing activities		
Purchase of investments	(194,544)	(303,566)
Proceeds from sales of investments	218,500	266,196
Acquisition of property and equipment	(2,562)	(3,570)
Maturity (purchase of) fixed deposit	2,021	(6)
Proceeds from sales of property and equipment	29	615
Disposal / (Acquisition) of investment properties	90	(121)
Acquisition of intangible assets	(11,170)	(6,093)
Cash proceeds from disposal of subsidiary	7,300	-
Cash disposed on disposal of subsidiary	(14,386)	-
Net cash provided by / (used for) investing activities	**5,278**	**(46,545)**
Cash flows from financing activities		
Cash dividends paid	(7,661)	(7,418)
Interest paid	(69)	(442)
Loan repaid	(646)	(16,372)
Cash dividends paid to non-controlling interest	(2,608)	(2,761)
Cash proceeds on issue of common shares	180	266
Net cash (used for) financing activities	**(10,804)**	**(26,727)**
Effect from changes in exchange rates	(213)	(102)
Increase / (Decrease) in cash and cash equivalents	42,440	(10,197)
Cash and cash equivalents - beginning of year	53,805	64,002
Cash and cash equivalents - end of year	**96,245**	**53,805**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

1. NATURE OF THE GROUP AND ITS BUSINESS

BF&M Limited (the "Group") was incorporated in Bermuda on 5 August 1991, as a holding company, and is a public limited company listed on the Bermuda Stock Exchange. The address of its registered office is: 112 Pitts Bay Road, Pembroke HM08, Bermuda.

The Group's principal business is insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, and estimation of claim costs and management of investment funds.

The Group is involved in property, casualty, motor, marine, life, health and long-term disability insurance, annuities, the management and investment of pension plans, as well as the rental of office space in buildings owned by the Group.

The Group has the following subsidiaries:

	% owned	Principal country of operation and incorporation
BF&M General Insurance Company Limited ("BF&M General")	100	Bermuda
BF&M Investment Services Limited ("BFMISL")	100	Bermuda
BF&M Life Insurance Company Limited ("BF&M Life")	100	Bermuda
BF&M Properties Limited ("BF&M Properties")	100	Bermuda
Hamilton Reinsurance Company Limited ("Hamilton")	100	Bermuda
Kitson Insurance Services Ltd. ("KISL")	100	Bermuda
Barr's Bay Properties Limited ("Barr's Bay")	60	Bermuda
Scarborough Property Holdings Limited ("Scarborough")	60	Bermuda
Hamilton Financial Limited ("Hamilton Financial")	100	St. Lucia
Insurance Corporation of Barbados Limited ("ICBL")	51.3	Barbados
Insurance Corporation of Barbados Limited/ National Insurance Board Joint Venture ("ICBLJV")*	37.2	Barbados
BF&M (Canada) Limited ("BF&M Canada")	100	Canada
Island Heritage Insurance Company, Ltd. ("IHIC")	100	Cayman Islands
Island Heritage Insurance Company, Ltd. NV.	100	Netherlands Antilles
Lawrence Boulevard Holdings Limited	100	Cayman Islands

*ICBL owns 72.35% of ICBLJV and controls the operations of the entity.

During 2015, the Group wound up and dissolved I.H. America's Insurance Company. In addition, Island Heritage Holdings, Ltd. was merged with BF&M General, with BF&M General being the surviving entity. A merger was also undertaken between Bermuda International Reinsurance Services Limited and BF&M Life where BF&M Life was the surviving entity. All entities were 100% owned by the Group. The mergers had no impact to the Group's consolidated financial statements.

The Group disposed of Bermuda International Insurance Services Limited and acquired Kitson Insurance Services Ltd. Further details are provided in Note 4 Acquisitions and Dispositions.

All subsidiary undertakings are included in the consolidated financial statements; in addition, all subsidiaries have a 31 December year-end.

On 8 April 2016 the Board of Directors approved the financial statements and authorised them for issue. The Board of Directors has the power to amend the financial statements after issue.

Notes to Consolidated Financial Statements

For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB").

B. BASIS OF PREPARATION

i) Basis of measurement

The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of: available-for-sale financial instruments and certain segregated fund assets and liabilities measured at fair value; retirement benefit obligations measured at present value; and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated statement of financial position is presented in order of liquidity.

ii) Critical Estimates, Judgments and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these financial statements including:

- The actuarial assumptions used in the valuation of insurance and investment contract liabilities under the Canadian Asset Liability Method ("CALM") require significant judgment and estimation. Key assumptions and considerations in choosing assumptions are discussed in Note 2.O and sensitivities are discussed in Note 5B and 23.
- The estimate of the ultimate liability arising from claims under short-term insurance contracts. Refer to Note 5B and 23.
- In the determination of the fair value of financial instruments, the Group's management exercises judgment in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy. Refer to Note 10.
- Management considers the synergies and future economic benefit's to be realised in the initial recognition and measurement of goodwill and intangibles assets as well as testing of recoverable amounts. The assessment of the carrying value of goodwill and intangible assets relies upon the use of forecasts and future results. Refer to Note 2M and Note 17.
- The actuarial assumptions used in determining the liability and expense of the Group's retirement benefit obligations. Management reviews previous experience of its plan members and market conditions for the year. Refer to Note 21.
- Management uses independent qualified appraisal services to assist in determining the fair value of investment properties or properties providing collateral for mortgages. This fair value assessment requires judgments and estimates on future cash flows and general market conditions. Refer to Note 5B and 14.
- The Group operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Group's tax provision and the carrying amounts of its tax assets and liabilities. Refer to Note 16.

Notes to Consolidated Financial Statements

For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

C. CONSOLIDATION

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Group and deconsolidated on the date control ceases. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, including liabilities arising from contingent consideration arrangements. 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 identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

ii) Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

D. DETERMINATION OF FAIR VALUE

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation techniques such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and inputs. For bonds and fixed income securities, broker quotes are typically used when external public vendor prices are not available. Judgment is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in Note 10.

E. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

F. FOREIGN CURRENCY TRANSLATION

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the consolidated financial statements, excluding per share data or where otherwise stated, are in thousands of Bermuda dollars, which is the Group's presentation currency.

ii) Transactions and balances

Monetary assets and liabilities denominated in currencies other than the functional currency of the Company or its subsidiaries are translated into the functional currency using the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of income.

Notes to Consolidated Financial Statements

For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available for sale are included in other comprehensive income.

iii) Group companies

The financial statements of foreign operations are translated from their respective functional currency to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at rates of exchange at the balance sheet date, and income and expenses are translated using the average rates of exchange. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included in other comprehensive income on the consolidated statement of comprehensive income.

The exchange rate between Barbadian and Bermudian dollars has essentially remained unchanged since the acquisition of the Barbadian operation in 2005. The Cayman Island operation's functional currency is in United States dollars, which are on par with Bermuda dollars. As a result there are no unrealised translation gains and losses to be reported other than for BF&M Canada.

G. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less, and bank overdrafts.

Restricted cash and cash equivalents consists of cash being held on account of various pension plans and cash held on account for dividends issued but not collected to satisfy regulatory requirements. These amounts are not available for use in the Group's daily operations and therefore are excluded in the statement of cash flows.

H. FIXED AND REGULATORY DEPOSITS

Regulatory deposits are held with Regulators as a legal requirement in order to provide services in the respective territories. Fixed deposits are financial assets with maturity dates longer than 90 days and are held with financial institutions.

I. FINANCIAL INSTRUMENTS

i) Financial assets

Classification, recognition and subsequent measurements of financial assets

The Group classifies its investments into the following categories: a) financial assets at fair value through profit and loss ("FVTPL"); b) held-to-maturity; c) loans and receivables; and d) financial assets available for sale. Management determines the classification at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired.

a) FVTPL

A financial asset is classified at FVTPL if it is designated as such upon initial recognition or is classified as held-for-trading. A financial asset can be designated as FVTPL if it eliminates or significantly reduces an accounting mismatch. A financial asset is classified as held-for-trading if it is acquired mainly for the purpose of selling in the near term or traded for the purposes of earning investment income. Attributable transaction costs upon initial recognition are recognised in investment income in the consolidated statement of income as incurred. FVTPL assets are measured at fair value and changes in fair value as well as realised gains and losses on sales are recognised in investment income in the consolidated statement of income. Dividends earned on equities are recorded in investment income in the consolidated statement of income. Derivatives are also categorised as held-for-trading unless they are designated as hedges. The Group has not designated any derivatives as hedges.

b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments that the Group has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses. Amortisation of premiums and accretion of discounts are included in investment income in the consolidated statement of income.

Notes to Consolidated Financial Statements
For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

c) Loans and receivables
Loans and receivables are all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment loss. For purposes of this classification loans and receivables are comprised of fixed income securities (held in Barbados), mortgages and other loans. Realised gains or losses from the sale of loans and receivables are recorded in investment income in the consolidated statement of income.

d) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are not classified in any of the previous categories. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Equities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets available for sale are included in the consolidated statement of comprehensive income in the period in which they arise. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated statement of income.

All other financial assets (including fixed income securities classified as loans and receivables) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Balances pending settlement as a result of sales and purchases are reflected in the consolidated statement of financial position as receivable for investments sold and payable for investments purchased.

De-recognition and offsetting
The Group derecognises a financial asset when the Group has transferred the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred, which is normally the trade date.

Investment income
Dividends on equity instruments are recognised in the consolidated statement of income on the ex-dividend date. Interest income is recorded on the accruals basis, using the effective interest rate method, in investment income in the consolidated statement of income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

ii) Financial liabilities
Classification, recognition and subsequent measurement of financial liabilities
The Group has the following financial liabilities: a) financial liabilities at FVTPL and b) other financial liabilities. Management determines the classification at initial recognition.

a) FVTPL
The Group's financial liabilities at FVTPL relate to contingent consideration associated with the acquisition of KISL (see Note 4 A) and certain investment contract liabilities. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in fair value of investment contract liabilities are recorded in investment contract benefits in the consolidated statement of income.

b) Other financial liabilities
All remaining financial liabilities are classified as other financial liabilities which include certain investment contract liabilities incepted in Barbados, loans payable, and other liabilities. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Loans payable are subsequently carried at amortised cost. Any excess between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of income over the period of the loan using the effective interest rate method. Included under other liabilities are accounts payable. Other liabilities are considered short-term payables with no stated interest and the carrying value of these financial liabilities approximates fair value at the reporting date.

Notes to Consolidated Financial Statements

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The Group initially recognised loans payable on the date the loan originated. All other liabilities (including liabilities designated at FVTPL) are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

J. IMPAIRMENT OF ASSETS

i) Impairment of financial assets

The Group reviews the carrying value of its financial assets, except those classified as FVTPL, at each period end for evidence of impairment and reversal of previously recognised impairment losses. These assets are considered impaired if there is objective evidence of impairment as a result of one or more loss events that have an impact that can be reliably estimated on the estimated future cash flows of the asset and the financial assets carrying value exceeds the estimated future cash flows. Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to the following: (i) failure to make scheduled payments of capital and/or interest, (ii) adverse changes in the payment pattern of the borrower and (iii) significant deterioration in the fair value of the security underlying financial asset.

a) Loans and receivables

When loans and receivables assets (other than collateralised mortgage loans) carried at amortised cost are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. For collateralised mortgage loans the carrying amount is reduced to its recoverable amount, being the future cash flow of the collateralised value less cost to sell discounted at the original effective interest rate of the instrument. For all loans and receivables where an impairment loss has occurred, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed in investment income in the consolidated statement of income.

b) Financial assets classified as available-for-sale

In the case of equity financial assets classified as available-for-sale, in addition to types of events listed above, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

When an available-for-sale asset is impaired, the loss accumulated in other comprehensive income is reclassified to investment income in the consolidated statement of income. The cumulative loss that is reclassified from other comprehensive income to investment income is measured as the difference between the acquisition cost and the current fair value of the financial assets less any impairment loss previously recognised in the consolidated statement of income. If, in a subsequent period, the fair value of a financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment is reversed through the consolidated statement of income.

ii) Impairment of non-financial assets

The Group's non-financial assets comprise investment properties, property and equipment and intangible assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment. Objective evidence includes, but is not limited to the following: (i) adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability; (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products; and (iii) the disintegration of the active market(s) to which the asset is related. If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised as losses in operating expenses in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units).

Notes to Consolidated Financial Statements

For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

K. INVESTMENT PROPERTIES

Investment properties are defined as properties with an insignificant portion that is owner occupied and are held for long-term rental yields or capital appreciation and comprise freehold land and buildings. Properties that do not meet these criteria are classified as property and equipment. Investment properties are initially recognised at cost in the consolidated statement of financial position. Subsequently, investment properties are carried at historical cost less depreciation. Depreciation on investment properties is calculated using the straight-line method over 50 years, excluding land and its residual value. Rental income from investment properties is recognised on a straight-line basis over the term of the lease in rental income in the consolidated statement of income. Expenditures relating to ongoing maintenance of investment properties are expensed. The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

L. PROPERTY AND EQUIPMENT

Owner occupied properties and all other assets classified as property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses in the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

Computer hardware	3 years – 5 years
Motor Vehicles	5 years
Furniture and equipment	5 years – 10 years
Leasehold improvements	the shorter of the lease term or 5 years – 10 years
Buildings	50 years

The assets' residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in commissions and other income in the consolidated statement of income.

M. INTANGIBLE ASSETS

Intangible assets include goodwill, indefinite life and finite life intangible assets. These assets include the following:

i) Finite life intangible assets

Intangible assets that were determined to have finite lives are amortised on a straight line basis over varying periods of up to 10 years, being the estimated expected lives. The estimated life is re-evaluated annually. These assets include the following:

Customer relationships and contracts

These assets, which comprise customer lists, customer relationships and contracts acquired from the purchase of rights or as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. Subsequently, these assets are carried as cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over 10 years, being the expected life of the business assumed.

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Distribution channels

These assets, which comprise agent and bank relationships acquired as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from these relationships based on certain historical ratios of gross written premium arising from these distribution channels on business in force at the date of acquisition. Subsequently, these assets are carried as cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over 10 years, being the expected life of the business assumed and the business channel relationship.

Brands

These assets specifically include the IHIC and KISL brands acquired during business combinations. They were initially measured at fair value based on the relief of royalty method at the date of acquisition. Subsequently, these assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over 2 to 5 years, based on the expected timing of a potential re-branding strategy for this business.

Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight-line basis over their useful lives, which range from 5 to 10 years.

ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the acquisition cost over the fair value of the Group's proportionate share of the net identifiable assets and liabilities of an acquired business at the acquisition date. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU"), which in this case are the acquired businesses on an individual basis. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment. The carrying value of the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

iii) Indefinite life intangible assets

The ICBL brand was initially measured at fair value at the date of acquisition. The brand was determined to have an indefinite life because there is no foreseeable limit to the cash flows generated by these intangible assets, nor plans for re-branding, due to the strength of the brand. Indefinite life intangible assets are not amortised. Impairment of this asset is assessed on an annual basis or more frequently if events or circumstances occur that may indicate that the carrying amounts may not be recoverable.

N. ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when a sale is highly probable and the assets are

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available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of non-current assets and disposal groups. For a sale to be highly probable management must be committed to sell the non-current asset or disposal group within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Certain assets are specifically excluded from these measurement requirements. The assets in this category which are applicable to the Company include financial assets, investment properties and insurance and reinsurance assets. These exempt assets are measured in accordance with the relevant accounting policies described within the notes to these consolidated financial statements. The disposal group as a whole is then measured to the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognised as a reduction to the carrying amount of the non-current assets in the disposal group that are in scope of the measurement requirements.

Assets and liabilities in a disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

O. INSURANCE AND INVESTMENT CONTRACTS
The Group issues contracts that transfer insurance risk or financial risk or both.

i) Insurance contracts
Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Group considers the proportion of premiums received to the benefit payable if the insured event did occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Life and health insurance contracts include term, whole life and universal life insurance contracts, group life insurance policies, health insurance contracts and life contingent annuities. The Group holds whole life contracts which may be either participating or non-participating contracts.

Short-term insurance contracts include property, casualty, motor, marine and other specialty insurance contracts. These contracts are all non-participating contracts.

Section a) – d) outlines the recognition and measurement of material financial line items related specifically to insurance contracts.

a) Deferred policy acquisition costs ("DAC") related to insurance contracts
For short-term insurance contracts, commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the term of the policies as premium is earned.

b) Reinsurance contracts held related to insurance contracts
The Group uses reinsurance in the normal course of business to manage its risk exposure. Contracts entered into by the Group with reinsurers, under which the Group is compensated by the reinsurers for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Reinsurance assets are measured using the amounts and assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

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To further mitigate underwriting risk, the Group purchases reinsurance to share part of the risks originally accepted by the Group in writing premiums. This reinsurance, however, does not relieve the Group of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Group remains liable to its policyholders for the unrecoverable amounts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are amortised consistent with the underlying insurance contracts.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its estimated recoverable amount and recognises that impairment loss in the consolidated statement of income.

c) Insurance contract liabilities

Life and health insurance contracts

These contracts (meaning insurance contract liabilities, both participating and non-participating) include all forms of life, health and accident insurance and life contingent annuities sold to individuals and groups. A provision for life and health insurance liabilities is made which represents the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all in-force life insurance and annuity policies. These benefits are determined using generally accepted actuarial practices according to standards established by the Canadian Actuarial Standards Board (“ASB”). In accordance with these standards, the provisions have been determined using the Canadian Asset Liability Method (“CALM”) or an approximation of CALM.

The insurance liabilities under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. Long-term business provisions make sufficient allowance for the expected experience scenario and for adverse deviations in experience. Liabilities derived through an approximation to CALM rely on a combination of Group and industry specific experience in order to determine the best estimate assumptions and corresponding margins for adverse deviations, the largest of which, the group and individual health reserves, relies on a historical analysis of the Group’s claims emergence patterns and completion factors. Many of the estimates used in actuarial valuation relate to future events and involve a significant amount of judgment. As a result, these estimates are subject to revision on a regular basis.

In certain life and health reinsurance contracts underwritten by BF&M Life, where the timeliness and quality of information from cedants is not sufficient to provide a reasonable estimate of true premium written, then those premiums are recorded as cash is received from the cedants. An insurance contract liability is calculated and any loss on an underwriting year is recorded in the consolidated statement of income. If any profit is anticipated on an underwriting year then further reserves are established to record to nil underwriting income. This takes place for the first 3 years of each underwriting year programme as this time period is felt to be the minimum time necessary to determine underwriting results.

Expected reinsurance recoveries, net of any required provision for impairment are estimated using principles consistent with the Group’s method for establishing the related liability and are recorded in accordance with the terms of the Group’s reinsurance agreements.

Short-term insurance contracts

Claims and loss adjustment expenses are charged to insurance contract benefits and expenses in the consolidated statement of income as incurred based on the estimated ultimate liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

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A provision for short-term insurance liabilities is made for the estimated costs of claims notified but not settled at the balance sheet date, using the best information available at that time. In addition to development on known claims, a provision is included for losses and loss adjustment expenses incurred but not reported on the basis of past experience. The provision is based on an actuarial analysis of the Group's underwriting year or accident year development experience. The provision is determined using generally accepted actuarial practices in Canada. The method of making such estimates and for establishing the resulting provisions is reviewed and updated annually and any adjustments resulting therefrom are reflected in earnings in the period in which they are determined.

Expected reinsurance recoveries on claims, net of any required provision for doubtful amounts, are estimated using principles consistent with the Group's method for establishing the related liability, and are in accordance with the terms of the Group's reinsurance agreements.

d) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on short-term insurance contracts to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs ("DAC"). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

ii) Investment contracts

Investment contracts are those contracts that do not transfer significant insurance risk but do transfer financial risk from the policyholder.

Contracts issued that do not transfer significant insurance or financial risk from the policyholder are referred to as service contracts.

The Group issues contracts that in some instances contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, a dividend. Dividends are paid on the policy anniversary and as long as the policy is in force. These contracts are referred to as participating contracts. IFRS allows the non-guaranteed, or participating, elements of such contracts to be classified as either a liability or as equity, depending on the nature of the obligation to the policyholder. The contracts issued by the Group contain constructive obligations to the policyholder with respect to the DPF of the contracts. We have therefore elected to classify these features as a liability, consistent with accounting treatment under the CALM, and in accordance with guidance provided by the Canadian Institute of Actuaries.

Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.*

The Group's investment contracts include pension plans with a guaranteed minimum rate of return and annuities that do not transfer insurance risk. All investment contracts issued are non-participating.

Liabilities for investment contracts have been designated at fair value through profit and loss ("FVTPL"), except for certain contracts in Barbados that are measured at amortised cost. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period using CALM or an approximation of CALM. Changes in investment contract liabilities are recorded as a change in investment contract benefits expense in the consolidated statement of income. These liabilities are derecognised when the obligation of the contract is discharged, cancelled or expired.

iii) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance and investment contract holders. These receivables and payables are included in insurance receivables and other assets, insurance and investment contract liabilities and other liabilities in the consolidated statement of financial position.

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If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that a receivable is impaired using the same process adopted for loans and receivables in Note 2J above. The impairment loss is calculated using the same method used for these financial assets.

P. SEGREGATED FUNDS ASSETS AND LIABILITIES
Segregated funds assets and liabilities relates to contracts issued by the Group where the benefit amount to the policyholder is directly linked to the fair value of the investment held in the particular segregated fund. The underlying assets are registered in the name of the Group and the segregated fund policyholder has no direct access to the specific assets. The contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. There is also no insurance risk to the Group with these contracts. Segregated funds net assets are recorded at fair value. The fair value of the segregated funds net liabilities is equal to the segregated funds net assets. Income earned on the management of these contracts is included in commission and other income in the consolidated statement of income. Investment income earned by the segregated funds and expenses incurred by the segregated funds are not presented in the consolidated statement of income and are disclosed in Note 18.

Q. LOANS TO POLICYHOLDERS
Loans to policyholders are initially measured at fair value and subsequently carried at amortised cost and are fully secured by the policy values on which the loans are made. These loans are classified as loans and included in investments in the consolidated statement of financial position.

R. CURRENT AND DEFERRED INCOME TAX
The tax expense for the period on the Group's Barbados, Canadian and Cayman Islands operations comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

S. EMPLOYEE BENEFITS
The Group operates various post-employment schemes, including both defined benefit pension plans and post-employment medical plans.

i) Pension obligations
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. With respect to the Group's defined contribution plans, the Group pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

A defined benefit plan is a pension plan in which the Group is obligated to pay a specified benefit based on a predetermined formula. The net liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. When the

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calculation results in a surplus, the asset recognised is limited to the present value of the future economic benefit available in the form of future refunds from the plan or reductions in future contributions to the plan (the asset limit). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates of high-quality debt instruments.

Re-measurement of the net defined benefit asset or liability consists of actuarial gains and losses, the change in effect from asset limits and the return on plan assets, excluding amounts included in net interest on the net defined benefit asset or liability, and are charged or credited to other comprehensive income in the period in which they arise. Current service costs, past services cost, any gains or losses from curtailments and interest on the net defined benefit liability (asset) are recognised immediately in the consolidated statement of income.

ii) Other post-employment obligations

In addition to pension benefits, the Group provides post-retirement benefits for health care to qualified Bermuda retirees and employees in Barbados. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

These costs are recognised on an accrual basis during the years when service is provided to the Group, except for the Bermuda retiree plan where only the interest on the obligation is recognised in the consolidated statement of income as this is a closed plan. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

iii) Share-based compensation

The Group has an Equity Incentive Plan which is described in Note 24 under which the entity receives services from employees as consideration for equity instruments of the Group (equity settled transactions). Share grants are issued to employees equal to the fair value of the shares on the grant date. The amount of the benefit of these share grants is amortised over the vesting period as operating expense in the consolidated statement of income.

If the Group grants share options to employees that vest in the future if they are still employed, then the fair value of the options will be calculated at the date the options are granted. This fair value will be charged to the consolidated statement of income equally over the vesting period with adjustments made at each accounting date to reflect the best estimate of the number of options that will eventually vest.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to share capital and share premium with a corresponding charge to operating expenses.

iv) Employee share purchase plan

The Group operates an employee share purchase plan that allows its employees to purchase the Group's common shares at below-market rates, subject to certain restrictions. Shares are offered at a discount to the shares' fair market value, as determined by the market share price on the date of purchase. Employees may purchase shares up to a maximum percentage of their gross salary. The discount is charged to compensation expense in the period in which the shares are purchased.

T. REVENUE RECOGNITION

Revenue comprises the fair value for services. Revenue is recognised as follows:

i) Premium income

Premiums on most life and health insurance contracts and life contingent annuity investment contracts are recognised as revenue when due from the policyholder.

Premiums on life and health reinsurance contracts underwritten by BF&M Life are recognised based on receipts reported by the ceding company. This occurs when the timeliness and quality of information reported by the ceding company is not sufficient to otherwise record the revenue when due.

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Contributions received on non-participating investment contracts are treated as policyholder deposits and not recorded as revenue in the consolidated statement of income. Only those contributions used to cover insured risk and associated costs are treated as premium income. These include fees for the cost of insurance and administrative charges.

For short-term insurance products, premiums written are earned on a pro-rata basis over the terms of the policies to which they are related. Unearned premiums represent the portion of premiums written that relate to the period of risk subsequent to the year-end. Unearned premiums are included as a component of insurance contract liabilities in the consolidated statement of financial position.

ii) Commission income

For short-term reinsurance contracts, commission income is recognised over the term of the related reinsurance contracts and in accordance with the expensing of the related reinsurance premiums. Commission income on long-term insurance contracts is recognised when earned and the amount is readily determinable. The recognition of profit commissions is also dependent on the loss experience underlying such reinsurance policies.

iii) Service contracts

Revenue arising from the management of service contracts, pension administrative services and investment advisory and management services offered by the Group is recognised in the accounting period in which the services are rendered. This revenue is included within commission and other income in the consolidated statement of income.

U. LEASES

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Group is the lessee are included within operating expenses in the consolidated statement of income.

Where the Group is the lessor under an operating lease for its investment properties, lease arrangements are fixed and income is credited to the consolidated statement of income on a straight-line basis over the period of the lease. In addition the tenant can renew their lease when their tenancy is nearing expiry. There are no contingent rentals included in the lease agreements.

V. SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

W. DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders' is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Group's Board of Directors.

X. EARNINGS PER SHARE

Basic earnings per share is presented in the consolidated statement of income and is calculated by dividing the shareholders' net earnings for the year by the weighted average number of ordinary shares outstanding at the reporting date.

Diluted earnings per share is calculated by dividing the shareholders' net earnings by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. When there is a loss, no potential common shares are included in the computation of fully diluted earnings per share.

3. NEW AND REVISED ACCOUNTING STANDARDS

A. NEW AND REVISED ACCOUNTING STANDARDS ADOPTED IN 2015

The Group adopted the amendments to *IAS 19 – Employee Benefits* issued by the IASB in November 2013. The amendments clarify the accounting for contributions by employees or third parties to defined benefit plans. These amendments did not have a significant impact on the Group's financial statements.

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The Group also adopted the narrow scope amendments issued under the *2010 – 2012 and 2011 – 2013 Cycles of the Annual Improvements* projects issued by the IASB in December 2013. Minor amendments were made to several standards but adoption of these amendments did not have a significant impact on the Group's financial statements.

B. NEW AND REVISED ACCOUNTING STANDARDS TO BE ADOPTED IN 2016 OR LATER

The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Group in 2016 or later.

IFRS 15 – Revenue Recognition ("IFRS15") – This standard was issued in May 2014 with an amendment issued in September 2015 and applies to periods beginning on or after 1 January 2018. The standard applies a single standard to all contracts with customers except lease and insurance contracts, financial instruments and non-monetary exchanges between parties in the same line of business. The standard says that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services. The Group is currently assessing the impact of IFRS 15.

IFRS 9 - Financial Instruments ("IFRS 9") – In July 2014 the final version of IFRS 9 was issued. It replaces the guidance in IAS 39. The standard provides guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. It requires financial assets to be measured at fair value through OCI, fair value through profit and loss or amortised cost while eliminating the existing categories of available-for-sale, held to maturity and loans and receivables. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The effective date is for annual periods beginning after 1 January 2018. The amendments also provide relief from the requirements to restate comparative financial statements. The Group is currently assessing the impact of IFRS 9.

IFRS 16 – Leases ("IFRS 16") – In January 2016, the IASB issued this standard which introduces new guidance for identifying leases as well as a new right-of-use accounting model for lessees, replacing the operating and finance lease accounting models that currently exist. The new accounting model will generally require all lessees to recognise lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable lease payments for all leases with a maximum possible term of more than 12 months. In contrast to the significant changes for lessees, the new standard will retain many key aspects of the current lessor accounting model. The standard is effective 1 January 2019. The Group is evaluating the impact of the adoption of this standard.

Annual Improvements 2012-2014 Cycle – This was issued in September 2014 as part of the ongoing process by the IASB to efficiently deal with non-urgent narrow scope amendments to IFRS. The amendments are effective 1 January 2016 and adoption of these amendments are not expected to have a significant impact on the Group's financial statements.

IAS 1 – Presentation of Financial Statements – Amendments to this standard were issued in December 2014 and are effective for years beginning on or after 1 January 2016. The amendments clarify existing requirements relating to materiality and aggregation, along with presentation and note structure. These amendments are not expected to have a significant impact on the Group's financial statements.

IFRS 11 – Joint Arrangements – Amendments to this standard were issued in May 2014 and are to be applied prospectively in periods beginning on or after 1 January 2016. The amendment provides guidance on accounting for acquiring interests in joint operations where the activity represents a business. The standard now requires accounting and disclosure as a business combination in accordance with *IFRS 3 – Business Combinations*. These amendments are not expected to have a significant impact on the Group's financial statements.

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IAS 16 – Property, plant and equipment and IAS 38 – Intangible Assets – Amendments to these standards were issued in May 2014 and are to be applied prospectively beginning on or after 1 January 2016. The amendments clarify acceptable methods of depreciation and amortisation and require a method that reflects consumption of the economic benefit rather than the revenue generated and prohibits revenue based methods. These amendments are not expected to have a significant impact on the Group's financial statements.

IAS 27 – Separate Financial Statements – Amendments to this standard were issued in August 2014 and are effective for periods beginning on or after 1 January 2016. The amendments require that upon loss of control of a subsidiary during its transfer to an associate or joint venture, full gain recognition is appropriate only if the subsidiary constitutes a business as defined in *IFRS 3 – Business Combinations*. Otherwise gain or loss recognition is only to the extent of the unrelated investors' interests. These amendments are not expected to have a significant impact on the Group's financial statements.

IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint ventures – Amendments to this standard were issued in September 2014 and are effective for periods beginning on or after 1 January 2016 and require investments in subsidiaries, joint ventures and associates to be either accounted for at cost or at fair value in accordance with IAS 39. These amendments are not expected to have a significant impact on the Group's financial statements.

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

4. ACQUISITIONS AND DISPOSITIONS

A. ACQUISITION OF KITSON INSURANCE SERVICES LTD.

On 30 September 2015, the Group acquired 100% of the common shares of Kitson Insurance Services Ltd. ("KISL"), a Bermuda licensed insurance agent and broker. KISL is primarily engaged in providing general insurance services including home and commercial property.

The acquired business contributed income of $307 and net income of $305 to the consolidated statement of comprehensive income since 30 September 2015. If the business combination had occurred on 1 January 2015, the Group would have reported pro-forma income of $1,193 and earnings of $64.

Acquisition related expenses of $132 have been charged to operating expenses in the Group's consolidated statement of income for the year ended 31 December 2015.

The following table summarises the consideration transferred to acquire KISL and the amounts of identified assets acquired and liabilities assumed at the acquisition date.

Fair value of total consideration	$
Cash	4,750
Contingent consideration	763
Total consideration	**5,513**

Recognised amounts of identifiable assets acquired and liabilities assumed	$
Cash and cash equivalents	803
Insurance receivables and other assets	650
Other liabilities	(1,437)
Total identifiable net assets	**16**
Customer relationships	**5,457**
Brand	**40**

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The contingent consideration arrangement requires BF&M General to pay, in cash, to the former owners of KISL, 2 additional payments of up to $625 each. One payment is to be made 12 months post closing and the other to be made 24 months post closing. The payment amount is based on the actual gross written premium in each of the two following years compared to the amount of annualised premiums on KISL's in-force policies as at 1 April 2015, as a percentage of the maximum annual payment of $625. The potential undiscounted amount of all future payments BF&M General could be required to make under this arrangement is between $0 and $1,250.

The fair value of the contingent consideration arrangement of $763 at acquisition was estimated by applying the discounted cash flow approach. The fair value estimates were based on a discount rate of 15.5%, an estimate of business retention of 80% and an attrition rate of 11.5%. These were the key unobservable inputs in arriving at management's assumption.

As at 31 December 2015, there was an increase of $153 in the income statement for the contingent consideration arrangement, due to changes in the present value factor and estimate of business underwritten to 92.5%. Assuming all other variables are held constant; an increase in business underwritten to 95% would increase the liability by a further $25, a decrease in attrition rate to 5.5% would increase the liability by $27 and a 1% decrease in the discount rate to would increase the liability by $10.

The fair value of acquired receivables approximates its carrying value. The gross contractual amount of acquired receivables is equal to the net receivable except for premiums receivable, which is included within insurance receivables and other assets in the consolidated statement of financial position. The gross contractual amount of premiums receivables was $505 of which $25 was expected to be uncollectible.

Included within other liabilities is an amount for $563 which is payable to the previous shareholder of KISL related to prior inter-company corporate allocations. This liability is to be reduced by any premium receivable not collected above the $25 stated provision.

B. DISPOSITION OF BERMUDA INTERNATIONAL INSURANCE SERVICES LIMITED

On 13 April 2015, the Group finalised the disposal of Bermuda International Insurance Services Limited ("BIISL"), a subsidiary which specialised in insurance to international high net worth individuals. The disposal was completed via a merger with an unrelated party where the Group received consideration from the surviving party for disposal of its interest. The total sale proceeds were $7,313 which consisted of a base purchase price of 100% of the net book value of the assets as at 31 December 2014, $14,740, less a discount of $450k, less purchase price adjustments reflecting the reduction in net assets between 31 December 2014 to the disposal date. These purchase price adjustments included a return of contributed surplus to the Group of $6,620 and non-payment of contingent consideration of $357k.

The loss was computed as follows:

	$
Disposal proceeds	7,313
Less: Transaction costs	(239)
Net proceeds	7,074
Less: Net assets	7,950
Net loss on disposal	**(876)**

This loss is reflected within operating expenses within the Statement of Income.

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The composition of the assets and liabilities consisted of the following:

	At disposition $	31 December 2014 $
Assets		
Cash and cash equivalents	14,386	6,123
Investments	77,488	106,049
Insurance receivables and other assets	700	799
Reinsurance assets	(16,376)	(15,328)
Intangible assets		18
Total assets of disposal group classified as held for sale	76,198	97,661
Liabilities		
Other liabilities	712	952
Insurance contract liabilities	67,536	73,200
Total liabilities of disposal group classified as held for sale	68,248	74,152
Net assets	**7,950**	**23,509**

The assets and liabilities of the disposal group were comprised almost entirely of financial assets and liabilities that were not within the scope of the measurement requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, and therefore, were measured and presented in accordance with other relevant standards.

This subsidiary was included within our health, life, annuity and pension (Bermuda) reporting segment. The operations and cash flows of this subsidiary were clearly distinguished, operationally and for financial reporting purposes. However, while separate, it did not represent a major line of business for the Group and was not separately disclosed as discontinued operations.

5. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

Risk management and objectives

The Group's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Group's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Group's business involves the acceptance and management of risk. The Group is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Group seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Group has established a risk management function with terms of reference from the Board of Directors, its committees, and the associated executive management committees. This is supplemented with an organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: financial, including credit, liquidity, market, and insurance, including life and health insurance and short-term insurance risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity, and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Assets which relate to certain life insurance and investment contracts are managed for the account and risk of the Group's customers. They are segregated and managed to meet specific investment objectives of the policyholders. The assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair value of the liabilities reflects the fair value of the assets.

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A. FINANCIAL RISKS

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The Group faces credit risk on its financial assets.

The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee;
- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single insurer, industry group, asset class or credit rating, unless required by local law or regulation;
- Investment guidelines specify collateral requirements for mortgages and loans and receivables which include the underlying property or other security; and
- Transacting business with well-established reinsurance companies with strong credit ratings.

Maximum exposure to credit risk

The following table summarises the Group's maximum exposure to credit risk related to financial assets. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2015 $	2014 $
Cash and cash equivalents	96,245	53,805
Fixed and regulatory deposits	19,439	20,252
Fixed income securities	531,470	537,490
Mortgages and loans	94,299	98,080
Insurance receivables and other assets	79,946	79,910
Reinsurance assets	65,694	89,211
Restricted cash	18,034	12,996
TOTAL	**905,127**	**891,744**

Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries.

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The following table provides details of the carrying value of fixed income securities by industry sector and geographic distribution:

	2015 $	2014 $
Fixed income securities issued or guaranteed by:		
Financials	103,453	107,432
Government	96,511	107,181
U.S. Treasury and other agencies	117,246	121,568
Utilities and energy	88,919	87,586
Consumer staples and discretionary	54,061	57,678
Telecom	8,197	11,231
Computer technology products and services	17,879	12,962
Industrials	17,284	16,966
Other	27,920	14,886
TOTAL Fixed income securities	**531,470**	**537,490**
United States	352,733	380,600
Barbados	86,109	92,470
Canada	37,376	42,514
Northern Europe	29,253	5,536
Asia-Pacific	8,133	1,176
United Kingdom	234	451
Caribbean excluding Barbados	13,566	13,063
Other	4,066	1,680
TOTAL Fixed income securities	**531,470**	**537,490**

The carrying value of mortgages and loans by geographic location is shown in the following table:

	2015 $	2014 $
Bermuda	86,554	91,277
Barbados	7,745	6,803
TOTAL Mortgages and loans	**94,299**	**98,080**

Credit quality of fixed income securities

The credit quality of financial assets are assessed quarterly by reference to external credit ratings if available or review of historical and current conditions that existed at the balance sheet date.

The following tables summarises the carrying value of fixed income securities by external credit rating.

	2015 $	2014 $
Fixed income securities ratings:		
AAA	39,149	31,293
AA	211,719	218,841
A	168,250	173,250
BBB	30,683	25,064
BB and lower	69,653	74,760
Not rated*	12,016	14,282
TOTAL Fixed income securities	**531,470**	**537,490**

*Not rated fixed income securities relate to assets held within the Group's investment portfolio which are issued by counterparties that are not rated by the rating agencies.

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Past due or credit impaired financial assets

Mortgages comprise first mortgages on real property situated in Bermuda and Barbados. Bermuda mortgages are registered under The Mortgage Registration Act 1976 and The Trustee Act 1975. In Barbados, loans provided to companies are secured by a certificate of annual repayment of principal and interest by the Barbados National Bank. Other loans are secured by a collateral assignment of life insurance policy proceeds and irrevocable beneficiary designation.

Mortgages and loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. Management exercises judgment in assessing a borrower's ability to meet current and future contractual interest and principal payments including assessing the current financial position of the borrower and the value of the collateral.

The following table provides carrying amounts of the mortgage and loans that are considered past due or impaired:

	2015 $	2014 $
Not past due	80,748	76,254
Past due but not impaired:		
Past due less than 90 days	6,484	7,033
Past due 90 to 180 days	495	1,329
Past due 180 days or more	1	36
Impaired (net of impairment provisions)	6,571	13,428
TOTAL Mortgages and loans	**94,299**	**98,080**

Interest accrued on the impaired mortgages amounted to $3,515 as at 31 December 2015 (2014 - $3,392).

Significant judgment is applied by management in the determination of impairment including the timing and amount of future collections, costs expected to be incurred to collect or dispose of the collateral, and sale proceeds on any required disposal of collateral.

The reconciliation of the impairment and provision on mortgage and loans is as follows:

	2015 $	2014 $
At 1 January	12,190	10,292
Transfer to available for sale residential properties	(743)	(19)
Sale of foreclosed mortgage loans	(721)	-
Increase in impairment and provision allowances	6,615	1,917
TOTAL At 31 December	**17,341**	**12,190**

A significant estimate in the determination of impairment is the timing of future collections, which is based on the expected timing of liquidating the underlying collateral. Market value fluctuations will impact the value of the collateral and can significantly impact the estimate of impairment. Management estimates that collection will occur within 12 months. An additional impairment of between $361 and $656 could be incurred if collection occurred within 18-24 months.

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ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. The following policies and procedures are in place to manage this risk:

- Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations;
- Short-term cash flow needs are adequately met by operating cash flows and proceeds from mortgage and loan repayments;
- The Group closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities, and pensions business. Investments in various types of assets occur with a view to matching them to our liabilities of various durations;
- Investments are graded internally on a liquidity level (1 to 4) and the Group looks to maintain adequate levels in highly liquid (1 and 2) securities;
- The ability of the Group's subsidiaries in certain jurisdictions to pay dividends and transfer funds is regulated. The Group maintains appropriate dividend and capital policies to ensure movement of cash flow through the Group as needed;
- Arrangements with reinsurers are made to ensure that recoverables are received in a timely fashion in the event of a liquidity crisis.

The maturity profile of financial assets at 31 December 2015 is as follows:

	Within 1 year $	2 to 3 years $	4 to 5 years $	Over 5 years $	Total $	Effective interest rate ranges
Corporate loans	3,487	-	-	-	3,487	1.56% - 2.06%
Policyholder loans	181	362	362	2,710	3,615	4.75% - 8.25%
Mortgages	11,146	6,469	16,619	52,963	87,197	3.50% - 9.00%
Fixed income securities	84,814	120,637	156,414	169,605	531,470	0.20% - 9.75%
Insurance receivables and other assets	76,916	1,886	465	679	79,946	-
Total	**176,544**	**129,354**	**173,860**	**225,957**	**705,715**	
Percent of total	**25.0%**	**18.3%**	**24.6%**	**32.0%**	**100.0%**	

The maturity profile of financial assets at 31 December 2014 was as follows:

	Within 1 year $	2 to 3 years $	4 to 5 years $	Over 5 years $	Total $	Effective interest rate ranges
Corporate loans	3,487	-	-	-	3,487	1.56% - 2.06%
Policyholder loans	188	376	376	2,818	3,758	4.75% - 8.25%
Mortgages	12,334	9,784	8,858	59,859	90,835	3.50% - 9.00%
Fixed income securities	61,402	146,809	158,929	170,350	537,490	0.20% - 9.75%
Insurance receivables and other assets	78,367	501	415	627	79,910	-
Total	**155,778**	**157,470**	**168,578**	**233,654**	**715,480**	
Percent of total	**21.8%**	**22.0%**	**23.6%**	**32.7%**	**100.0%**	

The maturity profiles of the Group's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for net insurance liabilities are based on expectations.

The maturity profile of liabilities at 31 December 2015 is as follows:

	Within 1 year $	1-5 years $	Over 5 years $	Total $
Other liabilities	72,451	-	-	72,451
Loans payable	647	476	-	1,123
Investment contract liabilities	116,869	224,795	1,022	342,686
Insurance contract liabilities – net of reinsurance	103,075	3,646	157,043	263,764
TOTAL	**293,042**	**228,917**	**158,065**	**680,024**

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The maturity profile of liabilities at 31 December 2014 was as follows:

	Within 1 year $	1-5 years $	Over 5 years $	Total $
Other liabilities	69,455	-	-	69,455
Loans payable	542	1,227	-	1,769
Investment contract liabilities	94,402	241,173	428	336,003
Insurance contract liabilities – net of reinsurance	110,987	6,291	157,357	274,635
TOTAL	**275,386**	**248,691**	**157,785**	**681,862**

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations in several jurisdictions and revenue and expenses are denominated in several local currencies. The Group is not significantly exposed to foreign exchange risk because of the following:

- The majority of the Group's assets, liabilities, and earnings are denominated in Bermuda, Barbados, Cayman, Bahamian or United States dollars;
- The Bermuda, Barbados, Cayman and Bahamian dollars are pegged to the United States dollar;
- The Bermuda dollar is at par with the United States dollar; and
- The Group's Canadian operation is fully integrated. Its assets and liabilities are not considered material.

The Group regularly monitors currency translation fluctuations. Generally, the Group looks to match the currency of its local assets to the currency of the local liabilities they support or to the United States dollar as the currency of the liabilities is generally pegged to the United States dollar. This achieves the objective of mitigating risk of loss arising from movements in currency. Policies written in currencies that are not pegged to the United States dollar are not material and the Group considers the currency risk minimal.

Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Utilisation of a formal process for managing the matching of assets and liabilities;
- Investing in assets that are suitable for the products sold;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Investment contracts with fixed and guaranteed terms held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

In relation to financial assets, management monitors the sensitivity of reported interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

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The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in Note 5B - Insurance Risk below. The Group also holds fixed income investments which support non-life insurance liabilities and surplus. If the base interest rates, as measured by the US Treasury yield curve, shifted parallel by 100 basis points higher/lower, the immediate impact to net income would have been $1,791 (2014 - $1,837) lower/higher. The interest rate sensitivity impact was calculated using the modified duration method.

Price risk
Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, and market.

A 5% increase/decrease in the value of the Group's equity portfolio would increase/decrease the Group's comprehensive income by $979 (2014 - $964) and the Group's other components of equity by $206 (2014 - $214). The price risk sensitivity impact was calculated by using the ending balances in equity at a 5% increase/decrease.

B. INSURANCE RISK
i) Life and health insurance risk
Insurance risk in the Group arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of life and health insurance risks
The Group has developed an insurance risk policy and guidelines on the practical application of this policy. Individual insurance risks are managed at a business unit level but are also monitored at the Group level.

The impact of insurance risk is monitored by the business units as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset liability management framework process. At the Group level the overall exposure to insurance risk is measured through management reporting, Dynamic Capital Adequacy Test ("DCAT"), Minimum Continuing Capital and Surplus Requirement ("MCCSR"), and Bermuda Solvency Capital Requirement ("BSCR") analysis.

The Board of Directors considers the reinsurance coverage across the life and health businesses. It confirms that guidance and procedures are in place for each of the major components of life insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Group risk appetite.

The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Group and common standards are adopted.

The individual life and health insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Group companies select reinsurers, from those approved by the Group, based on local factors, but assess the overall programme to manage Group-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within the Group appetite for credit risk.
- Longevity risk: Whilst individual Group companies are responsible for reserving and pricing for annuity business, the Group monitors the exposure to this risk and the capital implications to manage the impact on the Group-wide exposure and the capital funding that Group companies may require as a consequence.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. Group companies also implement specific initiatives to improve retention of policies which may otherwise lapse.

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- Product design and pricing risk arises from poorly designed or inadequately priced products and can lead to both financial loss for and reputational damage to the Group. Guidelines have been developed to support the Group companies through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk is primarily managed by the Group companies through the assessment of profitability and frequent monitoring of expense levels.

There is considerable judgment required by management in making assumptions in the measurement of insurance and investment contract liabilities. Application of different assumptions may result in different measure of the liabilities. Therefore, sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance risks. This assessment is taken at both business unit level and at Group level where the impact of aggregation of similar risks can be measured. This enables the Group to determine whether action is required to reduce risk, or whether that risk is within the overall risk appetite.

Concentration risk

The following table shows life and health insurance liabilities by geographic area.

		2015			2014	
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Bermuda	164,723	1,868	166,591	171,629	(1,164)	170,465
Bahamas	2,692	427	3,119	2,511	392	2,903
Barbados	9,118	(275)	8,843	7,014	(388)	6,626
Other Caribbean & Latin America	2,190	-	2,190	3,712	-	3,712
Other*	-	-	-	(3,903)	3,903	-
Total	**178,723**	**2,020**	**180,743**	**180,963**	**2,743**	**183,706**

*Other includes Europe, Asia, the Middle East and the Americas, but no one area is significant within the total.

Sensitivity test analysis

The Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Group's financial performance measurements to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

The following provides information about management's best estimate of the impact of changes in assumptions used to determine the Group's life and health insurance contract liabilities.

Mortality

Mortality refers to the rates at which death occurs for defined groups of people. For life products where higher mortality would be financially adverse to the Group, a 1% increase in the best estimate assumption would increase the actuarial liabilities by $122 (2014 - $157). For annuity products where lower mortality would be financially adverse to the Group, a 1% decrease in the best estimate assumption would increase the actuarial liabilities by $290 (2014 - $292).

Morbidity

Morbidity refers to both the rates of accident or sickness and the rates of recovery therefrom. The Group's long-term disability and medical expense insurance is marketed mostly on a group basis. The most significant morbidity risk relates to the individual and group health business. A 1% increase in medical claims net of reinsurance would increase the actuarial liabilities by $842 (2014 - $818).

Investment returns

Assets are notionally segmented to correspond to the different liability categories of the Group. For each segment, the projected current asset and liability cash flows are used in the Canadian Asset Liability Method ("CALM") under several interest rate scenarios to determine the actuarial liabilities. Asset cash flows are reduced to provide for asset default losses.

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Interest rate risk associated with this assumption is measured by determining the effect on the present value of the projected net asset and liability cash flows of the Group of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. These interest rate changes will impact the projected cash flows.

The effect of an immediate 1% increase in interest rates would be to decrease the present value of these net projected cash flows by approximately $3,299 (2014 - $7,287). The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by approximately $3,742 (2014 - $8,990).

The level of actuarial liabilities established under the CALM valuation provides for interest rate movements other than the 1% movements indicated above.

Expenses

Actuarial liabilities provide for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. Expense risk is the risk that future expenses are higher than assumed. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM. A 10% increase in the best estimate maintenance unit expense assumption would increase the actuarial liabilities by approximately $1,673 (2014 - $1,978).

Persistency

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry and the Group's experience. Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. A 10% adverse change in the best estimate policy termination assumption would increase the actuarial liabilities by $1,302 (2014 - $1,428).

Policyholder dividends

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that future policyholder dividends will change to reflect the experience of the respective participating accounts consistent with the participating policyholder dividend policies.

ii) General insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Group's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

Types of risk

General insurance risk in the Group arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. The Group's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines. Like the life insurance risk, general insurance risk is managed primarily at business unit level with oversight at a Group level.

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Management of general insurance risks

The Group's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place. Pricing is based on assumptions which consider past experience and trends. Insurance exposures are limited through reinsurance. Overall, the Group seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for claims incurred but not yet reported ("IBNR"), a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

Management under the direction of the Board of Directors monitors and develops the management of insurance risk in the general insurance business units, and assesses the aggregate risk exposure. It is responsible for the development, implementation and review of the Group policies for underwriting, claims, reinsurance, and reserving that operate within the risk management framework.

BF&M General, ICBL, and IHIC have developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the Group. Where appropriate such mechanisms are employed throughout the business units to promote the adoption of best practice as standard.

Reinsurance strategy

Reinsurance is used to reduce potential loss to the Group from individual large risks and catastrophic events. It may also be used to manage capital or to provide access to specialist underwriting expertise.

Significant reinsurance programmes are reviewed annually at both the business unit and Group level, to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Group. The reinsurance arrangements include quota share and excess of loss catastrophe treaties. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

Reinsurance purchases are in line with the strategy set out in the Group's Reinsurance policy. The basis of these purchases is underpinned by extensive financial and capital modelling and actuarial analysis to optimise the cost and capital efficiency benefits from the reinsurance programme.

The reinsurance is placed with providers who meet the Group's counterparty security requirements, and large reinsurance placements may also require approval from the Board of Directors.

Concentration risk

Processes are in place to manage catastrophe risk in individual business units and at a Group level. The Group cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining diversification benefit.

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The concentration of insurance risk before and after reinsurance by territory in relation to the type of general insurance business risk accepted is summarised below, with reference to the carrying amount of the insurance reserve liabilities (gross and net of reinsurance) arising from general insurance contracts:

31 December 2015

Territory		Property $	Motor $	All Other $	Total $
Bermuda					
	Gross	3,611	4,458	3,150	11,219
	Net	715	3,862	2,735	7,312
Cayman/Other Caribbean					
	Gross	2,895	2,752	1,918	7,565
	Net	1,332	1,891	1,001	4,224
Barbados					
	Gross	2,206	40,592	6,352	49,150
	Net	225	28,488	5,285	33,998
Total					
	Gross	**8,712**	**47,802**	**11,420**	**67,934**
	Net	**2,272**	**34,241**	**9,021**	**45,534**

31 December 2014

Territory		Property $	Motor $	All Other $	Total $
Bermuda					
	Gross	24,424	5,133	6,508	36,065
	Net	5,335	4,007	1,557	10,899
Cayman/Other Caribbean					
	Gross	4,236	2,473	1,697	8,406
	Net	1,934	970	453	3,357
Barbados					
	Gross	2,431	44,367	6,649	53,447
	Net	473	31,233	4,973	36,679
Total					
	Gross	**31,091**	**51,973**	**14,854**	**97,918**
	Net	**7,742**	**36,210**	**6,983**	**50,935**

General insurance business claims reserving

The subsidiaries writing general insurance business have a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience. Policies for each subsidiary are in line with relevant local regulation and legislation.

Management monitors and conducts quarterly reviews of the Group's general insurance claims provisions, and their adequacy.

The Group has claims departments dealing with the mitigation of risks surrounding known exposures. These departments investigate and adjust a majority of the claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The adequacy of the Group's general insurance claims provisions is ultimately overseen by the Board of Directors.

The estimate of the ultimate liability arising from short-term insurance contracts is a significant accounting estimate. These liabilities are divided into 2 categories: the provision for IBNR and the provision for the cost of reported claims not yet paid. Provisions are also made for adverse development and unallocated loss adjustment expenses.

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The estimation of the IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR liability will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Assumptions are made around costs such as repairs, jury decisions, court interpretations and legislative changes. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management engages independent actuaries to assist them in making such estimates based on the Group's own loss history and relevant industry data.

Claims development tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimate of total claims outstanding for each accident or underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. A calendar year basis is considered to be most appropriate for the business written by the Group.

Bermuda

Gross loss development:

Underwriting year Estimate of ultimate claims cost:	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
At the end of accident year*	6,494	10,067	8,413	9,760	17,992	7,024	6,738	38,794	4,334	
One year later	6,483	9,680	8,409	9,825	18,403	7,222	12,451	34,334	-	
Two years later	6,197	9,654	9,142	9,583	18,355	6,857	11,376	-	-	
Three years later	6,156	9,924	9,158	9,812	17,324	6,783	-	-	-	
Four years later	6,133	9,811	9,045	10,167	17,557	-	-	-	-	
Five years later	6,118	9,669	8,996	10,086	-	-	-	-	-	
Six years later	6,310	12,681	8,992	-	-	-	-	-	-	
Seven years later	6,305	13,431	-	-	-	-	-	-	-	
Eight years later	6,303	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	6,303	13,431	8,992	10,086	17,557	6,783	11,376	34,334	4,334	113,196
Cumulative payments to date	(6,240)	(13,416)	(8,771)	(9,632)	(16,682)	(6,298)	(9,787)	(28,949)	(2,391)	(102,166)
Gross Liability recognised in the consolidated statement of financial position	63	15	221	454	875	485	1,589	5,385	1,943	11,030
Reserve in respect of prior years										189
TOTAL reserve included in the consolidated statement of financial position										**11,219**

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Net loss development:

Underwriting year Estimate of ultimate claims cost:	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
At the end of accident year*	4,936	6,714	6,128	5,635	6,414	5,480	5,289	9,901	3,201	
One year later	4,929	6,581	6,190	5,743	6,825	5,676	7,567	11,937	-	
Two years later	4,758	6,376	6,789	5,478	6,763	5,327	7,138	-	-	
Three years later	4,728	6,811	6,657	5,786	6,761	5,247	-	-	-	
Four years later	4,703	6,651	6,615	6,120	7,513	-	-	-	-	
Five years later	4,669	6,534	6,572	6,047	-	-	-	-	-	
Six years later	4,819	6,606	6,567	-	-	-	-	-	-	
Seven years later	4,815	6,604	-	-	-	-	-	-	-	
Eight years later	4,812	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	4,812	6,604	6,567	6,047	7,513	5,247	7,138	11,937	3,201	59,066
Cumulative payments to date	(4,766)	(6,590)	(6,350)	(5,619)	(6,734)	(4,835)	(5,859)	(9,061)	(2,053)	(51,867)
Net Liability recognised in the consolidated statement of financial position	46	14	217	428	779	412	1,279	2,876	1,148	7,199
Reserve in respect of prior years										114
TOTAL reserve included in the consolidated statement of financial position										**7,313**

*Estimates are presented on a completed underwriting year basis except for the current year which is on an uncompleted underwriting year basis.

Barbados and Cayman Islands

Gross loss development:

Underwriting year Estimate of ultimate claims cost:	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
At the end of accident year*	30,933	44,908	23,353	26,877	34,614	30,172	26,301	26,749	29,141	
One year later	31,768	42,667	22,666	24,934	32,074	27,160	26,474	24,852	-	
Two years later	29,178	38,785	21,600	23,094	31,670	26,607	23,825	-	-	
Three years later	27,487	38,169	20,974	22,243	30,776	25,668	-	-	-	
Four years later	28,344	36,819	20,913	22,409	30,643	-	-	-	-	
Five years later	27,662	36,739	20,588	22,413	-	-	-	-	-	
Six years later	27,770	36,689	20,297	-	-	-	-	-	-	
Seven years later	27,448	36,434	-	-	-	-	-	-	-	
Eight years later	27,567	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	27,567	36,434	20,297	22,413	30,643	25,668	23,825	24,852	29,141	240,840
Cumulative payments to date	(21,471)	(34,974)	(17,665)	(19,681)	(27,351)	(21,456)	(17,909)	(17,318)	(12,946)	(190,771)
Gross Liability recognised in the consolidated statement of financial position	6,096	1,460	2,632	2,732	3,292	4,212	5,916	7,534	16,195	50,069
Reserve in respect of prior years										6,646
TOTAL reserve included in the consolidated statement of financial position										**56,715**

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Net loss development:

Underwriting year Estimate of ultimate claims cost:	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
At the end of accident year*	18,715	17,437	15,389	16,005	15,895	16,057	17,096	17,004	19,744	
One year later	18,112	17,299	14,451	14,375	15,052	15,093	16,836	16,429	-	
Two years later	16,212	14,409	13,357	13,522	15,619	14,914	15,423	-	-	
Three years later	16,031	13,305	12,550	13,419	15,194	14,104	-	-	-	
Four years later	16,282	12,582	12,497	13,618	15,075	-	-	-	-	
Five years later	16,337	12,219	12,192	13,829	-	-	-	-	-	
Six years later	16,198	12,319	12,168	-	-	-	-	-	-	
Seven years later	15,397	12,314	-	-	-	-	-	-	-	
Eight years later	15,523	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	15,523	12,314	12,168	13,829	15,075	14,104	15,423	16,429	19,744	134,609
Cumulative payments to date	(14,134)	(11,102)	(11,075)	(11,544)	(12,602)	(10,796)	(11,684)	(10,596)	(8,809)	(102,342)
Net Liability recognised in the consolidated statement of financial position	1,389	1,212	1,093	2,285	2,473	3,308	3,739	5,833	10,935	32,267
Reserve in respect of prior years										5,954
TOTAL reserve included in the consolidated statement of financial position										**38,221**

Total reserves included in the consolidated statement of financial position:	Total $
Gross	
Bermuda	11,219
Barbados and Cayman Islands	56,715
TOTAL *	**67,934**
Net	
Bermuda	7,313
Barbados and Cayman Islands	38,221
TOTAL *	**45,534**

*Does not include unearned premium or claims payable.

C. CAPITAL MANAGEMENT AND REGULATORY COMPLIANCE

The Group's policy is to maintain a strong consolidated capital base. The Group manages its capital to ensure its continued ability to provide an adequate return to shareholders, exceed insurance regulatory capital requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Group. The Group's capital base consists of share capital, contributed surplus, share premium, accumulated other comprehensive loss, and retained earnings as disclosed in the consolidated statement of financial position.

The Bermuda Monetary Authority ("BMA") is the regulator of the Group. Under the laws and regulations of Bermuda, the Group must maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As at 31 December 2015, the Group exceeded the minimum requirement.

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Management monitors the adequacy of the Group's capital from the perspective of the Bermuda Insurance Act and Companies Act as well as the regulatory requirements of the other jurisdictions in which it operates. The Group's practice is to maintain the capitalisation of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements within the various jurisdictions. In addition, while not a regulatory requirement, BF&M Life follows the capital adequacy measurement established by the Office of the Superintendent of Financial Institutions in Canada known as the Minimum Continuing Capital and Surplus Requirements ("MCCSR"). The Group's investment policies emphasise the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimise the risk that investment activities pose to the Group's capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The regulatory requirements for jurisdictions with significant activities are as follows:

i) Bermuda

Under The Insurance Act 1978 (Bermuda), Amendments Thereto and Related Regulations ("the Act"), the Group and the Group's Bermuda-based insurance subsidiaries are required to annually prepare and file statutory financial statements and a statutory financial return. The Bermuda Solvency and Capital Requirement ("BSCR") is the prescribed form of capital and solvency return in Bermuda. The BSCR includes a standardised model for assessing the minimum capital required to be held by a company based on a measure of risk associated with an insurance company's assets, liabilities, premiums and catastrophe risk exposure. The BMA requires all Groups and insurers to maintain their minimum statutory capital and surplus at a level which is 120% of the amount calculated in accordance with the BSCR.

The Act also requires the Group's insurance subsidiaries to meet minimum liquidity ratios whereby defined relevant assets must exceed 75% of defined relevant liabilities.

The Act limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiaries. Before reducing by 15% or more its total statutory capital, as set out in the prior year's financial statements, these insurance companies must request the approval of the BMA. In addition, The Bermuda Companies Act (1981) limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due or if the realisable value of its assets would be less than the aggregate of its liabilities, issued share capital and share premium accounts.

ii) Barbados

The Barbados Insurance (Catastrophe Reserve Fund) Regulations 2003-88 require the establishment of a catastrophe reserve fund. Annual amounts of up to 25% of net premium income from property insurance business are allocated to the fund. Assets representing the fund in the amount of $6,799 (2014 - $5,854) are placed in trust in accordance with the regulations of the Barbados Insurance Act.

Section 152 of the Barbados Insurance Act requires the appropriation towards a surplus reserve of at least 25% of net income until such time as the surplus reserve of the ICBL equals or exceeds the liability in respect of unearned premiums. A surplus reserve of $18,671 as at 2015 (2014 - $17,652) is included in ICBL's shareholders' equity in accordance with the requirements.

iii) Cayman Islands

The Cayman Islands Monetary Authority ("CIMA") has statutory powers that enable it to use its discretion to require the Group to conduct its Cayman operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and the Group. The Group is required to maintain capital in excess of the greater of approximately $300 for domestic insurers or $1,000 for external insurers, and an amount determined as per a prescribed formula set out in legislation. The formula prescribes the minimum capital requirements for the Group's assets and liabilities on a risk basis and also provides for a margin of catastrophe. The Group holds both a domestic insurer license and an external insurer Class A license. Additionally, IHIC has regulated insurance operations in several other jurisdictions. At 31 December 2015 and 2014, IHIC was generally in compliance with its regulatory requirements as an external insurer; however, the St. Lucia regulatory filings report an exception in respect of Anti-Money Laundering regulatory compliance; management is committed to remediate this exception.

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D. SELF-INSURANCE

The Group self-insures their office buildings reported in property and equipment and in investment properties. The insured asset is reinsured through the Group's reinsurance programme and is subject to the same terms and conditions as other reinsured insurance contracts.

6. SEGMENTAL INFORMATION

Management has determined the operating segments based on a combination of factors, including the products and geographical areas and on the basis of the reports reviewed by the Chief Executive Officer ("CEO") of the Group that are used to make strategic decisions. All the operating segments used by management meet the definition of a reportable segment.

Health, life, annuity and pension (Bermuda)

This operating segment includes group and individual health and accident, life, disability, annuity and pension products.

Property and casualty (Bermuda)

This operating segment includes the following products: personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal auto-cycle, workmen's compensation and commercial vehicles.

Real estate (Bermuda)

This operating segment includes the Group's real estate operations in Bermuda. The Group currently owns and occupies one building and is a majority owner in two buildings that are leased principally to non-related parties.

Barbados operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, miscellaneous accident, group and individual health, group and individual life, and pension business.

Cayman Islands and other Caribbean operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, and casualty business.

Corporate and other

Corporate operations consist of corporate level income and expenses and returns from investments not allocated to any operating segments. It also represents the combined operations of two holding companies, a management company, and an investment management company. The Group manages shared services centrally with most costs allocated based on either head count, expenses or revenues. Some central costs are not allocated and remain within the corporate Group.

Measurement basis

The accounting policies of the segments are the same as those for the Group as a whole. The Group evaluates performance of operating segments on the basis of profit or loss from operations before tax.

Intersegment income is recorded at management's estimate of current market prices.

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The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2015 is as follows:

Segments	Health, life, annuity and pension 2015 $	Property and casualty 2015 $	Real estate 2015 $	Barbados operations 2015 $	Cayman and other Caribbean operations 2015 $	Corporate and other 2015 $	Total 2015 $
Income earned from external customers	126,395	31,769	2,932	47,021	43,337	124	251,578
Investment income	(1,213)	730	-	4,120	110	(3)	3,744
Total income	125,182	32,499	2,932	51,141	43,447	121	255,322
Insurance contracts benefits and expenses	87,208	6,268	-	20,864	5,792	-	120,132
Commission and acquisition expense	2,692	3,737	-	5,280	18,816	-	30,525
Operating expenses	23,551	12,881	640	15,391	9,744	682	62,889
Amortisation expense	1,841	5,101	827	1,566	689	305	10,329
Interest on loans	-	-	69	-	-	-	69
Income tax expense	-	-	-	1,050	947	263	2,260
Shareholders' net income	6,975	5,505	1,493	3,176	7,024	(265)	23,908
Impairment losses recognised in income*	6,615	1,652	-	(76)	-	-	8,191
Assets	1,201,953	113,528	24,311	217,210	124,677	2,898	1,684,577
Fixed asset & intangible expenditures	3,190	1,859	57	2,152	453	524	8,235
Liabilities	1,112,829	56,760	2,175	140,449	66,707	3,324	1,382,244

*The table below summarises impairment losses by asset type:

Segments	Health, life, annuity and pension 2015 $	Property and casualty 2015 $	Real estate 2015 $	Barbados operations 2015 $	Cayman and other Caribbean operations 2015 $	Corporate and other 2015 $	Total 2015 $
Mortgages	6,615	-	-	-	-	-	6,615
Available-for-sale investments	-	-	-	20	-	-	20
Intangible assets	-	1,652	-	-	-	-	1,652
Investment properties	-	-	-	(96)	-	-	(96)
TOTAL	**6,615**	**1,652**	**-**	**(76)**	**-**	**-**	**8,191**

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The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2014 is as follows:

Segments	Health, life, annuity and pension 2014 $	Property and casualty 2014 $	Real estate 2014 $	Barbados operations 2014 $	Cayman and other Caribbean operations 2014 $	Corporate and other 2014 $	Total 2014 $
Income earned from external customers	126,708	27,292	3,061	43,557	46,016	53	246,687
Investment income	30,682	397	-	3,660	523	3	35,265
Total income	157,390	27,689	3,061	47,217	46,539	56	281,952
Insurance contracts benefits and expenses	112,690	12,215	-	20,533	3,865	-	149,303
Commission and acquisition expense	6,537	2,613	-	4,437	19,631	-	33,218
Operating expenses	25,913	11,125	581	16,101	10,582	150	64,452
Amortisation expense	1,641	1,251	826	1,458	566	2,238	7,980
Interest on loans	-	-	99	-	-	343	442
Income tax expense	-	-	-	660	1,037	321	2,018
Shareholders' net income	8,339	1,431	1,577	2,021	10,619	(2,182)	21,805
Impairment losses recognised in income*	2,164	-	-	522	-	-	2,686
Assets (excluding held for sale)	1,174,290	106,715	24,580	214,763	123,033	22,811	1,666,192
Assets held for sale	97,661	-	-	-	-	-	97,661
Fixed asset & intangible expenditures	4,174	2,122	14	1,463	1,348	542	9,663
Liabilities (excluding held for sale)	1,109,822	80,748	2,812	140,507	71,948	(430)	1,405,407
Liabilities held for sale	74,152	-	-	-	-	-	74,152

*The table below summarises impairment losses by asset type:

Segments	Health, life, annuity and pension 2014 $	Property and casualty 2014 $	Real estate 2014 $	Barbados operations 2014 $	Cayman and other Caribbean operations 2014 $	Corporate and other 2014 $	Total 2014 $
Mortgages	1,917	-	-	-	-	-	1,917
Available-for-sale investments	247	-	-	-	-	-	247
Intangible assets							
Investment properties	-	-	-	522	-	-	522
TOTAL	**2,164**	**-**	**-**	**522**	**-**	**-**	**2,686**

7. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at bank and in hand	83,681	49,126
Short-term bank deposits	12,564	4,679
Total	**96,245**	**53,805**

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8. REGULATORY DEPOSITS, FIXED DEPOSITS AND RESTRICTED CASH

	2015 $	2014 $
Regulatory deposits	19,439	18,231
Fixed deposit	-	2,021
Restricted cash	18,034	12,996
TOTAL	**37,473**	**33,248**

Regulatory deposits represent amounts placed on deposit with banks and government bodies to satisfy licensing criteria in certain jurisdictions in which the Group operates. These deposits cannot be removed nor the accounts reduced without the prior written consent of the relevant regulator.

The fixed deposit had a term of 182 days with an independent financial institution in the Bahamas. The fixed deposit matured on 4 May 2015, and earned interest of 0.25% per annum.

Restricted cash represents funds held in trust for and on behalf of policyholders of certain pension plans in Barbados. The liabilities of these pension plans are reported in the Group's consolidated financial statements as investment contracts. Restricted cash includes cash in hand, deposits held on call with banks and other short-term highly liquid financial assets with original maturities of less than three months. The carrying value of restricted cash approximates its fair value.

9. INVESTMENTS

A. CARRYING AMOUNT AND FAIR VALUE OF INVESTMENTS
Investments comprise:

	2015		2014	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
At fair value through profit and loss				
- Fixed income securities	430,895	430,895	432,885	432,885
- Equities	19,584	19,584	19,275	19,275
Held-to-maturity				
- Fixed income securities	12,327	12,420	9,846	10,936
Loans and receivables				
- Other loans	3,487	3,487	3,487	3,487
- Policyholder loans	3,615	3,615	3,758	3,758
- Mortgages	87,197	85,250	90,835	90,283
- Fixed income securities	88,248	95,164	94,759	102,266
	645,353	**650,415**	**654,845**	**662,890**
Available for sale				
- Equities	4,127	4,127	4,280	4,280
- Residential properties	1,500	1,500	1,530	1,530
	5,627	**5,627**	**5,810**	**5,810**
TOTAL	**650,980**	**656,042**	**660,655**	**668,700**

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B. INVESTMENT INCOME

	2015 $	2014 $
Interest income		
Fixed income securities - at FVTPL	9,467	10,323
Fixed income securities - at amortised cost	6,384	6,682
Mortgages and loans	5,352	5,469
Bank deposits and policyholder loans	352	460
	21,555	22,934
Dividend income		
Equities - at FVTPL	433	533
Equities - available for sale	81	58
	514	591
Net realised gains / (losses) on sale of investments		
Equities - at FVTPL	270	422
Fixed income securities - at FVTPL	3,766	(647)
Equities - available for sale	32	-
	4,068	(225)
Change in fair value arising from		
Fixed income securities	(9,576)	21,145
Equities	(961)	(654)
	(10,537)	20,491
Impairments and deductions		
Less: Impairment provision on mortgages and loans	(6,615)	(1,917)
Less: Impairment loss on available for sale assets	(20)	(247)
Less: Impairment loss on investment properties	96	(522)
Less: Allocation to contracts for the account and risk of customers	(5,317)	(5,840)
	(11,856)	(8,526)
TOTAL Investment income	**3,744**	**35,265**

10. FAIR VALUE MEASUREMENTS

A. FAIR VALUE METHODOLOGIES AND ASSUMPTIONS

The carrying values of cash and cash equivalents, fixed deposits, regulatory deposits, and restricted cash approximate their fair values.

The fair value of fixed income securities which are carried at FVTPL is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used.

The fair value of equity securities is determined using quoted prices in active markets for identical securities or similar securities. When quoted prices in active markets are not available, fair value is determined using equity valuation models, which include discounted cash flow analysis and other techniques that involve benchmark comparison. Valuation inputs primarily include projected future operating cash flows and earnings, dividends, market discount rates, and earnings multiples of comparable companies.

For disclosure purposes, the fair value for fixed income securities classified as either held to maturity or loans and receivables, and mortgages and loans classified as loans and receivables is determined by discounting the expected future cash flows using a current market interest rate applicable to financial instruments with a similar yield, credit quality and maturity characteristics. Valuation inputs typically include benchmark yields and risk-adjusted spreads from current lending activities or loan issuances. For collateralised mortgages, fair value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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Fair values for investment properties and residential properties held for sale are assessed annually and reviewed quarterly for material changes. The fair value is assessed using the most recently available reports from qualified external appraisal services. These properties are appraised externally at least once every three years. The most recent appraisals for the properties located in Barbados was as at 31 December 2015. The Bermuda properties were externally valued as at 31 December 2014. Values are estimated using 1) the income approach to estimate the present value of discounted projected future cash flows using current rental values, assessed rental values or market rental values at a market discount rate; or 2) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as the income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuation inputs include estimated rental value, rental growth rates, vacancy rates, discount rates, future operating expenses and terminal growth rates. The fair value of the Barbados properties was selected by management using best judgment based on a range of values provided by external appraisal services.

The fair value of investments for accounts of segregated fund holders is determined using quoted prices in active markets or independent valuation information provided by investment managers. The fair value of direct investments within investments for accounts of segregated fund holders, such as short-term securities and government and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

The methodologies and assumptions for determining the fair values of investment contract liabilities are included in Note 2.O.

The carrying value of the loan payable to a minority shareholder (Note 20) does not approximate its fair value as it pays an interest rate of 2% below the average of the prevailing First Mortgage rates of banks in Bermuda. To estimate fair value, the expected cash flows of the loan have been discounted using a market interest rate.

B. FAIR VALUE HIERARCHY
The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Groups valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

i) Level 1
Fair value is based on quoted market prices for identical assets and liabilities in an active market at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

ii) Level 2
Fair value inputs for level 2 are inputs, other than quoted prices included within level 1, that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These inputs include the following:

- Quoted prices for similar assets and liabilities in an active market
- Quoted prices for identical or similar assets in a market that is not active, the prices are not current, price quotations vary substantially over time, or for which little information is released publically.
- Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves.

iii) Level 3
If one or more of the significant inputs is not based on observable market data, the financial assets are included in level 3. Less than 1% of assets are measured at fair value using estimates and recorded as level 3. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models using market observable data where possible. A transfer from level 2 to level 3 would occur primarily due to decreased observability of inputs in valuation methodology. Conversely, transfers out of level 3 would primarily occur due to increased observability of inputs.

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C. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents the Group's assets and liabilities measured at fair value in the consolidated statement of financial position, categorised by level under the fair value hierarchy:

31 December 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	96,245	-	-	96,245
Fixed deposits	-	-	-	-
Regulatory deposits	19,439	-	-	19,439
Restricted cash	18,034	-	-	18,034
Financial assets at FVTPL				
Fixed income securities	116,277	314,618	-	430,895
Equities	15,454	4,130	-	19,584
Available for sale financial assets				
Equities	3,310	817	-	4,127
Residential properties	-	-	1,500	1,500
Segregated fund assets	479,216	151,843	-	631,059
TOTAL assets	**747,975**	**471,408**	**1,500**	**1,220,883**
Liabilities				
Investment contract liabilities	-	286,424	-	286,424
Segregated fund liabilities	-	631,059	-	631,059
TOTAL liabilities	**-**	**917,483**	**-**	**917,483**

31 December 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	53,805	-	-	53,805
Fixed deposits	2,021	-	-	2,021
Regulatory deposits	18,231	-	-	18,231
Restricted cash	12,996	-	-	12,996
Financial assets at FVTPL				
Fixed income securities	120,227	312,658	-	432,885
Equities	14,309	4,966	-	19,275
Available for sale financial assets				
Equities	1,368	2,912	-	4,280
Residential properties	-	-	1,530	1,530
Segregated fund assets	460,161	168,713	-	628,874
TOTAL assets	**683,118**	**489,249**	**1,530**	**1,173,897**
Liabilities				
Investment contract liabilities	-	281,544	-	281,544
Segregated fund liabilities	-	628,874	-	628,874
TOTAL liabilities	**-**	**910,418**	**-**	**910,418**

During the current and prior year there were no transfers between Levels 1 and 2.

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The following table presents the change in Level 3 instruments (Residential properties held for sale) for the year ended 31 December 2015:

	Total $
Opening balance	1,530
Transfers into Level 3	568
(Sales)	(555)
Gains or losses recognised in profit or (loss)	(43)
	1,500

The following table presents the change in Level 3 instruments (Residential properties held for sale) for the year ended 31 December 2014:

	Total $
Opening balance	488
Transfers into Level 3	1,289
Gains or losses recognised in profit or (loss)	(247)
TOTAL	1,530

Residential properties are assets carried at fair value on a recurring basis that are categorised as level 3. Significant unobservable inputs include sale proceeds, costs to sell, and timing of sale. A decrease in expected sale proceeds would result in a decrease in fair value. A decrease in either costs to sell or time to sale would result in an increase in fair value.

D. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For assets and liabilities not measured, but disclosed, at fair value in the consolidated statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy:

31 December 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Held-to-maturity financial assets				
Fixed income securities	-	12,420	-	12,420
Loans and receivable financial assets				
Fixed income securities	-	-	95,164	95,164
Mortgages	-	-	85,250	85,250
Policyholder loans	-	-	3,615	3,615
Other loans	-	-	3,487	3,487
Investment properties	-	-	71,552	71,552
TOTAL assets	**-**	**12,420**	**259,068**	**271,488**
Liabilities				
Investment contract liabilities	-	56,262	-	56,262
Loans payable	-	1,109	-	1,109
TOTAL liabilities	**-**	**57,371**	**-**	**57,371**

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31 December 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Held-to-maturity financial assets				
Fixed income securities	-	10,936	-	10,936
Loans and receivable financial assets				
Fixed income securities	-	-	102,266	102,266
Mortgages	-	-	90,283	90,283
Policyholder loans	-	-	3,758	3,758
Other loans	-	-	3,487	3,487
Investment properties	-	-	72,213	72,213
TOTAL assets	**-**	**10,936**	**272,007**	**282,943**
Liabilities				
Investment contract liabilities	-	54,459	-	54,459
Loans payable	-	1,681	-	1,681
TOTAL liabilities	**-**	**56,140**	**-**	**56,140**

11. INSURANCE RECEIVABLES AND OTHER ASSETS

	2015 $	2014 $
Insurance receivables	35,944	33,859
Accounts receivable	36,005	38,449
Accrued investment income	7,997	7,602
Total	**79,946**	**79,910**

12. DEFERRED POLICY ACQUISITION COSTS

A reconciliation of the change in deferred policy acquisition costs is shown below:

	2015 $	2014 $
At 1 January	10,118	9,936
Recognised deferred acquisition costs	22,669	24,137
Amortisation charge through income	(23,835)	(23,955)
At 31 December	**8,952**	**10,118**

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13. REINSURANCE ASSETS

Reinsurance assets are comprised of the following:

	2015 $	2014 $
Short-term insurance contracts:		
Claims reported and adjustment expenses	16,970	35,855
Unearned premiums ceded	45,314	44,969
Claims incurred but not reported	5,430	11,130
Total short-term insurance contracts	**67,714**	**91,954**
Life and health insurance contracts:		
Participating		
Individual life	(1,613)	(1,445)
Non-participating		
Individual life	(3,056)	(6,689)
Individual and group annuities	-	2
Group life	2,603	2,337
Health and accident	46	3,052
Total life and health insurance contracts	**(2,020)**	**(2,743)**
TOTAL Reinsurance assets	**65,694**	**89,211**

14. INVESTMENT PROPERTIES

	2015 $	2014 $
Cost	54,495	54,585
Accumulated depreciation	(18,097)	(17,272)
Net book value	**36,398**	**37,313**
Year ended 31 December		
At beginning of year	37,313	38,621
Net (disposals) additions and capital improvements	(90)	121
(Reversal) / Impairment	96	(522)
Depreciation	(921)	(907)
Closing net book value	**36,398**	**37,313**

Investment properties located in Bermuda consist of Aon House, owned by Scarborough, a 60% owned subsidiary, and Argo House, owned by Barr's Bay, a 60% owned subsidiary. The minority shareholder of Barr's Bay holds an equitable mortgage as security for its loan to Barr's Bay. Additionally, investment properties located in Barbados include land being used for car parking facilities and two buildings being used for rental. One of the Barbados properties has been placed in trust with respect to the statutory funds and if this was to be sold the value of the asset would need to be replaced within the statutory fund.

At 31 December 2015, investment properties with a net book value of $36,398 (2014 - $37,313) were estimated to be valued at $71,552 (2014 - $72,213) on the basis of their estimated open market value for existing use. During the year ended 31 December 2015 certain investment properties' market values exceeded their carrying values, which resulted in a reversal of impairment losses, recognised in prior years, in the amount of $96 being recorded (2014 impairment charge - $522).

Rental income generated from these investment properties during the year amounted to $4,537 (2014 - $4,731). Operating expenses incurred in support of generating rental income from investment properties was $1,316 (2014 - $1,514).

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15. PROPERTY AND EQUIPMENT

	Land and buildings $	Furniture, equipment and leasehold improvements $	Computer hardware $	Motor vehicles $	Total $
At 1 January 2014					
Cost	22,473	8,805	8,475	1,028	40,781
Accumulated amortisation	(2,900)	(6,899)	(6,831)	(441)	(17,071)
Net book value	**19,573**	**1,906**	**1,644**	**587**	**23,710**
Year ended 31 December 2014					
Additions	14	1,712	1,631	213	3,570
Disposals	-	(535)	(733)	(148)	(1,416)
Disposals – accumulated amortisation	-	466	184	101	751
Amortisation charge	(442)	(651)	(761)	(176)	(2,030)
Closing net book value	**19,145**	**2,898**	**1,965**	**577**	**24,585**
At 31 December 2014					
Cost	22,487	9,982	9,373	1,093	42,935
Accumulated amortisation	(3,342)	(7,084)	(7,408)	(516)	(18,350)
Net book value	**19,145**	**2,898**	**1,965**	**577**	**24,585**
Year ended 31 December 2015					
Additions	82	1,201	1,225	54	2,562
Disposals	-	(585)	(2,049)	(24)	(2,658)
Disposals – accumulated amortisation	-	585	2,046	22	2,653
Amortisation charge	(431)	(685)	(952)	(198)	(2,266)
Closing net book value	**18,796**	**3,414**	**2,235**	**431**	**24,876**
At 31 December 2015					
Cost	22,569	10,598	8,549	1,123	42,839
Accumulated amortisation	(3,773)	(7,184)	(6,314)	(692)	(17,963)
TOTAL Net book value	**18,796**	**3,414**	**2,235**	**431**	**24,876**

16. INCOME TAXES

Income tax is calculated and payable on the profits of ICBL, BF&M Canada, and IHIC which operate in jurisdictions with corporate tax requirements. The rest of the Group operates in non-corporate tax jurisdictions.

A. INCOME TAX

The income tax expense comprises:

	2015 $	2014 $
Current tax	2,048	1,613
Deferred tax	212	405
TOTAL Income tax expense	**2,260**	**2,018**

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The taxation charge on taxable income differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2015 $	2014 $
ICBL, BF&M Canada and IHIC's income before corporation tax	15,175	16,647
Tax calculated at effective rates of 25%*, 31% and 35% respectively	2,685	2,264
Prior year adjustments	(30)	(276)
Effect of different tax rates on taxable income	-	(117)
Income not subject to tax	(946)	(725)
Tax effect of other amounts allowed	-	(68)
Expenses not deductible for tax	476	809
Tax under/(over) accrual	61	125
Other	14	6
TOTAL Income tax expense	**2,260**	**2,018**

*ICBL's life business is subject to tax at a rate of 5% of gross investment income. All other investment income of ICBL is subject to tax at a rate of 12.5%.

B. DEFERRED TAXES
The deferred tax asset and deferred tax liability relate to the following items:

	2015 $	2014 $
Deferred tax assets:		
Taxable losses carried forward	-	51
Net unearned premium	377	449
Deferred ceding commissions	255	197
Outstanding claims	24	17
Accelerated tax depreciation	-	10
Gross deferred tax asset	**656**	**724**
Deferred tax liabilities:		
Accelerated tax depreciation	(322)	(186)
Net pension plan liability	(309)	(530)
Tax charge to components of other comprehensive loss	(260)	(429)
Deferred acquisition cost	(661)	(714)
Deferred tax liability	**(1,552)**	**(1,859)**
Net deferred tax liability	**(896)**	**(1,135)**

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C. TAX RECOVERABLE

	2015 $	2014 $
Tax recoverable at beginning of year	472	676
Tax payments made	2,612	2,000
Current tax expense for year	(2,048)	(1,613)
Tax over accrual	(111)	(89)
Other	-	(502)
TOTAL Tax recoverable at end of year	**925**	**472**

D. IMPACT TO OTHER COMPREHENSIVE LOSS
The tax (charge) credit relating to components of OCI is as follows:

		2015	
	Before tax $	Tax (charge) / credit $	After tax $
Re-measurements of post-employment benefit obligations	(283)	(260)	(543)
Investments classified as available for sale			
Fair value losses	(27)	-	(27)
Currency translation differences	(213)	-	(213)
TOTAL Other comprehensive loss	**(523)**	**(260)**	**(783)**

		2014	
	Before tax $	Tax (charge) / credit $	After tax $
Re-measurements of post-employment benefit obligations	(2,822)	(429)	(3,251)
Investments classified as available for sale			
Fair value losses	23	-	23
Currency translation differences	(102)	-	(102)
TOTAL Other comprehensive loss	**(2,901)**	**(429)**	**(3,330)**

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17. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	Finite life				Indefinite life		
	Customer relationships and contracts $	Distribution channels $	Brands $	Software development cost $	ICBL brand $	Goodwill $	Total $
At 1 January 2014							
Cost	12,494	14,500	2,000	28,535	697	10,328	68,554
Accumulated amortisation	(10,028)	(2,537)	(700)	(8,320)	-	-	(21,585)
Net book value	**2,466**	**11,963**	**1,300**	**20,215**	**697**	**10,328**	**46,969**
Year ended 31 December 2014							
Additions	-	-	-	6,093	-	-	6,093
Amortisation	(887)	(1,450)	(400)	(2,306)	-	-	(5,043)
Less: Held for sale	-	-	-	(18)	-	-	(18)
Closing net book value	**1,579**	**10,513**	**900**	**23,984**	**697**	**10,328**	**48,001**
At 31 December 2014							
Cost	12,494	14,500	2,000	33,283	697	10,328	73,302
Accumulated amortisation	(10,915)	(3,987)	(1,100)	(9,299)	-	-	(25,301)
Net book value	**1,579**	**10,513**	**900**	**23,984**	**697**	**10,328**	**48,001**
Year ended 31 December 2015							
Additions	-	-	-	5,673	-	-	5,673
Disposals	(5,795)	-	-	(366)	-	-	(6,161)
Disposals - accumulated amortisation	5,795	-	-	366	-	-	6,161
Amortisation	(902)	(1,450)	(405)	(2,733)	-	-	(5,490)
Impairment losses	-	-	-	(1,652)	-	-	(1,652)
Acquired intangibles	5,457	-	40	-	-	-	5,497
Closing net book value	**6,134**	**9,063**	**535**	**25,272**	**697**	**10,328**	**52,029**
At 31 December 2015							
Cost	12,156	14,500	2,040	38,590	697	10,328	78,311
Accumulated amortisation	(6,022)	(5,437)	(1,505)	(13,318)	-	-	(26,282)
TOTAL Net book value	**6,134**	**9,063**	**535**	**25,272**	**697**	**10,328**	**52,029**
Remaining weighted average amortisation period in years	5.0 years	6.3 years	1.3 years	6.5 years	n/a	n/a	

Any impairment losses and the amortisation charge on finite life intangibles assets are included in depreciation and amortisation in the consolidated statement of income.

A. SOFTWARE DEVELOPMENT COSTS

The Group is engaged in significant development of its new core information systems. Costs associated with the development of the system are deferred, to the extent that the cost satisfies the criteria under *IAS 38 – Intangible* assets, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its useful life. Annually, the Group reviews its software development costs for evidence of impairment.

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The Group has undertaken a business transformation and renewal programme to implement a common property & casualty solution across the Group. As part of this programme, development of a software solution component was initiated. During 2015, a review was undertaken to assess whether the solution being developed was still the appropriate technical solution for the programme. While the solution under development was considered still viable it was felt that an alternative solution would better achieve the desired results. A review was performed to assess the reusability of the development to date within the new solution. As a result of that review it was determined that development costs in the amount of $1,652 were non reusable and an impairment in this amount was taken. This impairment is included within our property and casualty segment reporting.

B. INTANGIBLES

i) ICBL intangibles

In 2005, the Group acquired intangible assets arising from the ICBL acquisition including the ICBL brand and customer relationships totalling $5,783. Of the total intangible assets acquired, $5,086 was identified as the value of intangible assets that have finite lives and are amortised over 10 years, being the estimated expected lives of the existing relationships. The remaining balance of $697 relates to the ICBL brand and was determined to have an indefinite life as management concluded that the brand was well recognised and respected in the jurisdiction and there are no plans to rebrand the entity.

ii) IHIC intangibles

In 2012, the Group acquired intangible assets arising from the IHIC acquisition including the IHIC brand, customer lists, agent relationships, and software development costs totalling $17,870. All intangibles were identified as having finite lives and are amortised over either 5 years (brand) or 10 years (customer lists, agent relationships, and software development costs).

iii) KISL intangibles

In 2015, the Group acquired intangible assets arising from the acquisition of KISL, including the KISL brand and customer lists totalling $5,497. Refer to Note 4A. All intangibles were identified as having finite lives. The brand is amortised over 2 years which is the contractual arrangement for which the name may be used. The customer list is amortised over 10 years which is the expected life of the existing relationships.

C. GOODWILL

Goodwill represents the excess of the cost of ICBL and IHIC at acquisition over the fair value of the net assets acquired. The entire balance of goodwill is therefore fully allocated to the Barbados and Cayman operations which are identified as separate operating segments. When testing for impairment, the recoverable amount of ICBL and IHIC is determined based on value in use. Impairment of these intangibles is assessed on an annual basis. There were no additions, disposals or impairment of goodwill reported during 2015 and 2014. The following is a summary of the goodwill allocated for each of the cash generating units:

	2015 $	2014 $
ICBL	2,628	2,628
IHIC	7,700	7,700
Total	**10,328**	**10,328**

Goodwill and intangibles with a finite life are assessed for impairment as per the accounting policy described in Note 2J. The recoverable amount of all CGU's has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2016 financial business plans approved by management and are extrapolated using a steady growth rate over the subsequent four years and a terminal value in the calculation. The plans reflect management's best estimate of future profits based on both historical experience and target growth rates. The target growth rates reflect the local insurance market conditions, macro-economic factors of the region, and overall Group targets to grow the business and manage costs. Future profits are discounted using a risk adjusted weighted average cost of capital. During the annual impairment assessment, management reviewed its assumptions based on the current challenging conditions and expected delays in recovery of those conditions in certain Caribbean jurisdictions in which the Group operates.

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i) ICBL

The recoverable amount of goodwill was assessed to be more than the carrying value and as a result no goodwill impairment charge was recognised in the consolidated statement of income. This assessment was based on a growth rate of 1% for cash inflows for the first five years followed by a nil% terminal rate. Cash outflows were estimated to decrease at 1.0% for the first three years followed by a nil% terminal growth rate. All of the forecast cash flows were discounted at a rate of 10.6%.

Sensitivities were performed and the Group estimated that a 1% change in growth rate to cash inflows beyond the current year plan would cause a reduction in the recoverable amount of $5,910. A reduction in recoverable of $4,864 would be experienced with a 1% change in direct costs. Neither would cause an impairment. Management also estimated that a 100 basis point increase in the discount rate would not result in an impairment but would reduce the recoverable amount of the asset by $2,029.

ii) IHIC

The recoverable amount of goodwill was assessed to be more than the carrying value and as a result no goodwill impairment charge was recognised in the consolidated statement of income. This assessment was based on a terminal growth rate of nil%. Cash outflows were estimated to grow at 1.0% for five years followed by a nil % terminal growth rate. All of the forecast cash flows were discounted at a rate of 10.6%.

The Group estimated that a 1% annual reduction in cash inflows beyond the current year plan would not cause an impairment but would reduce the recoverable amount by $5,277. Likewise a 1% change in growth rate in direct costs beyond the current year would reduce the recoverable amount by $3,139. Management also estimated that a 100 basis point increase in the discount rate would not result in an impairment but would reduce the recoverable value of the asset by $4,412.

These sensitivities are indicative only and should be considered with caution as the effect of the variation in each assumption is calculated in isolation without changing any other assumption, which in practice is unlikely. The estimation of the recoverable amount is an area of significant judgment. Reductions in the estimated recoverable amount could arise from various factors, such as reductions in net cash flows, adverse changes to discount rates and growth rates or any combination.

18. SEGREGATED FUNDS

A. SEGREGATED FUNDS – CONSOLIDATED NET ASSETS

	2015 $	2014 $
Mutual funds	631,059	628,874
TOTAL	**631,059**	**628,874**

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B. SEGREGATED FUNDS – CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	2015 $	2014 $
Segregated funds assets – beginning of year	628,874	586,791
Additions:		
Pension contributions	90,578	93,561
Life insurance	16	17
Net realised and unrealised gains/(losses)	(8,573)	16,129
Total additions	**82,021**	**109,707**
Deductions:		
Payments to policyholders and their beneficiaries	(73,329)	(61,117)
Management fees	(6,507)	(6,507)
Total deductions	**(79,836)**	**(67,624)**
Net additions to segregated funds	**2,185**	**42,083**
TOTAL Segregated funds assets – end of year	**631,059**	**628,874**

19. OTHER LIABILITIES

These include:	2015 $	2014 $
Payables and accrued expenses	28,570	25,174
Insurance balances payable	25,718	26,346
Deferred commission income	10,962	10,602
Policyholder dividends payable	5,029	5,116
Dividends payable	2,172	2,217
TOTAL	**72,451**	**69,455**

Insurance balances payable include amounts payable to reinsurers and brokers.

20. LOAN PAYABLE

A. LOAN PAYABLE

In prior years, the Group borrowed $6,934 from an affiliated Company of the minority shareholder of Barr's Bay, against the $7,000 in promissory notes available to finance the construction of Argo House.

Interest on the variable rate loan is adjusted quarterly at the lower of 7% or 2% less than the average of the prevailing per annum First Mortgage rates of banks in Bermuda. Interest accrues on the date of each drawdown and is payable on the last day of each calendar quarter commencing one year after completion of the building but only to the extent that Barr's Bay has cash surplus to its needs arising from income in excess of all operating expenses (including payments of interest). Accrued interest on the loan at 31 December 2015 was $nil (2014 - $nil). Repayment of accrued interest is made separately, and began in the year 2006. Repayment of loan principal commenced in the year 2005 and it is anticipated that the loan will be fully repaid in 2017 (contract maturity – 1 January 2026). During the year $646 (2014 - $622) of the principal balance was repaid.

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Estimated principal repayments on the loan payable balance of $1,123 (2014 - $1,769) for the next two years are as follows:

	$
2016	647
2017	476
TOTAL	1,123

	2015 $	2014 $
Current liability portion (payable within 12 months)	647	542
Long-term liability portion	476	1,227
TOTAL	**1,123**	**1,769**

The carrying amount for the current liability portion of the loan disclosed above reasonably approximate fair value at the reporting date.

B. BANK BORROWING
On 30 March 2012, the Group entered into a term loan agreement in connection with the acquisition of Island Heritage Holdings Limited. Under the terms of the agreement, the Group borrowed $28,000 to be repaid in 16 equal quarterly installments of $1,750 payable on 30 June, 30 September, 31 December and 31 March of each year commencing on 30 June 2012. Interest on the loan was at 2.5% above LIBOR and was payable on the last day of each calendar quarter commencing on 30 June 2012. During 2014, $15,750 of the principal balance was repaid which resulted in the borrowing being repaid in full by 31 December 2014. $360 of deferred transaction costs incurred on the bank borrowings were expensed in the consolidated statement of income in 2014. The borrowings were secured by the land and buildings of the Group. The security had been released as at 31 December 2014 upon full repayment of the loan.

21. RETIREMENT BENEFIT OBLIGATIONS

A. DEFINED CONTRIBUTION PENSION PLAN
The Group has established defined contribution pension plans for eligible qualifying employees. Contributions by the Group to these defined contribution plans are subject to certain vesting requirements and are generally a set percentage of an employee's annual income and matched against employee contributions. The cost of the defined contribution pension plans are not reflected in the tables below. An expense of $872 (2014 - $828) equating to the service cost for the year for these employees was reported during the year.

B. POST RETIREMENT MEDICAL PLAN AND IMPACT OF CURTAILMENT
The Group also sponsors a post-retirement medical benefit plan for its Bermuda employees. The main benefit provided is for health care. Prior to 1 January 2012, the Group paid 50% of the total premiums paid to the insurer and the pensioner paid the balance. Retirees after 31 December 2011 pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who will be prospectively entitled to benefits.

The Group also offers medical insurance benefits to retired employees in Barbados. Prior to 1 January 2014, ICBL paid to the insurer 60% of the total premiums and the pensioner paid the balance. Retirees after 31 December 2013 pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who are entitled to benefits.

Cash contributions to the plan by the Group during 2015 were $307 (2014 - $310).

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C. DEFINED BENEFIT PENSION PLAN

The Group sponsors defined benefit pension plans for eligible employees in Bermuda and Barbados under broadly similar regulatory frameworks. These plans are closed to new entrants for employees hired after 1999 for Bermuda and 2007 for Barbados. The defined benefit plans are administered by separate Funds that are legally separated from the company. Responsibility for governance of the plans including investment and contributions lies jointly with the company and the Trustees of the pension funds.

Under the plans, the pension amount at retirement is based on an employee's final average earnings. The schemes are generally funded through payments determined by periodic actuarial calculations. Cash contributions to the plan by the Group during 2015 were $809 (2014 - $1,203).

The Group measures the fair value of assets and the accrued benefit obligations as of 31 December. The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation were carried out as of 31 December 2015.

The following table provides summaries of the defined benefit pension and post-retirement medical plans' estimated financial position at 31 December 2015 and 2014:

	Defined benefit pension plans		Medical benefit plans	
Changes in Defined Benefit Obligation	2015 $	2014 $	2015 $	2014 $
Balance - beginning of year	51,861	47,625	4,670	4,617
Current service cost	780	778	-	-
Interest expense	2,396	2,591	156	189
Past service cost and gains and losses on settlements	(338)	(472)	-	(42)
Actuarial (gains) and losses due to changes in:				
Experience	(677)	(572)	35	(44)
Demographic assumption changes	-	654	-	-
Economic assumption changes	(1,132)	2,786	(5)	260
Changes in asset ceiling, excluding amounts included in interest expense	1,119	985	-	-
Benefits paid	(2,333)	(2,514)	(307)	(310)
TOTAL Defined benefit obligation - End of year	**51,676**	**51,861**	**4,549**	**4,670**

	Defined benefit pension plans		Medical benefit plans	
Changes in Plan Assets	2015 $	2014 $	2015 $	2014 $
Fair value - beginning of year	52,206	50,012	-	-
Interest income	250	2,057	-	-
Return on plan assets, excluding amounts included in interest income	802	1,478	-	-
Employer contributions	809	1,203	307	310
Plan expenses	(78)	(30)	(307)	(310)
Benefits paid	(2,335)	(2,514)	-	-
TOTAL Fair value of plan assets - End of year	**51,654**	**52,206**	**-**	**-**
NET Defined (benefit) liability recognised in the Consolidated Statement of Financial Position`	**22**	**(345)**	**4,549**	**4,670**

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Amounts recognised in respect of these defined benefit plans:

Net benefit cost recognised in Consolidated Statement of Income	Defined benefit pension plans 2015 $	2014 $	Medical benefit plans 2015 $	2014 $
Current service cost	780	778	-	-
Interest expense / (income)	2,396	2,591	156	189
Expected return on plan assets	(2,513)	(2,867)	-	-
Administrative expense	77	29	-	-
Past services cost and gains and losses	(338)	(472)	-	(42)
TOTAL Net benefit cost	**402**	**59**	**156**	**147**

Re-measurement effects recognised in OCI	Defined benefit pension plans 2015 $	2014 $	Medical benefit plans 2015 $	2014 $
Return on plan assets				
(excluding amounts included in interest income)	1,394	(656)	-	-
Actuarial gains and losses due to change in:				
Experience	(558)	(467)	30	(94)
Demographic assumptions	-	491	-	-
Financial assumptions	(1,088)	3,003	-	310
Adjustments for restrictions on the defined benefit asset	765	665	-	-
TOTAL Re-measurements effects	**513**	**3,036**	**30**	**216**

Accrued benefit obligation and plan assets by country are as follows:

At 31 December 2015	Bermuda $	Barbados $	Total $
Present value of obligation	38,752	17,473	56,225
Fair value of plan assets	(31,904)	(19,750)	(51,654)
TOTAL	**6,848**	**(2,277)**	**4,571**

At 31 December 2014	Bermuda $	Barbados $	Total $
Present value of obligation	40,001	16,530	56,531
Fair value of plan assets	(32,954)	(19,252)	(52,206)
TOTAL	**7,047**	**(2,722)**	**4,325**

Asset allocation by major category for the defined benefit pension plan is as follows:

	2015 Quoted $	2015 Unquoted $	2015 Total $	2014 Quoted $	2014 Unquoted $	2014 Total $
Equity instruments	5,403	-	5,403	5,612	-	5,612
Fixed income instruments	23,910	10,405	34,315	21,626	10,695	32,321
Real estate	-	3,011	3,011	-	3,207	3,207
Other	-	8,925	8,925	-	11,066	11,066
TOTAL Asset allocation	**29,313**	**22,341**	**51,654**	**27,238**	**24,968**	**52,206**

Pension and medical plan assets include the Group’s ordinary shares with a fair value of $943 (2014 - $993).

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Risk

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant are detailed below:

Changes in bond yields – A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Life expectancy – The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant where inflationary increases results in higher sensitivity to changes in life expectancy.

Inflation risk – The pension obligation is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit of the plan or reduce the surplus of the plan.

As the Group's defined benefit plans are closed to new entrants, the volatility associated with future service accruals for active members has been limited and will decline over time.

Actuarial assumptions

The principal actuarial assumptions used in measuring the Group's defined benefit obligations vary depending on whether the obligation is the result of Bermuda or Barbados based operations. The significant weighted-average assumptions as of 31 December 2015 and 2014 are:

	Defined benefit pension plans		Medical benefit plans	
Bermuda	2015 %	2014 %	2015 %	2014 %
Benefit cost during the year:				
Discount rate	3.75	3.50	3.25	3.25
Compensation increase	2.25	2.00	-	-
Medical claims inflation*	-	-	6.50	6.50
Defined benefit obligation at end of year:				
Discount rate	3.50	3.50	3.25	3.25
Compensation increase	3.00	3.00	-	-
Medical claims inflation*	-	-	6.50	6.50

*The medical claims inflation trend used to measure the cost and obligation was 6.5% per annum until 2018 and 4.5% thereafter

	Defined benefit pension plans		Medical benefit plans	
Barbados	2015 %	2014 %	2015 %	2014 %
Benefit cost during the year:				
Discount rate	7.75	7.75	7.75	7.75
Compensation increase	6.00	6.00	-	-
Medical claims inflation	-	-	6.00	6.00
Defined benefit obligation at end of year:				
Discount rate	7.75	7.75	7.75	7.75
Compensation increase	2.50	6.00	-	-
Medical claims inflation	-	-	6.00	6.00

The expected return on assets assumption for pension cost purposes is the weighted average of expected long-term asset return assumptions by asset class, and is selected from a range of possible future asset returns.

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Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. As the defined benefit plans are closed to new entrants, these assumptions translate into an average life expectancy in years for a pensioner who retired at age 65:

	Defined benefit pension plans		Medical benefit plans	
	2015 in years	2014 in years	2015 in years	2014 in years
Bermuda				
Male	19.99	19.92	19.99	19.92
Female	22.25	22.21	22.25	22.21
Barbados				
Male	19.92	19.84	19.92	19.84
Female	22.21	22.17	22.21	22.17

Significant judgment is used in setting the assumptions used to calculate the Group's retirement benefit obligations. The sensitivity analysis has been determined based on reasonably possible changes of the significant assumptions occurring at the end of the reporting period. Changes in trend rate assumptions by 1% either direction will change the retirement benefit obligation as follows:

	Defined benefit pension plans		Medical benefit plans	
	Increase 2015 $	Decrease 2015 $	Increase 2015 $	Decrease 2015 $
Discount rate	16,803	21,834	576	684
Compensation increase	16,240	14,514	-	-
Average life expectancy	16,192	16,194	469	461
Medical claims inflation	-	-	650	556

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and a change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

For the funded plans, the Group ensures that the investment positions are managed with an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. The Group's ALM objective is to match assets to the pension's obligation by investing in long-term fixed interest securities with maturities that match the benefits payments as they fall due.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the process used to manage its risk from previous periods. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increase should be paid immediately to the fund.

Expected contributions to post-employment benefit plans for the year ending 2016 are $1,394.

The weighted average duration of the defined benefit obligation is 13.17 years.

The weighted average duration of the medical plan obligation is 9.82 years.

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22. INVESTMENT CONTRACT LIABILITIES

The composition of investment contract liabilities and the movement in liabilities are shown below:

Composition of investment contract liabilities	2015 $	2014 $
Guaranteed interest pension		
Bermuda	283,536	278,540
Barbados	56,262	54,459
Term certain annuities	2,888	3,004
TOTAL Investment contract liabilities	**342,686**	**336,003**

Investment contract liabilities carried at amortised cost	2015 $	2014 $
At 1 January	54,459	53,196
Pension contributions	3,806	3,321
Net investment income	2,627	2,661
Benefits paid	(4,161)	(4,265)
Management fees deducted	(469)	(454)
TOTAL At 31 December	**56,262**	**54,459**

Investment contract liabilities carried at fair value	2015 $	2014 $
At 1 January	281,544	280,066
Pension contributions	38,692	42,378
Net investment income	3,287	3,133
Benefits paid	(27,776)	(42,263)
Management fees deducted	(249)	(148)
Net transfers out	(9,074)	(1,622)
TOTAL At 31 December	**286,424**	**281,544**

23. INSURANCE CONTRACT LIABILITIES

A. ASSUMPTIONS AND METHODOLOGY

i) Life and health insurance contracts

The nature of life and health insurance business is such that a number of assumptions are made in compiling these consolidated financial statements. Assumptions are made about investment returns, mortality rates, lapse rate, morbidity, expenses, and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business.

The valuation of liabilities was performed using CALM. In some instances approximations are used due to the nature of liabilities. The approximations are not expected to change the results materially. Best estimate assumptions were generally based on industry and company experience. Provisions for adverse deviations ("PfADs") were determined by applying appropriate margins for adverse deviations ("MfADs") to the best estimate assumptions. A variety of factors are considered in the Group's valuation techniques, such as yield curve, credit spreads, and default assumptions, which have market observable inputs.

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Investment Returns

With the exception of assets backing certain participating liabilities, assets are not formally segmented by line of business or product line. Invested assets are notionally segmented to support the actuarial liabilities valued under CALM. For each segment the future cash flows from insurance and investment contracts and the assets supporting them are projected under a number of interest rate scenarios some of which are prescribed for CALM under Canadian Actuarial Standards of Practice or an approximation of CALM. Both current assets and future reinvestment consider credit / asset default risk (assumed to earn a credit spread, including appropriate default provision, above the risk-free Treasury yield based on current and future expected market conditions). U.S. Treasury and Agency bonds were assigned no risk default charge. Other asset defaults were based on industry experience.

Morbidity

Morbidity refers to the likelihood that an insured will contract or develop any number of illnesses. The Group's portfolio of group and individual health business is large enough for an internal analysis of lag and is used as the basis for setting annually renewable premiums. A very small block of individual disability assumes industry standard morbidity rates.

Mortality

Mortality refers to the rates at which death is expected to occur for defined classes of insured. Management reviews the Group's mortality experience annually, however the portfolio of business is too small to form the basis for any internally produced mortality assumption. Therefore, the Group's mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future improvement. For life contingent annuities, the assumed mortality assumption includes future mortality improvement, the effect of which is to increase insurance contract liabilities, based on prescribed mortality improvement rates promulgated by the Canadian Actuarial Standards Board ("ASB").

Lapse

The best estimate lapse assumption is based on a combination of industry and the Group's lapse experience and pricing assumptions for newer products.

Expenses

Actuarial liabilities provide for future administrative policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM.

Premium payment patterns

Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age and policy duration.

ii) Short-term insurance contract liabilities

The ultimate cost of outstanding contract liabilities are estimated by using a range of standard actuarial claims projections techniques, such as the Incurred Development Methodology and the Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is analysed by either accident period or underwriting period. Claims development is analysed for each geographical area as well as by line of business.

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B. COMPOSITION OF INSURANCE CONTRACT LIABILITIES

	2015 $	2014 $
Gross		
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	52,334	76,264
Unearned premiums	82,801	84,965
Claims incurred but not reported	15,600	21,654
Total short-term insurance contracts	**150,735**	**182,883**
Life and health insurance contracts:		
Participating		
Individual life	29,606	31,503
Non-participating		
Individual life	19,151	15,726
Individual and group annuities	101,572	100,271
Group life	11,511	10,661
Health and accident	16,883	22,802
Total life and health insurance contracts	**178,723**	**180,963**
TOTAL Insurance contract liabilities - gross	**329,458**	**363,846**
Net		
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	35,364	40,411
Unearned premiums	37,487	39,994
Claims incurred but not reported	10,170	10,524
Total short-term insurance contracts	**83,021**	**90,929**
Life and health insurance contracts:		
Participating		
Individual life	31,219	32,948
Non-participating		
Individual life	22,207	22,415
Individual and group annuities	101,572	100,269
Group life	8,908	8,324
Health and accident	16,837	19,750
Total life and health insurance contracts - net	**180,743**	**183,706**
TOTAL Insurance contract liabilities - net	**263,764**	**274,635**

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C. CHANGES IN SHORT-TERM INSURANCE CONTRACT LIABILITIES

	2015 Gross $	2015 Reinsurance $	2015 Net $	2014 Gross $	2014 Reinsurance $	2014 Net $
At 1 January						
Claims and adjustment expenses	76,264	(35,853)	40,411	55,341	(21,230)	34,111
Claims incurred but not reported	21,654	(11,130)	10,524	15,979	(5,568)	10,411
Total at 1 January	97,918	(46,983)	50,935	71,320	(26,798)	44,522
Cash paid for claims settled in year	(52,132)	24,342	(27,790)	(45,880)	24,495	(21,385)
Increase in liabilities:						
Arising from current-year claims	33,032	(11,429)	21,603	65,598	(38,633)	26,965
Arising from prior-year claims	(10,884)	11,670	786	6,880	(6,047)	833
TOTAL at 31 December	67,934	(22,400)	45,534	97,918	(46,983)	50,935
Claims and adjustment expenses	52,334	(16,970)	35,364	76,264	(35,853)	40,411
Claims incurred but not reported	15,600	(5,430)	10,170	21,654	(11,130)	10,524
TOTAL at 31 December	67,934	(22,400)	45,534	97,918	(46,983)	50,935

The fair value of the net provision for claims and adjustment expenses of $45,534 (2014 - $50,935) is $39,778 (2014 - $45,800). The fair value is calculated by the Group's actuaries and represents the discounted value of the net provision.

D. UNEARNED PREMIUM LIABILITY

	2015 Gross $	2015 Reinsurance $	2015 Net $	2014 Gross $	2014 Reinsurance $	2014 Net $
At 1 January	84,963	(44,969)	39,994	88,506	(44,387)	44,119
Premium written during the year	195,617	(128,663)	66,954	200,941	(131,265)	69,676
Premium earned during the year	(197,779)	128,318	(69,461)	(204,484)	130,683	(73,801)
TOTAL at 31 December	82,801	(45,314)	37,487	84,963	(44,969)	39,994
Movement during the year, net of acquisition	2,162	(504)	1,658	3,543	582	4,125

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E. CHANGES IN LIFE AND HEALTH INSURANCE CONTRACT LIABILITIES

	2015 Gross $	2015 Reinsurance $	2015 Net $	2014 Gross $	2014 Reinsurance $	2014 Net $
Provision for policy benefits	176,391	2,743	179,134	209,041	9,752	218,793
Claims payable	4,231	-	4,231	4,482	-	4,482
Provision for participating policyholders	341	-	341	(399)	-	(399)
Life and health insurance contract liabilities - 1 January	180,963	2,743	183,706	213,124	9,752	222,876
Change in provision for policy benefits:						
Ageing and changes in balances on in-force policies	5,429	291	5,720	3,767	(304)	3,463
Changes in assumptions:						
Investment returns	(6,463)	127	(6,336)	11,428	1,529	12,957
Mortality	127	182	309	1,796	289	2,085
Lapse	788	(347)	441	357	57	414
Expense	(1,812)	36	(1,776)	(809)	(10)	(819)
Premium payment patterns	301	(108)	193	-	-	-
Other	(316)	4	(312)	655	(55)	600
Other changes	939	(908)	31	(49,844)	(8,515)	(58,359)
	(1,007)	(723)	(1,730)	(32,650)	(7,009)	(39,659)
Provision for policy benefits	175,384	2,020	177,404	176,391	2,743	179,134
Claims payable	3,481	-	3,481	4,231	-	4,231
Provision for participating policyholders	(142)	-	(142)	341	-	341
TOTAL Life and health insurance contract liabilities – 31 December	178,723	2,020	180,743	180,963	2,743	183,706

The majority of the fair value of future policy benefits is determined by reference to the fair value of the assets supporting those liabilities. As assets supporting future policy benefits are reported at fair value in the consolidated statement of financial position, the change in the value of those assets would be largely offset by a change in the value of liabilities, where the duration of the assets and liabilities are closely matched, resulting in limited changes to surplus.

F. COMPOSITION OF THE ASSETS SUPPORTING LIABILITIES

The composition of the assets supporting life and health insurance contract liabilities is as follows:

31 December 2015	Fixed income securities $	Mortgages and loans $	Cash $	Total $
Participating				
Individual life	27,473	2,587	1,159	31,219
Non-participating				
Individual life	13,586	8,001	620	22,207
Individual and group annuities	58,986	42,586	-	101,572
Group life	4,094	1,314	3,500	8,908
Health and accident	22	633	16,182	16,837
TOTAL	104,161	55,121	21,461	180,743

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31 December 2014	Fixed income securities $	Mortgages and loans $	Cash $	Total $
Participating				
Individual life	29,119	2,941	885	32,945
Non-participating				
Individual life	16,894	6,911	1,074	24,879
Individual and group annuities	67,706	32,195	-	99,901
Group life	2,065	987	2,823	5,875
Health and accident	10	1,358	18,738	20,106
TOTAL	115,794	44,392	23,520	183,706

24. SHARE CAPITAL

	2015 $	2014 $
Authorised -		
10,000,000 (2014 - 10,000,000) common shares of a par value of $1 each	10,000	10,000
Issued and fully paid -		
Common shares of a par value of $1 each	8,722	8,652

Common shares in issue in the Group rank pari passu with any new common shares issued in the Group. All the common shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Group.

A reconciliation of the number of shares outstanding at the beginning and at the end of the period is as follows:

	2015 # of shares	2014 # of shares
At 1 January	8,651,836	8,558,568
Shares issued under the employee share purchase plan	18,590	20,700
Shares issued under the equity incentive plan	3,630	8,030
Share grants issued under the equity incentive plan	55,100	64,538
Share grants forfeited under the equity incentive plan	(6,710)	-
TOTAL at 31 December	**8,722,446**	**8,651,836**

Share premium and contributed surplus

Share premium comprises additional paid in capital in excess of the par value. This reserve is not ordinarily available for distribution. Contributed surplus represents additional paid in capital.

Accumulated other comprehensive loss

This consists of translation adjustments arising from the consolidation of the BF&M Canada operations, unrealised gains and losses on available for sale financial assets, and actuarial gains and losses on employee benefit plans.

Employee share purchase plan

Under the plan 300,000 shares (2014 - 300,000) have been made available for employee share purchase. As at 31 December 2015, 295,295 shares had been purchased (2014 – 276,705). During the year, 18,590 (2014 – 20,700) shares were issued. The fair value of the shares amounted to $325 (2014 - $354) which was credited to share capital and share premium. The discount of $48 (2014 - $53) was charged to compensation expense.

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Shares held by the Group's defined benefit pension scheme

As at 31 December 2015, 55,992 (2014 – 55,992) shares of the Group were owned within the investment portfolio of the Group's defined benefit pension scheme.

A. EQUITY INCENTIVE PLAN

i) Share options

The Group ceased granting share options as part of its equity incentive plan in 2008. The share options when granted had a ten-year term. The following table summarises the share options issued under the Group's Equity Incentive Plan:

	2015 # of options	2015 Weighted average exercise price	2014 # of options	2014 Weighted average exercise price
Outstanding at beginning of year	145,692	18.46	153,722	18.36
Exercised	(3,630)	16.19	(8,030)	16.54
Forfeited	(56,262)	17.07	-	-
TOTAL Outstanding at end of year	85,800	19.48	145,692	18.46
Exercisable at 1 January 2016 and 2015	**85,800**	**19.48**	**145,692**	**18.46**

The remaining weighted average contractual life of the share options is 0.5 years (2014 – 1.5 years). The range of fair values of options outstanding is $16.19 to $22.00. The Group's share options will be fully vested on 31 December 2018.

The characteristics of options granted in earlier years are as follows:

Share options expiring 1 January	# of options outstanding	# of options exercisable as at 1 January 2016	Exercise price $
2016	-	-	-
2017	41,800	41,800	16.82
2018	44,000	44,000	22.00
TOTAL	**85,800**	**85,800**	

ii) Restricted share grants and restricted units

During the year 48,390 (2014 – 64,538) common shares and 12,575 units (2014 – 9,938) were issued to certain key employees in respect of restricted share grants and restricted unit grants. These are held by the Group and are restricted from sale or use by the employees for three years from the grant date. Restricted unit grants differ from restricted share grants in that no common shares are issued at the time of the grant; instead they are issued after the vesting date. The amount of the benefit to these key employees totalled $1,153 (2014 – $1,322) and will be amortised through earnings over a three year period with accelerated vesting for employees over 55 years of age. The amount charged to compensation expense in the current year totalled $1,039 (2014 – $1,094).

The following table summarises information about the outstanding share and unit grants:

Restricted share and unit grants vesting	# of shares	# of share units
30 April 2016	34,340	6,815
12 June 2017	59,038	9,938
14 April 2018	53,120	12,575
TOTAL	**146,498**	**29,328**

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For the year ended 31 December 2015
(in thousands of Bermuda dollars except share and per share amounts)

B. EARNINGS PER SHARE
The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015			2014		
	Income $	# of weighted average shares	Per share amount $	Income $	# of weighted average shares	Per share amount $
Net earnings	23,908			21,805		
Basic earnings per share:						
Income available to common shareholders	23,908	8,694,975	2.75	21,805	8,611,225	2.53
Effect of dilutive securities:						
Share options		1,228			5,811	
Diluted earnings per share:						
Income available to common shareholders and assumed conversions	23,908	8,696,203	2.75	21,805	8,617,036	2.53

The weighted average number of shares used in the calculation of diluted earnings per share for 2015 excludes 11,860 (2014 – 13,031) share options granted to employees of the Group, as these would have been anti-dilutive. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

25. COMMISSION AND OTHER INCOME

This includes commission earned from reinsurers and fee income from the management of segregated funds' assets, pension administration and investment management services.

	2015 $	2014 $
Commission income	36,216	29,140
Fees earned from management of insurance contracts	1,275	(172)
Fees earned from management of investment contracts	162	419
Pension administration income	6,251	5,407
Fee income	3,093	4,728
TOTAL Commission and other income	**46,997**	**39,522**

26. INSURANCE CONTRACTS BENEFITS AND EXPENSES

	2015 $	2014 $
Gross life and health claims and benefits paid	105,436	79,471
Reinsurance recoveries	(6,287)	(7,778)
Change in insurance contract liabilities	(1,731)	40,195
Change in reinsurance assets	72	9,616
Total life and health policy benefits	**97,490**	**121,504**
Gross short-term claim and adjustment expenses paid	52,132	45,880
Reinsurance recoveries	(24,342)	(24,495)
Change in insurance contract liabilities	(29,984)	26,599
Change in reinsurance assets	24,836	(20,185)
Total short-term claim and adjustment expenses	**22,642**	**27,799**
TOTAL Insurance contracts benefits and expenses	**120,132**	**149,303**

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27. OPERATING EXPENSES

	2015 $	2014 $
Wages and salaries	36,150	36,816
Professional and consulting fees	4,511	7,045
Post retirement benefit costs	1,430	1,103
IT maintenance contracts	3,118	3,358
Advertising and business development	3,761	2,947
Bank charges and foreign currency purchase tax	1,507	1,832
Office rent, building and utilities costs	2,443	2,151
Disposition/acquisition related expenses	1,009	360
Share expense	1,039	1,094
Compliance, legal and regulatory	1,281	1,566
Office and administration expenses	2,719	2,424
Bad debt	252	682
Travel	695	587
Memberships and subscriptions	314	410
Training and development	566	576
Other	2,094	1,501
TOTAL Operating expenses	**62,889**	**64,452**

28. RELATED PARTIES

The Group has a significant shareholder, Lawrie (Bermuda) Ltd., incorporated in Bermuda, which owns 36% of the company's shares. The remaining shares are widely held.

As disclosed in Note 2Ci), a number of the subsidiaries transacted with the Group during the year in the normal course of business. These transactions are eliminated on consolidation.

Key management personnel have been defined as the executive team and the board of directors of the Group. The following transactions were carried out with key management:

A. SALES OF INSURANCE CONTRACTS AND OTHER SERVICES

	2015 $	2014 $
Sales of insurance contracts and pension services:		
- Key management	166	124
Purchase of services:		
- Key management	19	176

B. KEY MANAGEMENT COMPENSATION

The following table shows compensation to key management:

	2015 $	2014 $
Salaries and other short-term employee benefits	3,771	3,992
Post-employment benefits	176	168
Other long-term benefits	72	88
Share based payments	696	743
TOTAL	**4,715**	**4,991**

Pursuant to Regulation 6.8 (3) of Section 11A of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and officers of the Group in the common shares of the Group at 31 December 2015 were 395,095 (2014 – 372,030) shares. No rights to subscribe for shares in the Group have been granted to or exercised by any director or officer, other than those disclosed in Note 24.

Notes to Consolidated Financial Statements

For the year ended 31 December 2015
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C. LOANS TO RELATED PARTIES

Loans are extended to key management of the Group (and their families) and to companies related to key management. These loans are collateralised by the property acquired with the proceeds of the loan. Mortgage terms are typically no more than 20 years in duration and interest rates are consistent with rates charged by the Group to non-related parties.

	2015 $	2014 $
At 1 January	2,349	8,165
Adjustment for changes in key management	-	(6,345)
Loans extended (repayments received)	(189)	445
Interest charges	130	84
TOTAL at 31 December	**2,290**	**2,349**

29. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

	2015 $	2014 $
Items that will not be subsequently reclassified to profit or loss		
Remeasurement of post-employment benefit obligation		
Balance – beginning of year	(5,528)	(2,541)
Re-measurement of post-employment benefit obligation	(543)	(3,251)
Non-controlling interest	372	264
Balance – end of year	(5,699)	(5,528)
Items that may be subsequently reclassified to profit or loss		
Changes in the fair value of available for sale financial assets		
Balance – beginning of year	(1,950)	(1,962)
Changes in the fair value of available for sale financial assets	(27)	23
Non-controlling interest	13	(11)
Balance – end of year	(1,964)	(1,950)
Currency translation differences		
Balance – beginning of year	(120)	(18)
Unrealised foreign exchange losses on translation of foreign operations	(213)	(102)
Balance – end of year	(333)	(120)
TOTAL	**(7,996)**	**(7,598)**

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30. COMMITMENTS AND CONTINGENCIES

A. OPERATING LEASES

i) Group as Lessor

The Group has entered into non-cancellable operating leases on space within several of the Group's office buildings. These agreements include an extension option and terminate between 2016 and 2021. The future minimum lease payments receivable are as follows:

	2015 $	2014 $
No later than 1 year	3,318	1,418
Later than 1 year and no later than 5 years	11,624	1,633
Later than 5 years	-	544
TOTAL	**14,942**	**3,595**

ii) Group as Lessee

The Group has also entered into various commercial leases with renewable options on office space. The future minimum lease payments payable under non-cancellable leases are as follows:

	2015 $	2014 $
No later than 1 year	300	152
Later than 1 year and no later than 5 years	557	336
Later than 5 years	-	-
TOTAL	857	488

B. COMMITMENTS

The Group has commitments made in the normal course of business that are to be disbursed upon fulfillment of certain contract conditions. $350 is payable in 2016 and $350 is payable in 2017 to fulfill these contracts.

C. CONTINGENCIES

The Group and its subsidiaries are from time to time subject to legal actions arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial statements of the Group. However, based on information presently known, management does not expect that it is probable that the outcome of existing legal action, relating to an interpretation of contract terms, will have a material adverse effect on the consolidated financial position of the Group. Actual results could differ from management's best estimates.

Notes to Consolidated Financial Statements

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31. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

Set out below is the summarised financial information for the aggregate of each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position	ICBL 2015 $	ICBL 2014 $	Scarborough / Barr's Bay 2015 $	Scarborough / Barr's Bay 2014 $
Total assets	219,485	214,782	20,899	20,845
Total liabilities	144,692	141,824	2,675	3,129
TOTAL Net assets	**74,793**	**72,958**	**18,224**	**17,716**

Summarised statement of income	ICBL 2015 $	ICBL 2014 $	Scarborough / Barr's Bay 2015 $	Scarborough / Barr's Bay 2014 $
Net premium earned	36,904	35,255	-	-
Rental income	1,096	1,189	3,464	3,562
Total income	51,141	47,217	3,464	3,604
Total benefits & expenses	43,862	42,617	1,186	1,208
Income before taxes	7,279	4,600	2,278	2,396
Income taxes	(1,050)	(660)	-	-
TOTAL Net income after taxes	**6,229**	**3,940**	**2,278**	**2,396**

Summarised statement of comprehensive income	ICBL 2015 $	ICBL 2014 $	Scarborough / Barr's Bay 2015 $	Scarborough / Barr's Bay 2014 $
Items that will not be reclassified to profit or loss	(777)	(405)	14	(170)
Items that may be subsequently reclassified to profit or loss	(29)	23	-	-
TOTAL Comprehensive income	**5,423**	**3,558**	**2,292**	**2,226**
Income attributable to non-controlling interest	**306**	**131**	**911**	**958**

Summarised statement of cash flows	ICBL 2015 $	ICBL 2014 $	Scarborough / Barr's Bay 2015 $	Scarborough / Barr's Bay 2014 $
Net cash generated from operating activities	8,173	(889)	2,857	1,608
Net cash generated from (used in) investing activities	908	3,772	(366)	(121)
Net cash used in financing activities	(3,472)	(4,169)	(2,446)	(3,621)
Net increase (decrease) in cash and cash equivalents	**5,609**	**(1,286)**	**45**	**(2,134)**
Cash and cash equivalents at beginning of year	**5,009**	**6,295**	**747**	**2,881**
Cash and cash equivalents at end of year	**10,618**	**5,009**	**792**	**747**

32. COMPARATIVE FIGURES

Certain of the 2014 comparative figures have been reclassified to conform to the presentation adopted for 2015. None of these reclasses were considered significant.

33. SUBSEQUENT EVENTS

On 18 March 2016, the Group declared a dividend to be paid to shareholders of record at 31 March 2016. The dividend will be paid on 15 April 2016. $1,919 will be paid out in total, representing a $0.22 per share dividend paid on 8,724,105 shares.

Directors and Officers of Principal Operating Subsidiaries

BF&M General Insurance Company Limited

Directors

Nancy L. Gosling, B.Comm., C.G.A. LL.D., *Chairman*
Gregory D. Haycock, FCA., J.P., *Deputy Chairman*
Gavin R. Arton
L. Anthony Joaquin, FCA
Catherine S. Lord, B.Sc., J.P.
R. John Wight, CPA, CA, CPCU
Glen P. Gibbons, B.A., A.C.I.I., Chartered Insurer

Officers

R. John Wight, CPA, CA, CPCU, *Group President & Chief Executive Officer*
Michael White, FIA, *Group Chief Financial Officer*
Abigail Clifford, B.A., M.Sc., *Group Chief Human Resources Officer*
Paul Matthews, B.A., PMP, *Group Chief Information Officer*
Glen P. Gibbons, B.A., A.C.I.I., Chartered Insurer, *Senior Vice President*
Patrick Neal, B.A., CPCU, *Senior Vice President, Business Development*
Heather A. Bisbee, CPA, CA, *Head of Financial Reporting*
Lynda A. Davidson Leader, B.A., CPA, CA, *Vice President, Corporate Services*
Andrew Hanwell, *Vice President, Personal Insurance*
Gloria Legere, CPA, CMA, *Vice President, Financial Controller*
Larenzo Ratteray, *Vice President, Claims*

BF&M Life Insurance Company Limited

Directors

Garry A. Madeiros, OBE, FCA., J.P., *Chairman*
Stephen W. Kempe, *Deputy Chairman*
Gavin R. Arton
C.L.F. “Lee” Watchorn, FCIA, FSA
R. John Wight, CPA, CA, CPCU
Paul Matthews, B.A., PMP

Officers

R. John Wight, CPA, CA, CPCU, *Group President & Chief Executive Officer*
Michael White, FIA, *Group Chief Financial Officer*
Abigail Clifford, B.A., M.Sc., *Group Chief Human Resources Officer*
Paul Matthews, B.A., PMP, *Group Chief Information Officer*
Patrick Neal, B.A., CPCU, *Senior Vice President, Business Development*
Heather A. Bisbee, CPA, CA, *Head of Financial Reporting*
Angela R. Tucker, CA, CPA, *Chief Financial Officer, BF&M Life*
Gina A. Bradshaw, FLMI, *Vice President, Client Services*
Lynda A. Davidson Leader, B.A., CPA, CA, *Vice President, Corporate Services*
Holly A. Flook, RN, BSN, *Vice President, Health*
Rob Jackson, CFP, CLU, *Vice President, Sales*
Gloria Legere, CPA, CMA, *Vice President, Financial Controller*
Dennis Marinac, FCIA, FSA, *Vice President and Life Actuary*
Brian McLeod, *Vice President, Operations*
Alyson L. Nicol, CPA, CA, *Vice President, Pensions*
Felicia Rickards, *Vice President, Sales and Customer Relations*

Directors and Officers of Principal Operating Subsidiaries

BF&M Investment Services Limited

Directors	**Stephen W. Kempe,** *Chairman*
	Gavin R. Arton, *Deputy Chairman*
	R. John Wight, CPA, CA, CPCU
	Lynda A. Davidson Leader, B.A., CPA, CA
Officers	**R. John Wight, CPA, CA, CPCU,** *Group President & Chief Executive Officer*
	Miguel DaPonte, C.F.A., M.B.A., *Senior Vice President*

Insurance Corporation of Barbados Limited

Directors	**R. John Wight, CPA, CA, CPCU,** *Chairman*
	Juanita Thorington-Powlett, M.B.A., F.C.I.S., *Vice Chairman*
	Ingrid Innes, A.G.D.M., M.B.A., *Managing Director & Chief Executive Officer*
	Goulbourne Alleyne, F.C.I.I., M.B.A., *Deputy Chief Executive Officer*
	Jennifer Hunte, F.C.G.A., F.C.I.S.
	Winston Beckles, LL.B., LL.M. (Lond.)
	Eric Smith, Dip. (Mass Comm)
	Gordon Henderson, B.A. Econ (Summa Cum Laude), LL.B. (Hons.)
	Toni Jones, LL.B. (Hons.)
	Clyde Q. Williams, FLMI, CPA
	C.L.F. "Lee" Watchorn, FCIA, FSA
Officers	**Ingrid Innes, A.G.D.M., M.B.A.,** *Managing Director & Chief Executive Officer*
	Goulbourne Alleyne, F.C.I.I., M.B.A., *Deputy Chief Executive Officer & Head of General Division*
	Kamante Millar, CPA, CA, *Chief Financial Officer*
	Henry Inniss, M.B.A., L.L.I.F., *Senior Vice President & Head of Life Division*
	Valentina J.G.R. Blackman, LL.B. (Hons.), LL.M., *Corporate Secretary*
	Alex Tasker, *Senior Vice President, Business Development & Marketing*

Island Heritage Insurance Company Ltd.

Directors	**Gavin R. Arton,** *Chairman*
	R. John Wight, CPA, CA, CPCU, *Deputy Chairman*
	Conor O'Dea, FCA
	C.L.F. "Lee" Watchorn, FCIA, FSA
	Gregory D. Haycock, FCA, J.P.
Officers	**Jonathon Coleman, B.Sc. (Hons.), ACA** *Chief Operating Officer*
	Annette Jim, A.C.I.I., DipFM, *Chief Underwriting Officer*
	Alissa R. Matthews, CA, *Chief Financial Officer*

BF&M Limited

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Subsidiary Companies

BF&M General Insurance Company Limited

BF&M Life Insurance Company Limited

Insurance Corporation of Barbados Limited (51.3% ownership)

Island Heritage Insurance Company Ltd.

BF&M Investment Services Limited

BF&M (Canada) Limited

BF&M Properties Limited

Barr's Bay Properties Limited (60% ownership)

Hamilton Reinsurance Company Limited

Scarborough Property Holdings Limited (60% ownership)

Hamilton Financial Limited

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ISLAND HERITAGE

ICBL