Island Heritage Insurance Company, Ltd.
2014 Annual Report

Island Heritage

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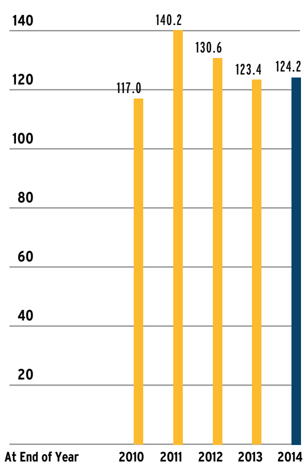
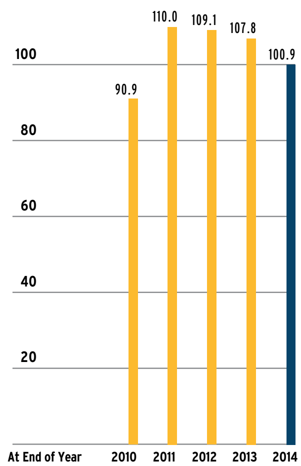
Jonathan Welds
Personal Lines Underwriter

Five-Year Financial Overview

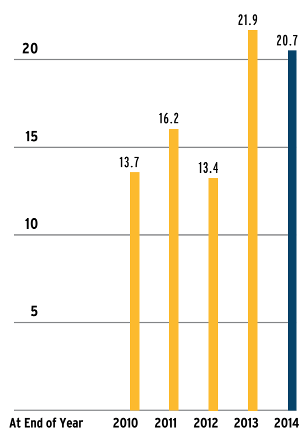
Total assets
In millions of dollars (USD)



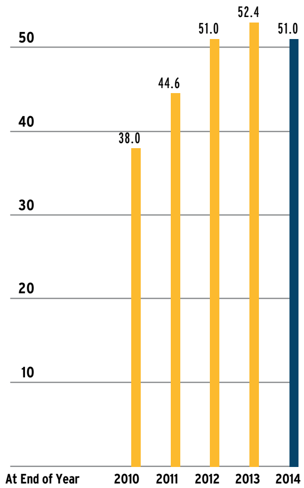
Gross written premium
In millions of dollars (USD)



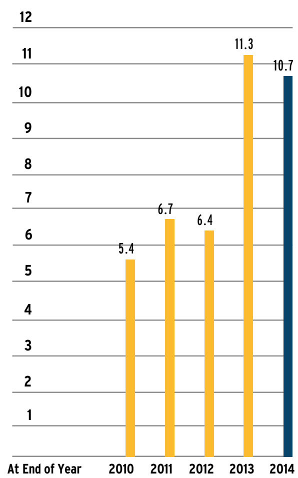
Return on average equity
Precentage (%)



Capital and surplus
In millions of dollars (USD)



Net income
In millions of dollars (USD)



Back row

Mike Byrne
SVP Direct Lines

Marc Shirra
Chief Executive Officer

Rhonda Verhoeven
SVP Marketing and
Corporate Services

Alissa Matthews
Chief Financial Officer

Front row

Annette Jim
SVP Underwriting &
Chief Underwriting Officer

Jonathon Coleman
Chief Operating Officer

Corporate Profile

Founded in 1996 in the Cayman Islands and acquired by BF&M in 2012, a prominent Bermuda-based insurance group, Island Heritage Insurance Company, Ltd. was the first company in the Caribbean to exclusively target the property insurance market, providing a wide range of residential and commercial policies with a special emphasis on catastrophe insurance. Backed by a financial strength rating of A (Excellent) from A.M. Best Company, a global insurance rating agency, Island Heritage continues to demonstrate a solid level of risk-adjusted capitalization, favourable operating results and local market expertise.

In July 2014, Island Heritage Cayman customers experienced the added benefits of the Company's new customer centre, which was relocated from the Strand to Island Heritage House located on Lawrence Boulevard across from the Camana Bay roundabout. Island Heritage House was renovated and upgraded to house Cayman staff under one roof, making it even easier for our dedicated team to manage the insurance needs of our valued customers to the highest standards.

Located on the ground floor of Island Heritage House, the new customer centre was created with customer convenience at the forefront. Key benefits include ample customer parking, a bright open floor plan, two private meeting rooms and a comfortable customer lounge in the customer service area featuring complementary Wifi and gourmet coffee, tea and other refreshments.

During the summer, Island Heritage launched an all-new, improved motor insurance cover providing customers with attractive new benefits and features, including "Heritage Plus" and free Roadside Assistance. Island Heritage's comprehensive motor insurance customers can now maximize their coverage by adding the Heritage Plus option to their existing policy. This bundle of three great benefits rolled into one package includes Increased Liabilities to Third Parties Limits, Loss of Use and No Claims Discount Protection. Customers can

Tredoana Parris
Office Assistant

Allison Skeete
Financial Accountant

Rohan Best
Accounts Administrator

Andre Edwards
Accounts Administrator

Corporate Profile (continued)

benefit from discounts on their policy if they have multiple policies or by prompt payment. In addition, Island Heritage offers free windscreen cover, free new car replacement, free legal fees, costs and expenses and free towing with full comprehensive cover.

In November, Island Heritage celebrated the official Grand Opening of Island Heritage House. Her Excellency The Governor Ms. Helen Kilpatrick, the Cayman Islands Premier Alden McLaughlin, the Company's Board of Directors and other distinguished guests were in attendance to commemorate this notable occasion.

Island Heritage CEO Marc Shirra said, "We were extremely delighted to commemorate the Grand Opening of Island Heritage House and our new customer centre on the ground floor. This long-term vision, now made a reality thanks to a dedicated team of professionals who have worked to create a modern, inviting and functional space, not only brings together our Cayman employees under one roof, but also provides our customers with an improved service experience for all of their insurance buying needs.

At Island Heritage, we have always set high standards in product and service delivery, and our new building provides a sophisticated platform from which to take our customer service to the next level and continue to grow in years to come," added Mr. Shirra.

The goal at Island Heritage is to continue providing the absolute best service and competitive products our customers have to come to expect from the leading provider of Motor, Home and Commercial insurance throughout the Caribbean.

Jill McDonald
Administrative Assistant

Karyl Bonnick
Administrative Assistant

Glassean Bowlyn
Administrative Assistant

Roberta Porter
Senior Underwriter

Ronald Brown
Commercial Lines Assistant Underwriter

Latoya Webb
Commercial Lines Underwriter

Executives' Report

We are proud to present the annual report for 2014 and to recognize another successful year for Island Heritage Insurance Company, Ltd. Despite the impact of weak economies across most of the region, coupled with heavy competition resulting in softening prices, we are delighted to report Revenues in excess of $100m and a Net Profit and Return on Equity of $10.7m and 21% respectively (2013: $11.3m and 22%).

Globally, 2014 was an extremely quiet year with respect to natural catastrophes with the Atlantic Hurricane season being no exception. Whilst the impact of Hurricanes Fay and Gonzalo resulted in damage to Bermuda, there was minimal damage to any of the Islands that Island Heritage operates in. For this we are grateful as 2014 also marked the 10-year anniversary of Hurricane Ivan, a category 5 storm that caused catastrophic damage to our Islands in excess of $1.85b and affected the lives of so many people.

During the year, we continued to work more collaboratively with other members of the BF&M family of companies, and we believe strongly that being part of one of the strongest insurance groups in the Caribbean and Bermuda can help us to compete in our respective markets. In July 2014, in recognition of our efforts, we were particularly pleased that A.M. Best Company upgraded our Financial Strength Rating to 'A Excellent' and the issuer credit rating to 'a'. It is worth noting that at the time of writing, there are only four insurance companies operating in the region who have been awarded this prestigious rating level.

Additionally in July 2014, we were delighted to announce the opening of our state-of-the-art customer care centre on the ground floor of Island Heritage House. Much thought and effort was made to create a functional and inviting space from which we plan to service our valuable customers for many years to come. With great pride, we commemorated the official naming of the building in November 2014 under the esteemed patronage of Her Excellency the Governor Helen Kilpatrick who cut the ribbon and with keynote remarks provided by the Cayman Islands Premier Alden McLaughlin.

We continue to support the community through our annual Charity Drive event, which brings the people of our Island together in a fun and innovative way to help raise funds for local charities. Since the event's inception in 2012, Island Heritage has proudly donated over $160,000 to worthwhile organisations such as Cayman HospiceCare, Cayman Heart Fund and the Cayman Islands Crisis Centre.

In closing, we would like to recognize the Board of Directors and thank them for their support. We are also most grateful for the support of our business partners in Cayman and across the region and, as always, a very big thank you to all of our staff in both Cayman and Barbados. Finally, we would like to extend a huge thank you to all of our customers for their valued patronage.

Gavin R. Arton

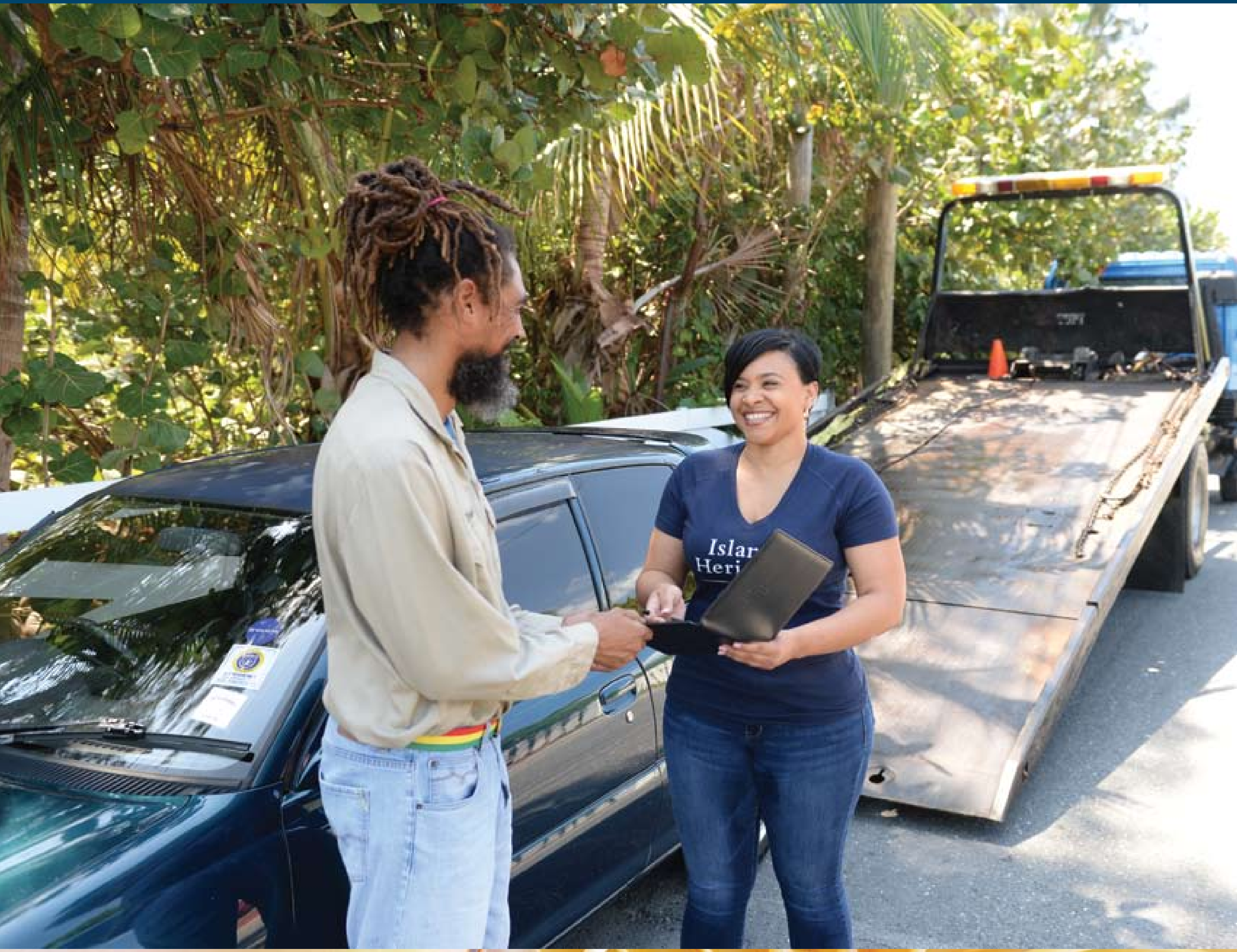
Chairman, Island Heritage Holdings Limited
8 June 2015

Marc Shirra

CEO, Island Heritage Insurance Company, Ltd.
8 June 2015

Theodore A. Kelly
Roadside Assistance tow-truck operator with 24/7 Towing Ltd.

Patrice Myles
Claims Handler



Boards of Directors

Directors
Island Heritage Insurance Company, Ltd.

Marc Shirra
Chairman
Chief Executive Officer,
Island Heritage Insurance Company, Ltd.

Jonathon Coleman
Chief Operating Officer,
Island Heritage Insurance Company, Ltd.

Annette Jim
Senior Vice President,
Underwriting & Chief Underwriting Officer
Island Heritage Insurance Company, Ltd.

Conor O'Dea
Managing Director & Senior Executive
Vice President, International Banking,
Butterfield Bank (Cayman) Limited

Directors
Island Heritage Holdings Limited

Gavin R. Arton
Chairman
Chairman, BF&M Limited

R. John Wight
Deputy Chairman
President & Chief Executive Officer,
BF&M Limited

C.L.F. "Lee" Watchorn
President,
Watchorn Advisory Group

Gregory D. Haycock
Retired Senior Partner,
KPMG

Conor O'Dea
Managing Director & Senior Executive
Vice President, International Banking,
Butterfield Bank (Cayman) Limited

Marc Shirra
Chief Executive Officer,
Island Heritage Insurance Company, Ltd.

Island Heritage 2014 CharityDrive

Island Heritage Sponsors first stand-alone Solar Charging structure

Island heritage Sponsors annual Meals on Wheels
Christmas Eve lunches

Community Commitment

Leading the Way for a Brighter Tomorrow

For almost 20 years, Island Heritage has been committed to improving the quality of life in the communities where our customers and employees live and work by proudly supporting the local community. To us, this means a commitment to giving back to local charities both big and small in a number of different ways, whether it is through monetary contributions or by providing volunteers to lend a helping hand. We are huge believers in making our communities stronger.

Meals on Wheels

For over two years, Island Heritage has proudly participated in the Meals on Wheels programme as well as sponsored the annual Christmas Eve lunches for seniors in the Cayman Islands. Each week, our staff donate their time to deliver meals giving them the opportunity to chat and connect with the seniors they visit.

Participation in this worthwhile programme gives Island Heritage staff a wonderful opportunity to give back to the Cayman community in which we live and work.

CharityDrive

In 2012, Island Heritage launched CharityDrive in Grand Cayman, an innovative sponsorship event that takes place over three days in April. Throughout the four years of CharityDrive, we have donated over $160,000 in direct donations to several different local charities, giving as much as $12,000 to each with a bonus of $6,000 to the charity that generates the most social media support. The amount of funding donated by Island Heritage to each charity depends on the level of support and involvement from the community. In 2014, we proudly partnered with Cayman Heart Fund, Cayman HospiceCare and the Cayman Islands Crisis Centre as the recipients of the CharityDrive proceeds.

Solar Charge Station

In 2014, Island Heritage partnered with John Felder from Cayman Automotive and opened the very first Solar Charge Station located in the Governors Square Shopping Centre. Her Excellency The Governor Ms. Helen Kilpatrick cut the ribbon to officially open the first stand-alone structure in Grand Cayman that is exclusively used for charging electric and hybrid vehicles. Island Heritage is proud to be the leading insurance provider in motor coverage for environmentally friendly vehicles in Grand Cayman.

Our Corporate Footprint Philosophy

At Island Heritage, nothing describes achieving success more than giving to others in need and seeing the gratitude and hope that assistance provides to the community.

Mina Dixit
Property & Casualty Surveyor

Independent auditor's report
To the Board of Directors of Island Heritage Insurance Company Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Island Heritage Insurance Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of comprehensive income, changes in equity and 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 Island Heritage Insurance Company Limited and its subsidiaries as at December 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

March 24, 2015

PricewaterhouseCoopers , 5th Floor Strathvale House, P.O. Box 258, Grand Cayman, KY1- 1104, Cayman Islands
T: +1 (345) 949 7000, F: +1 (345) 949 7352, www.pwc.com/ky

Consolidated Statements of Financial Position
As at 31 December 2014 and 2013

	Notes	2014 $	2013 $
Assets			
Non-current assets			
Property and equipment	12	10,377,948	9,784,238
Intangible assets	13	254,336	134,854
Experience deposit receivable	19	-	4,600,000
		10,632,284	**14,519,092**
Current assets			
Cash and cash equivalents	6	19,864,185	15,105,857
Fixed deposits	7	2,021,017	2,014,984
Regulatory deposits	7	14,310,594	14,650,289
Investments - at fair value through profit or loss	5	20,873,266	21,785,427
Experience deposit receivable	19	1,480,000	-
Insurance receivables & other assets	8	17,973,589	19,572,521
Reinsurance assets	11	29,487,845	26,140,610
Deferred policy acquisition costs	9	7,564,159	7,712,002
Due from related parties	21	-	1,852,134
		113,574,655	108,833,824
Total assets		**124,206,939**	**123,352,916**
Liabilities			
Current liabilities			
Insurance contract liabilities	10	52,239,396	51,817,258
Other liabilities	14	19,708,764	17,278,924
Income tax payable	18	1,173,742	714,820
Deferred tax liability	18	320	56,717
Due to related parties	21	35,903	1,088,900
Total liabilities		**73,158,125**	**70,956,619**
Equity			
Share capital	15	320,555	320,555
Contributed surplus	15	29,323,775	29,323,775
Retained earnings		21,404,484	22,751,967
Total shareholder’s equity		51,048,814	52,396,297
Total liabilities and equity		**124,206,939**	**123,352,916**

Approved by the Board of Directors

Director - Marc Shirra   Date: 24 March 2015

The accompanying notes as per pages 20 to 49 are an integral part of these consolidated financial statements

Island Heritage Insurance Company, Ltd.

Consolidated Statements of Comprehensive Income
For the years ended 31 December 2014 and 2013

	Notes	2014 $	2013 $
Income			
Gross premiums written		100,942,598	107,832,081
Reinsurance ceded		(71,183,186)	(63,741,080)
Net premiums written		29,759,412	44,091,001
Net change in unearned premiums	10	3,957,460	(8,988,114)
Net premiums earned		**33,716,872**	**35,102,887**
Insurance claims & loss adjustment expenses	10 & 16	(8,467,148)	(7,697,988)
Insurance claims & loss adjustment expenses recovered	10 & 16	4,601,887	3,711,245
Acquisition costs		(19,858,905)	(22,665,635)
Commissions income		12,247,949	14,632,664
Net underwriting income		**22,240,655**	**23,083,173**
Net Investment income	5	523,199	814,858
Rental income		27,949	123,779
Operating expenses	17	(11,101,849)	(10,251,706)
Net profit before tax		**11,689,954**	**13,770,104**
Income tax expense	18	(1,037,437)	(2,430,904)
Net profit and comprehensive income for the year		**10,652,517**	**11,339,200**

The accompanying notes as per pages 20 to 49 are an integral part of these consolidated financial statements

Consolidated Statements of Changes in Equity
For the years ended 31 December 2014 and 2013

	Notes	2014 $	2013 $
Share capital			
Balance - At beginning and end of year	15	320,555	320,555
Contributed surplus			
Balance - At beginning and end of year	15	29,323,775	29,323,775
Retained earnings			
Balance - At beginning of year		22,751,967	21,412,767
Net profit and comprehensive income for the year		10,652,517	11,339,200
Cash dividends	20	(12,000,000)	(10,000,000)
Balance - At end of year		21,404,484	22,751,967
Total shareholder's equity		**51,048,814**	**52,396,297**

The accompanying notes as per pages 20 to 49 are an integral part of these consolidated financial statements

Island Heritage Insurance Company, Ltd.

Consolidated Statements of Cash Flows
For the years ended 31 December 2014 and 2013

	Notes	2014 $	2013 $
Cash flows from operating activities:			
Net profit and comprehensive income		10,652,517	11,339,200
Adjustments for:			
Investment income		(2,080)	(237,746)
Profit/(loss) on sale of property and equipment		26,899	(23,383)
Taxes paid	18	(634,912)	(162,705)
Depreciation of property and equipment	12	533,128	421,175
Amortisation of intangible assets	13	32,581	35,966
Decrease/(increase) in regulatory deposits		339,695	(6,828,138)
Decrease in insurance receivables and other assets		1,598,932	6,932,973
Decrease in deferred policy acquisition costs		147,843	198,208
(Increase)/decrease in reinsurance assets		(3,347,235)	11,149,411
Increase in income tax payable	18	1,093,834	1,400,399
Increase/(decrease) in deferred tax		(56,397)	1,030,504
Increase/(decrease) in insurance liabilities		422,138	(1,931,149)
Increase/(decrease) in other liabilities		2,429,840	(8,327,572)
Decrease in amount due from related parties		1,852,134	2,044,981
Increase/(decrease) in amounts due to related parties		(1,052,997)	854,759
Net cash generated by operating activities		**14,035,920**	**17,896,883**
Cash flows from investing activities:			
Purchase of fixed deposit		(6,033)	(14,984)
Purchase of investments at fair value through profit and loss		(26,399,348)	(13,677,909)
Proceeds from sales of investments at fair value through profit and loss		27,313,589	13,244,787
Purchase of property and equipment	12	(1,195,819)	(9,170,127)
Proceeds from sale of property and equipment		42,082	26,429
Purchase of intangible assets	13	(152,063)	(11,889)
Net cash used in investing activities		**(397,592)**	**(9,603,693)**
Cash flows from financing activities			
Cash dividends paid	20	(12,000,000)	(10,000,000)
Decrease/(increase) experience deposit receivable	19	3,120,000	(4,600,000)
Net cash used in financing activities		**(8,880,000)**	**(14,600,000)**
Increase/(decrease) in cash and cash equivalents		**4,758,328**	**(6,306,810)**
Cash and cash equivalents - beginning of year	6	15,105,857	21,412,667
Cash and cash equivalents - end of year	6	**19,864,185**	**15,105,857**

The accompanying notes as per pages 20 to 49 are an integral part of these consolidated financial statements

1. NATURE OF THE GROUP AND ITS BUSINESS

Island Heritage Insurance Company, Limited (the "Company") was incorporated pursuant to the Companies Law of the Cayman Islands on January 4, 1996 as an ordinary company with limited liability. The Company is a wholly owned subsidiary of Island Heritage Holdings Limited ("IHHL" or the "Parent"). The ultimate parent company of IHHL is BF&M Limited, a Bermuda domiciled insurer. BF&M Limited acquired 100% of IHHL on March 30, 2012.

Effective April 22, 1996, the Company was issued a Class "A" Insurance Licence by the Governor in Council of the Cayman Islands to carry on insurance business in the Cayman Islands. The registered office is Ugland House, South Church Street, Grand Cayman. The Company has subsequently been authorised to transact insurance business in the following Caribbean Islands:

- The British Virgin Islands on October 14, 1996;
- The U.S. Virgin Islands on March 3, 1997;
- Turks and Caicos Islands on December 30, 1997;
- Anguilla on May 19, 1998;
- Netherlands Antilles on February 11, 1999;
- Bahamas on July 17, 2000;
- Dominica on July 26, 2000;
- Barbados on May 7, 2003;
- St. Kitts & Nevis on April 26, 2004;
- Grenada on January 9, 2006;
- Antigua on March 27, 2006;
- St. Vincent & The Grenadines on October 16, 2006;
- St. Lucia on November 10, 2006; and
- Caribbean Netherlands October 10, 2014.

On October 22, 1998, the Company incorporated a wholly owned subsidiary Island Heritage Insurance Company N.V., ("N.V.") a company formed and licensed as an insurance company under the laws of the Netherlands Antilles.

On May 11, 2009, the Company incorporated a wholly owned subsidiary I.H. Americas Insurance Company ("IHA") formed and licensed as an insurance company under the laws of the Commonwealth of Puerto Rico. IHA did not write any insurance business during the period from January 1, 2013 to December 31, 2014.

On May 3, 2013, the Company incorporated a wholly owned subsidiary Lawrence Boulevard Insurance Company Ltd a company formed and licensed as an ordinary company under the laws of the Cayman Islands. This company was formed for the purchase of the land and buildings from which the Company operates in the Cayman Islands.

IHIC and its subsidiaries all have a December 31st year-end and are collectively referred to as "the Group".

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.

To further mitigate underwriting risk, the Group purchases reinsurance to share part of the risks originally accepted by the Group in writing premiums. These reinsurance arrangements include Quota Share, Facultative, Risk Excess and Catastrophe Excess of Loss programmes. 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.

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. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

All amounts in the notes are shown in United States Dollars unless otherwise stated.

B. Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases. The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, 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 statement of comprehensive income. Intra-group transactions, balances and gains and losses on intra-group transactions are eliminated.

C. Critical estimates and judgements

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgements 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. Actual results will differ from those estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected. Areas where significant estimates and judgments have been applied by management are described further below.

i) The ultimate liability arising from claims made under insurance contracts and associated reinsurance recoveries

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group’s most critical accounting estimate. The Group establishes its liabilities by product line, type and extent of coverage and the year of occurrence of the claim. These liabilities are divided into two categories; the provision for notified claims and the provision for claims that are incurred but not yet reported (“IBNR”). Provisions are also made for adverse development and unallocated loss adjustment expenses.

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Critical estimates and judgements (continued)

i) The ultimate liability arising from claims made under insurance contracts and associated reinsurance recoveries (continued)

of claims incurred prior to the date of the statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, and the cost of automobile and property repair materials.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management engage independent actuaries, Towers Watson Canada Inc., to assist them in making such estimates, based on the Group's own loss history and relevant industry data.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within two to three months after the claims event. The Group does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Group's level of incurred losses and the provision for unpaid claims.

ii) Estimation of reinsurance premiums and commissions

The reinsurance policy is not coterminous with the financial year and the rates payable and associated commission vary dependent on results for the contract period as such there is a degree of estimation involved at the statement of financial position date in respect of the results expected in the unexpired period. Management compiles calculations considering the contractually agreed rates and estimation of loss development in order to estimate the reinsurance premiums and commissions at the year end.

iii) Fair value of financial assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices 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. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Where fair value has been determined using data provided by a recognised pricing service, dealer quotes, or pricing models, the Group has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that the prices represent fair value.

For certain financial instruments, the carrying amounts approximate to fair value due to the short term nature of these instruments. Such instruments include; premiums receivable, reinsurance receivable, amounts due to/from related parties, broker rebate receivable, income tax receivable, reinsurance payable and other short term liabilities.

The Group regularly evaluates its financial assets for impairment. Refer to note 4 for further information on neither past due nor impaired, past due but not impaired and impaired financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in United States Dollars ($), which is the Group’s functional currency.

ii) Transactions and balances

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

Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss.

E. 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 on the consolidated statement of income.

Land is not depreciated. Depreciation on 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:

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

The assets’ residual values and useful lives and method of depreciation 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. 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 the statement of comprehensive income.

F. Intangible assets

Intangible assets include finite life intangible assets and are amortised on a straight-line basis over 5 years, being the estimated expected economic life. The estimated economic life is re-evaluated annually. These assets are comprised of software development costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Intangible assets (continued)

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 or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated that the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The development costs can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include vendor costs, employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred.

G. Current and deferred income taxation

The Group is exempt from paying tax on income, profits, or capital gains arising in certain countries in which it operates. However, a portion of the Group's business originates in countries where the Group is required to pay taxation. Accordingly, a provision for income taxes is made in these consolidated financial statements for that portion of the business subject to taxation.

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

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 effects 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.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date. 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.

H. Financial assets

i) Investments at fair value through profit or loss

Investments comprise interest bearing bonds and equities, which are accounted for on the trade date (the date the Company enters into a commitment to buy or sell the financial asset). Investments are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit within the statement of comprehensive income in the period in which they arise. Realised gains and losses on sales of financial assets are calculated using the specific cost of the financial assets sold. Investment income is recorded on the accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Financial assets (continued)

i) Investments at fair value through profit or loss (continued)

For financial instruments that are measured in the statement of financial position at fair value; IFRS 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

Investments are derecognised when the Group has transferred substantially all risks and rewards of ownership.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents, fixed deposits, regulatory deposits, premium receivable, reinsurance receivable, broker rebate receivable, ceding commission receivable, investment income, other receivables, tax receivable and experience refund receivable are classified in this category.

Financial assets are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

I. Impairment of assets

The Group reviews the carrying value of its loans and receivables, which are financial assets carried at amortised cost at each period end, for evidence of impairment or events which indicate impairment may have occurred. A loan or receivable is impaired if its carrying value exceeds the estimated fair value and there is objective evidence of impairment. Such evidence includes failure to make scheduled payments of capital and/or interest, adverse changes in the payment pattern of the borrower and a significant deterioration in the fair value of the security underlying the loan.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, 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. 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 statement of comprehensive income.

J. Cash and cash equivalents

Cash and cash equivalents include cash on 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. The carrying value of cash and cash equivalents approximates their fair value.

K. Regulatory and fixed 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. The carrying value of regulatory and fixed deposits approximates their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Insurance contract classification

The Group issues contracts that transfer insurance risk.

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.

The Group's insurance contracts include property, casualty, motor, contractors all risk, liability, marine and other specialty insurance contracts.

M. Insurance contract liabilities and assets

(i) Insurance contract liabilities and assets

Claims and loss adjustment expenses are charged to insurance contract benefits and expenses within the statement of comprehensive 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, net of the expected subrogation value and other recoveries. The Group does not discount its liabilities for unpaid claims.

A provision for short-term insurance liabilities is made for the estimated costs of claims notified but not settled at the statement of financial position 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 accident year development experience. The method of making such estimates and for establishing the resulting provisions is reviewed and updated annually and any adjustments resulting there from 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.

(ii) Liability adequacy test

At each end of the 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 statement of comprehensive 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.

(iii) Deferred policy acquisition costs ("DAC")

Commissions and other acquisition costs that vary with and are directly attributable 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Reinsurance contracts held

Reinsurance contracts are 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. The Group uses reinsurance in the normal course of business to manage its risk exposure. 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. Reinsurance contracts that contain funded layers that do not meet risk transfer requirements will be unbundled in line with IFRS 4 and the deposit component accounted for as a financial asset in accordance with IAS 39.

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. Amounts recoverable from or due to reinsurers are measured consistently with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised consistent with the underlying insurance contracts. Reinsurance contracts for funded layers within reinsurance contracts that do not meet risk transfer requirements are accounted for as financial assets measured at fair value on initial recognition and subsequently measured at amortised cost. The resulting financial assets are assessed for impairment using the same process adopted for loans and receivables in note I above.

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 recoverable amount and recognises that impairment loss in the statement of comprehensive income.

O. Receivables and payables related to insurance contracts

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

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 statement of comprehensive income. The Group gathers the objective evidence that a receivable is impaired using the same process adopted for loans and receivables described in note I above. The impairment loss is calculated under the same method used for these financial assets.

P. Premiums and commissions

Premiums written and reinsurance premiums ceded are accounted for on a pro-rata basis over the periods covered by the underlying policies, and any unearned or unamortised portions at the financial period end are carried forward as unearned premiums and reinsurers' share of unearned premiums, respectively, on the consolidated statement of financial position.

The Group earns commissions on reinsurance based on reinsurance premiums ceded based on the agreement with the reinsurer. Commissions relating to reinsurance contracts are also treated on a pro-rata basis, and unearned portions at the financial period end are similarly carried forward on the consolidated statement of financial position.

The Group pays policy acquisition commissions to intermediaries based on premiums written as determined in the contract with the insured. Commissions relating to insurance contracts are also recorded on a pro-rata basis, and unamortised portions at the financial period end are similarly carried forward on the consolidated statement of financial position.

Q. Leases

The Group leases certain property and equipment. The Group does not have substantially all the risks and rewards of ownership, thus these leases are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Cash Dividends

Dividend distributions to the Company's shareholder are recognised in the period in which the dividends are declared by the Directors.

3. NEW AND REVISED ACCOUNTING STANDARDS

A. New and revised accounting standards adopted in 2014

The Group has applied the following new and revised standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period beginning January 1, 2014.

IAS 32	Financial instruments: Presentation	January 1, 2014
IAS 36	Impairment of assets	January 1, 2014

IAS 32 - Financial Instruments: Presentation ("IAS 32") amendments were issued to clarify the existing requirements for offsetting financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2014.

IAS 36 - Impairments of assets ("IAS 36") amendments were issued on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of the CGU's which had been included in IAS 36 by the issue of IFRS 13. The effective date is for annual periods beginning on or after January 1, 2014.

The above new and revised accounting standards as well as other standards that became effective January 1, 2014 had no bearing on the Group.

B. New and revised accounting standards to be adopted in 2015 or later

The following relevant standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2015.

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments	January 1, 2018

IFRS 9 - Financial Instruments ("IFRS 9") requires financial assets to be measured at fair value or amortised cost while eliminating the existing categories of Available-for-Sale, Held To Maturity and Loans and receivables. It also changes the accounting for financial liabilities measured using the fair value option. The effective date is for annual periods beginning after January 1, 2018. The amendments also provide relief from the requirements to restate comparative financial statements. The Group is currently assessing the impact of IFRS 9.

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

4. 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, minimizing 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 maintains a formal risk management framework to ensure that all significant risks are identified and managed.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

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. This is supplemented by board committees comprised of non-executive directors to which management reports. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type and include: credit, liquidity, market, and insurance. Risks falling within these types may affect a number of key metrics including those relating to statement of financial position 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.

A. FINANCIAL RISKS

i) Credit risk

Credit risk is the exposure that the counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on credit quality and diversification of banking institutions and investments in accordance with the Group’s investment guidelines. The portfolio is monitored, reviewed and approved by the Group’s Investment Committee;
- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single Company, asset class or credit rating; and
- Oversight by the Group’s Reinsurance Committee, ensuring business is transacted with well-established reinsurance companies with strong credit ratings. Concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors. All major reinsurers are continually monitored and rated A or higher with A.M. Best.
- The credit risk for premiums receivable is mitigated as a customer’s policy may be cancelled if the customer is in default of a payment. Credit risk also arises from balances due from brokers and agents. Management regularly reviews the Group’s business relationships with agents and brokers, whom are also subject to visits from the Group’s underwriting department.

The Group faces credit risk on all of its financial and insurance assets.

Maximum exposure to credit risk - Financial and insurance assets

The following table summarises the Group’s maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset.

	2014 $	2013 $
Financial assets		
Cash and cash equivalents	19,864,185	15,105,857
Fixed deposits	2,021,017	2,014,984
Regulatory deposits	14,310,594	14,650,289
Investments - at fair value through profit and loss	20,873,266	21,785,427
Premium receivable	12,941,496	15,500,957
Ceding commission receivables	3,524,517	2,590,887
Reinsurance receivables	538,908	633,785
Experience deposit receivable account	1,480,000	4,600,000
Other receivables (excludes prepayments)	533,743	631,815
Due from related parties	-	1,852,134
Insurance assets		
Reinsurance balances recoverable	5,078,900	2,996,631
Total assets subject to credit risk	**81,166,626**	**82,362,766**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISKS (continued)

i) Credit risk (continued)

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.

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

	2014 $	2013 $
Bonds issued or guaranteed by:		
U.S. Government	1,950,796	4,670,611
Non U.S. government	3,130,720	3,081,101
Corporates	8,235,285	5,327,886
Other-ABS / MBS	350,791	355,471
Total fixed income	**13,667,592**	**13,435,069**
Australia	1,001,465	-
Belgium	-	466,531
Bermuda	549,480	522,015
Canada	1,585,195	2,053,146
Cayman Islands	483,400	505,320
France	500,210	-
Germany	510,050	-
Hong Kong	-	493,699
Japan	502,710	-
Norway	975,450	-
Singapore	549,340	-
South Korea	-	529,085
Switzerland	493,380	-
The Netherlands	479,455	-
The United States of America	6,037,457	8,865,273
Total fixed income	**13,667,592**	**13,435,069**

The following table provides the carrying value of fixed income by credit quality using Standard & Poors (S&P) ratings or an equivalent rating when not available from S&P:

	2014 $	2013 $
AAA	2,903,501	6,401,836
AA	2,434,196	505,320
AA+	2,026,125	498,870
AA-	4,088,635	677,391
A+	1,364,110	1,584,600
A	851,025	2,634,400
A-	-	1,132,652
Total bonds	**13,667,592**	**13,435,069**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISKS (continued)

i) Credit risk (continued)

The following table provides the carrying value of cash & cash equivalents, fixed deposit & regulatory deposits by credit quality using Standard & Poors (S&P) ratings or an equivalent rating when not available from S&P:

Carrying values that are “Not rated” relate to regulatory deposits held with government bodies per note 7.

	2014 $	2013 $
AA	-	17,506
AA-	7,601,851	4,235,816
A+	8,007,603	8,730,696
A	-	544,570
A-	836,635	15,216,241
BBB+	16,235,919	268,482
BBB	549,077	-
BB+	-	-
B+	650,987	-
B-	-	626,436
Not rated	2,313,724	2,131,383
Total	**36,195,796**	**31,771,130**

The following is an analysis of the reinsurance companies per line of coverage, along with any concentrations:

	Total number of reinsurers by line	Largest % placed with a single reinsurer	Location of that single reinsurer	A.M. Best rating of that single reinsurer
Property catastrophe excess of loss	34	24.14%	Switzerland	A+
		18.75%	Germany	A+
Property catastrophe excess of loss (underlying layer)	1	100.00%	Switzerland	A+
Reinstatement premium protection	3	56.25%	Switzerland	A+
Motor excess of loss	1	100.00%	UK	A
Fire per risk	6	28.91%	Germany	A+
		20.31%	Ireland	A+
Property quota share	3	57.50%	Germany	A+
Bank program property quote share	1	100.00%	US	A
Motor & casualty quota share	4	61.11%	Germany	A+
Marine quota share	2	58.82%	Germany	A+
Bonds quota share	1	100.00%	Germany	A+
Personal accident quota share	1	100.00%	UK	A

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISKS (continued)

i) Credit risk (continued)

The Group's credit risk exposure to any one individual policyholder on direct business is not material. As of 31 December 2014, trade receivables of $855,652 (2013: $1,914,858) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Receivables neither past due nor impaired and those past due but not impaired are shown in the tables below:

At 31 December 2014	Neither past due nor impaired $	Past due but not impaired $	Total $
Cash and cash equivalents	19,864,185	-	19,864,185
Fixed deposits	2,021,017	-	2,021,017
Regulatory deposits	14,310,594	-	14,310,594
Investments-fair value	20,873,266	-	20,873,266
Premium receivable*	12,085,844	855,652	12,941,496
Reinsurance balances receivable	3,524,517	-	3,524,517
Experience surplus receivable	1,480,000	-	1,480,000
Other receivables	371,978	-	371,978
	74,531,401	**855,652**	**75,387,053**

At 31 December 2013	Neither past due nor impaired $	Past due but not impaired $	Total $
Cash and cash equivalents	15,105,857	-	15,105,857
Fixed deposits	2,014,984	-	2,014,984
Regulatory deposits	14,650,289	-	14,650,289
Investments - fair value	21,785,427	-	21,785,427
Premium receivable*	13,586,099	1,914,858	15,500,957
Reinsurance balances receivable	3,224,672	-	3,224,672
Experience surplus receivable	4,600,000	-	4,600,000
Other receivables	341,615	-	341,615
	75,308,943	**1,914,858**	**77,223,801**

* Analysis of receivables that are past due but not impaired is as follows:

At 31 December 2014	Total $	3 to 6 months $	> 6 months $
Premiums receivable	855,652	350,676	504,976
	855,652	**350,676**	**504,976**

At 31 December 2013	Total $	3 to 6 months $	> 6 months $
Premiums receivable	1,914,858	869,624	1,045,234
	1,914,858	**869,624**	**1,045,234**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISKS (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. In order to manage liquidity risk, management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations.

A significant business objective of the insurance industry is to match the cash flows of the invested financial assets with the expected payment of policy liabilities.

The maturity profile of investments using contractual undiscounted cash flows at 31 December 2014 was as follows:

	No Contractual Maturity $	Within 2 years $	2 to 5 years $	Over 5 years $	Undiscounted Amount $
Fixed income					
U.S. Government	-	499,600	1,202,388	248,808	1,950,796
Non U.S. Government	-	-	-	3,130,720	3,130,720
Corporates	-	-	4,246,530	3,988,755	8,235,285
Other-ABS / MBS	-	-	350,791	-	350,791
U.S. Equities	7,205,674	-	-	-	7,205,674
Cash and cash equivalents	19,864,185	-	-	-	19,864,185
Fixed deposit	-	2,021,017	-	-	2,021,017
Total	**27,069,859**	**2,520,617**	**5,799,709**	**7,368,283**	**42,758,468**
Percent of total	63%	6%	14%	17%	100%

The maturity profile of investments using contractual undiscounted cash flows at 31 December 2013 was as follows:

	No Contractual Maturity $	Within 2 years $	2 to 5 years $	Over 5 years $	Undiscounted Amount $
Fixed income					
U.S. Government	-	1,190,714	3,978,767	-	5,169,481
Non U.S. Government	-	-	2,582,231	-	2,582,231
Corporates	-	500,765	4,827,121	-	5,327,886
Other-ABS / MBS	-	-	355,471	-	355,471
U.S. Equities	8,350,358	-	-	-	8,350,358
Cash and cash equivalents	15,105,857	-	-	-	15,105,857
Fixed deposit	-	2,014,984	-	-	2,014,984
Total	**23,456,215**	**3,706,463**	**11,743,590**	**-**	**38,906,268**
Percent of total	60%	10%	30%	0%	100%

The timing of undiscounted cash flows arising from the Company's financial liabilities totaling $16,453,403 (2013: $15,613,306) are all within one year. The Company's financial liabilities include the reinsurance balance payable, accounts payable, commission payable, profit commission payable, premium taxes payable, net insurance contract liabilities, income tax payable, and due to related parties.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISKS (continued)

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 is not significantly exposed to foreign exchange risk because substantially all currencies with which the Group has material assets and liabilities are either in U.S. Dollars or are pegged to the U.S. Dollar which is the Group's functional and presentation currency.

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 the investment guidelines, which include:

- Asset allocation and diversification of the investment portfolio; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

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 equity investments.

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

The Group is sensitive to price risk on its equity securities. The effect of a 5% change (2013: 5%) will result in an increase/ decrease in investment income of $360,284 (2013: $417,518).

iv) Sensitivity analysis

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of assumptions may be correlated.

Sensitivity factor	Description of sensitivity factor applied
Interest rate - cash & cash equivalents:	The impact of a change in market interest rates by 1% (2013: 1%)
Interest rate fixed income securities:	The impact of a change in market interest rates by 1% (2013: 1%)
Underwriting income:	The impact of a change in insurance rates by 2% (2013: 2%)
Underwriting expenses:	The impact of a change in acquisition costs by 2% (2013: 2%)
Loss ratios:	The impact of a change in accrued losses by 25% (2013: 25%)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISKS (continued)

iv) Sensitivity analysis (continued)

At 31 December 2014	Interest rates $	Underwriting rates $	Loss ratios $
Impact on net profit from increase in sensitivity factor*	(625,868)	(397,178)	(966,315)
Impact on net profit from decrease in sensitivity factor*	626,048	397,178	966,315

The portion that is recognized directly in shareholder's equity is Nil

At 31 December 2013			
Impact on net profit from increase in sensitivity factor*	(195,261)	(453,313)	(996,186)
Impact on net profit from decrease in sensitivity factor*	124,773	453,313	996,186

The portion that is recognized directly in shareholder's equity is Nil

* Net of reinsurance

The duration of liabilities is calculated based on management's experience from prior year's average settlement pattern for outstanding claims. The durations are:

	2014	2013
Net insurance liability - property risk	1-2 months	1-2 months
Net insurance liability - motor risks	1 month	1 month
Net insurance liability - casualty risks	12 months	12 months

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.

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.

B. INSURANCE RISK

i) 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.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

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 or event;
- 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. General insurance risk is managed primarily at a Company level.

Management of general insurance risks

The Group's insurance risk policy is set out through the underwriting guidelines and includes a structure of delegated pricing and underwriting authorities. Pricing is based on assumptions which consider past experience and trends as well as current market conditions. Insurance exposures are limited through the use of 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.

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 comprises a provision for 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 of the Group, 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. The Group has developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the Group.

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 accumulated exposures, capital or to provide access to specialist underwriting expertise. In the case of default by a reinsurer, this does not release the Group from its liability to the insured policyholders.

Significant reinsurance programmes are reviewed annually to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Group. These reinsurance arrangements include quota share, facultative, per risk and catastrophe excess of loss programmes.

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

Concentration risk

Processes are in place to manage catastrophe risk at a Company 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.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Concentration risk (continued)

The total sum insured at 31 December 2014 and 2013, gross and net of reinsurance (excluding catastrophe programme coverage) by geographical location and line of business are summarised below:

	2014		2013	
	Gross amount insured $	Net amount insured after reinsurance $	Gross amount insured $	Net amount insured after reinsurance $
Property	7,476,742,329	4,332,507,154	7,537,565,215	5,200,159,903
Motor	53,509,801	18,086,845	51,031,864	18,918,031
Total	**7,530,252,130**	**4,350,593,999**	**7,588,597,079**	**5,219,077,934**

	2014		2013	
	Gross amount insured $	Net amount insured after reinsurance $	Gross amount insured $	Net amount insured after reinsurance $
Cayman	2,096,047,027	1,209,888,673	2,128,263,948	1,395,920,846
Bahamas	2,374,143,701	1,278,710,934	2,376,259,430	1,572,528,573
USVI	1,193,071,665	956,303,553	1,266,713,731	947,266,476
Other	1,866,989,737	905,690,839	1,817,359,970	1,303,362,039
Total	**7,530,252,130**	**4,350,593,999**	**7,588,597,079**	**5,219,077,934**

Catastrophe coverage in place is sufficient to cover a 1:200 year catastrophe as modelled by certain proprietary catastrophe models.

Claims reserving

Claims are payable on an occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term.

Property risks are comprised principally of physical damage to property, contractors all risk and auto physical damage. Property policies are underwritten by reference to the replacement value of the properties and contents insured.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from windstorm or sea inundation damage. For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events, such as hurricanes, which may result in motor and property claims.

Casualty risks are principally comprised of personal injury from motor claims. The Group manages these risks by way of a conservative underwriting strategy, adequate reinsurance arrangements and proactive claims management. Underwriting limits are in place to enforce appropriate risk selection criteria. For example the Group has the right not to renew individual policies and it has the right to reject the payment of a fraudulent claim.

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

The Group has a claims department dealing with the mitigation of risks surrounding known exposures. This department investigates and adjusts claims with the assistance and advice of external loss adjusters. The claims are reviewed individually on an on-going 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 insurance claims provisions is ultimately overseen by the Board of Directors.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Claims reserving (continued)

The estimation of the claims incurred but not reported reserve ("IBNR") 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 years after the event that gave rise to the claims depending upon the nature of the contract and the claim. 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. The financial impact for the year is disclosed per note 10.

The Group cedes reinsurance to other companies to minimise its exposures arising from large risks or from hazards of an unusual or catastrophic nature. The concentration of insurance risk before and after reinsurance 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:

	2014		2013	
	Gross $	Net $	Gross $	Net $
Property	4,255,342	1,937,080	2,013,540	1,074,132
Motor	2,473,492	969,582	2,039,046	880,828
All Others	1,713,408	456,680	1,275,022	376,017
Total	**8,442,242**	**3,363,342**	**5,327,608**	**2,330,977**

Claims development tables

Gross loss development:

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 year has changed at successive year-ends. The bottom half of each table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. A calendar year or accident year basis is considered to be most appropriate for the business written by the Group.

Accident year Estimate of ultimate claims costs	2007 $ 000's	2008 $ 000's	2009 $ 000's	2010 $ 000's	2011 $ 000's	2012 $ 000's	2013 $ 000's	2014 $ 000's	Total $ 000's
At the end of the valuation year	5,389	21,668	4,263	5,222	14,767	9,613	8,524	8,466	
One year later	5,444	20,106	3,701	4,775	12,735	8,592	8,243		
Two years later	5,115	19,765	3,645	5,078	13,028	8,618			
Three years later	5,158	19,768	3,670	5,101	13,314				
Four years later	5,154	19,610	3,671	5,062					
Five years later	5,130	19,596	3,669						
Six years later	5,023	19,587							
Seven years later	5,042								
Current estimates of cumulative claims	5,042	19,587	3,669	5,062	13,314	8,618	8,243	8,466	
Cumulative payments to date	(4,887)	(19,522)	(3,660)	(5,006)	(13,004)	(8,026)	(6,733)	(2,721)	
Liability recognized in the consolidated statement of financial position	155	65	9	56	310	592	1,510	5,745	8,442

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

Claims development tables (continued)

Net loss development:

Underwriting year Estimate of ultimate claims costs	2007 $ 000's	2008 $ 000's	2009 $ 000's	2010 $ 000's	2011 $ 000's	2012 $ 000's	2013 $ 000's	2014 $ 000's	Total $ 000's
At the end of the valuation year	3,926	3,364	1,592	1,466	2,452	2,994	4,703	3,950	
One year later	3,371	3,251	1,353	1,256	2,285	2,269	4,631		
Two years later	3,149	3,227	1,371	1,302	2,363	2,238			
Three years later	3,316	3,237	1,031	1,314	2,395				
Four years later	3,312	3,156	1,029	1,305					
Five years later	3,627	3,144	1,027						
Six years later	3,560	3,136							
Seven years later	3,562								
Current estimates of cumulative claims	3,562	3,136	1,027	1,305	2,395	2,238	4,631	3,950	
Cumulative payments to date	(3,547)	(3,075)	(1,019)	(1,285)	(2,340)	(2,123)	(4,029)	(1,463)	
Net liability recognized in the consolidated statement of financial position	15	61	8	20	55	115	602	2,487	3,363

C. CAPITAL MANAGEMENT AND REGULATORY COMPLIANCE

The Group's practice is to maintain the capitalisation at a level that will maintain a strong credit rating and exceed the relevant minimum regulatory capital and deposit requirements in the jurisdictions in which they operate as shown in note 7. 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.

The Company's objectives when managing capital, which it defines as shareholder's equity, are:

- To comply with the capital requirements set by the Cayman Islands Monetary Authority ("CIMA");
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for its shareholders; and
- To maintain a strong capital base to support the development of its business.

CIMA is the primary regulator of the Group and 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 $300,000 for domestic insurers or $1,000,000 for external insurers, and an amount determined as per a prescribed formula set out in legislation. The formula prescribes 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 in the Cayman Islands. Additionally, the group has regulated insurance operations in several other jurisdictions (see note 1 and 7). At 31 December 2014 and 2013, the Group was in compliance with its regulatory requirements as an external insurer. During the year ended 31 December 2013, some of the jurisdictions in which the Group is licensed to operate in required additional funding to meet the minimum solvency requirements set by the respective regulators. Funding was provided during 2014 and as at 31 December 2014, all requirements have been met.

D. SELF INSURANCE

The Company self-insures their building (as detailed in note 12). The insured asset is reinsured through the Company's reinsurance programme and is subject to the same terms and conditions as other reinsured insurance contracts.

E. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

For the financial assets and liabilities subject to offsetting below, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when either party elects to settle on a net basis. In the event of the insolvency of either the Group or counterparty, any amounts due by or owing to the Group may be set off and settled on a net basis.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

E. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The following assets are subject to offsetting:

As at 31 December 2014	Gross amount of financial assets presented in the balance sheet $	Gross amount of financial liabilities allowed for set off $	Net amount of financial assets $
Insurance receivables and other assets	17,973,589	(3,820,911)	14,152,678
Total	**17,973,589**	**(3,820,911)**	**14,152,678**
As at 31 December 2013			
Insurance receivables and other assets	19,572,521	(2,998,581)	16,573,940
Total	**19,572,521**	**(2,998,581)**	**16,573,940**

The following liabilities are subject to offsetting:

As at 31 December 2014	Gross amount of financial liabilities presented in the balance sheet $	Gross amount of financial assets allowed for set off $	Net amount of financial liabilities $
Other liabilities	19,708,764	(3,820,911)	15,887,853
Total	**19,708,764**	**(3,820,911)**	**15,887,853**
As at 31 December 2013			
Other liabilities	17,278,924	(2,998,581)	14,280,343
Total	**17,278,924**	**(2,998,581)**	**14,280,343**

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

A. CARRYING AMOUNT AND FAIR VALUE OF INVESTMENTS

	2014 Carrying amount and fair value $	2013 Carrying amount and fair value $
At fair value through profit or loss		
Fixed Income:		
U.S. Treasury Securities	1,451,196	4,670,611
U.S. Government Agency Securities	499,600	498,870
Non U.S. Government	3,130,720	2,582,231
Corporate bonds	8,235,285	5,327,886
Asset-backed securities	350,791	355,471
Equities:		
U.S. Equities	7,205,674	8,350,358
	20,873,266	**21,785,427**

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

B. FAIR VALUE HIERARCHY

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction.

The Group classifies the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

Level 1 – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Fair value is based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Fair value is based on inputs that are not based on observable market data.

The following table illustrates the classification of the Group's investments measured at fair value as at 31 December 2014:

	Level 1 $	Level 2 $	Level 3 $	Total $
At fair value through profit or loss				
Fixed Income:				
U.S. Treasury Securities	1,451,196	-	-	1,451,196
U.S. Government Agency Securities	-	499,600	-	499,600
Non U.S. Government	-	3,130,720	-	3,130,720
Corporate bonds	-	8,235,285	-	8,235,285
Asset-backed securities	-	350,791	-	350,791
Equities:				
U.S. Equities	7,205,674	-	-	7,205,674
	8,656,870	**12,216,396**	**-**	**20,873,266**

The following table illustrates the classification of the Group's investments measured at fair value as at 31 December 2013:

	Level 1 $	Level 2 $	Level 3 $	Total $
At fair value through profit or loss				
Fixed Income:				
U.S. Treasury Securities	2,110,872	1,369,025	-	3,479,897
U.S. Government Agency Securities	-	498,870	-	498,870
Non U.S. Government	-	2,582,231	-	2,582,231
Corporate bonds	-	4,827,121	-	4,827,121
Asset-backed securities	-	355,471	-	355,471
Short term investments	1,190,714	500,765	-	1,691,479
Equities:				
U.S. Equities	8,350,358	-	-	8,350,358
	11,651,944	**10,133,483**	**-**	**21,785,427**

The Group does not hold any Level 3 financial assets. During the year there were no transfers between Levels 1 and 2 (2013: none).

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

C. NET INVESTMENT INCOME

	2014 $	2013 $
Interest Income		
Fixed income securities - fair value through profit or loss	216,844	304,007
Cash and deposits	164,960	203,186
	381,804	**507,193**
Dividend Income		
Equities - fair value through profit or loss	139,315	69,920
	139,315	**69,920**
Net realised gains/(losses) on sales of investments		
Fixed income securities- fair value through profit or loss	(261,862)	(34,743)
Equities - fair value through profit or loss	229,758	462,091
	(32,104)	**427,348**
Change in fair value arising from		
Fixed income securities- fair value through profit or loss	216,602	(318,746)
Equities - fair value through profit or loss	(182,418)	129,143
	34,184	**(189,603)**
	523,199	**814,858**

6. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank and on hand	19,683,406	13,809,166
Cash with investment custodian	180,779	1,296,691
	19,864,185	**15,105,857**

7. REGULATORY AND FIXED DEPOSITS

Regulatory deposits represent amounts placed on deposit with banks and government bodies in the countries identified below 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. They are as follows:

	2014 $	2013 $
Insurance Commissioner of the Bahamas	9,669,950	9,500,000
U.S. Virgin Islands Department of Banking & Insurance	650,987	626,436
St. Lucia Registrar of Insurance	642,780	599,200
Grenada International Financial Services Authority	506,359	372,419
Turks & Caicos Islands Supervisor of Insurance	500,132	500,075
Antigua Financial Services Regulatory Commission	473,142	456,296
St. Vincent Ministry of Finance and Planning	444,444	296,296
Dominica Accountant General	444,444	259,259
Barbados Supervisor of Insurance	425,000	425,000
Anguilla Registrar of Insurance	336,503	336,757
St. Kitts and Nevis Registrar of Insurance	216,853	206,609
British Virgin Islands Supervisor of Insurance	-	212,110
Curacao Central Bank	-	859,832
Total regulatory deposits	**14,310,594**	**14,650,289**
Fixed Deposit	2,021,017	2,014,984
Total regulatory and fixed deposits	**16,331,611**	**16,665,273**

7. REGULATORY AND FIXED DEPOSITS (continued)

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

8. INSURANCE RECEIVABLES AND OTHER ASSETS

	2014 $	2013 $
Premium receivable	12,941,496	15,500,957
Ceding commission receivables	3,524,517	2,590,887
Reinsurance receivables	538,908	633,785
Prepayments	434,925	215,077
Broker rebate receivable	371,978	341,615
Investment income receivable	161,765	290,200
	17,973,589	**19,572,521**

9. DEFERRED POLICY ACQUISITION COSTS

	2014 $	2013 $
At 1 January	7,712,002	7,910,210
Acquisition costs incurred in the year	19,711,062	22,467,427
Expensed through commission expense	(19,858,905)	(22,665,635)
At 31 December	**7,564,159**	**7,712,002**

10. INSURANCE CONTRACT LIABILITIES

A. ASSUMPTIONS AND METHODOLOGY

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 accident year. Claims development is analysed by line of business.

B. COMPOSITION OF INSURANCE CONTRACT LIABILITIES

Gross	2014 $	2013 $
Insurance contracts:		
Claims reported and loss adjustment expenses	6,200,242	3,303,608
Claims incurred but not reported	2,242,000	2,024,002
Unearned premiums	43,797,154	46,489,648
Total insurance contract liabilities – gross	**52,239,396**	**51,817,258**

See note 11 for detail on reinsurance assets.

10. INSURANCE CONTRACT LIABILITIES (continued)

B. COMPOSITION OF INSURANCE CONTRACT LIABILITIES (continued)

Net of reinsurance recoverable	2014 $	2013 $
Insurance contracts:		
Claims reported and loss adjustment expenses	2,469,342	1,479,977
Claims incurred but not reported	894,000	851,002
Unearned premiums	19,388,209	23,345,669
Total insurance contract liabilities – net of reinsurance recoverable	**22,751,551**	**25,676,648**

C. CHANGES IN INSURANCE CONTRACT LIABILITIES

	2014			2013		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Claims and adjustment expenses	3,303,608	(1,823,631)	1,479,977	4,584,705	(3,394,801)	1,189,904
Claims incurred but not reported	2,024,002	(1,173,000)	851,002	1,925,034	(1,014,108)	910,926
Balance at 1 January	**5,327,610**	**(2,996,631)**	**2,330,979**	**6,509,739**	**(4,408,909)**	**2,100,830**
Cash paid for claims settled in year	(5,352,514)	2,519,618	(2,832,896)	(8,880,119)	5,123,523	(3,756,596)
Incurred losses:						
Incurred from current-year claims	8,466,411	(4,516,330)	3,950,081	8,523,679	(3,820,609)	4,703,070
Incurred from prior-year claims	737	(85,557)	(84,820)	(825,691)	109,364	(716,327)
Movement during the year	**3,114,634**	**(2,082,269)**	**1,032,365**	**(1,182,131)**	**1,412,278**	**230,147**
Claims and adjustment expenses	6,200,242	(3,730,900)	2,469,342	3,303,608	(1,823,631)	1,479,977
Claims incurred but not reported	2,242,000	(1,348,000)	894,000	2,024,002	(1,173,000)	851,002
Balance at 31 December	**8,442,242**	**(5,078,900)**	**3,363,342**	**5,327,610**	**(2,996,631)**	**2,330,979**

D. UNEARNED PREMIUM LIABILITY

	2014			2013		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Balance at 1 January	**46,489,648**	**(23,143,979)**	**23,345,669**	**47,238,667**	**(32,881,112)**	**14,357,555**
Premium written during the year	100,942,598	(71,183,186)	29,759,412	107,832,081	(63,741,080)	44,091,001
Premium earned during the year	103,635,092	(69,918,220)	33,716,872	108,581,100	(73,478,213)	35,102,887
Movement during the year	(2,692,494)	(1,264,966)	(3,957,460)	(749,019)	9,737,133	8,988,114
Balance at 31 December	**43,797,154**	**(24,408,945)**	**19,388,209**	**46,489,648**	**(23,143,979)**	**23,345,669**

These provisions represent the liability for short term insurance contracts for which the Group's obligations are not expired at year end.

11. REINSURANCE ASSETS

Reinsurance assets are comprised of the following:

	2014 $	2013 $
Insurance contracts:		
Claims reported and loss adjustment expenses recoverable	3,730,900	1,823,631
Claims incurred but not reported recoverable	1,348,000	1,173,000
Deferred reinsurance premiums	24,408,945	23,143,979
	29,487,845	**26,140,610**

12. PROPERTY AND EQUIPMENT

	Land & Buildings $	Furniture, equipment and leasehold improvements $	Computer hardware $	Motor vehicles $	Total $
At 1 January 2013					
Cost	-	1,822,555	862,939	135,129	2,820,623
Accumulated depreciation	-	(910,502)	(767,559)	(104,230)	(1,782,291)
Net book amount	**-**	**912,053**	**95,380**	**30,899**	**1,038,332**
Year ended 31 December 2013					
Additions	9,045,939	47,772	23,489	52,927	9,170,127
Disposals - cost	-	(28,894)	(20,877)	(34,600)	(84,371)
Disposals - accumulated depreciation	-	25,848	20,877	34,600	81,325
Depreciation	(97,194)	(245,651)	(65,967)	(12,363)	(421,175)
Closing net book amount	**8,948,745**	**711,128**	**52,902**	**71,463**	**9,784,238**
At 31 December 2013					
Cost	9,045,939	1,841,433	865,551	153,456	11,906,379
Accumulated depreciation	(97,194)	(1,130,305)	(812,649)	(81,993)	(2,122,141)
Net book amount	**8,948,745**	**711,128**	**52,902**	**71,463**	**9,784,238**
Year ended 31 December 2014					
Additions	-	1,072,538	87,993	35,288	1,195,819
Disposals - cost	-	(468,503)	(23,653)	(15,244)	(507,400)
Disposals - accumulated depreciation	-	399,522	23,653	15,244	438,419
Depreciation	(166,618)	(293,584)	(50,096)	(22,830)	(533,128)
Closing net book value	**8,782,127**	**1,421,101**	**90,799**	**83,921**	**10,377,948**
At 31 December 2014					
Cost	9,045,939	2,445,468	929,891	173,500	12,594,798
Accumulated depreciation	(263,812)	(1,024,367)	(839,092)	(89,579)	(2,216,850)
Net book amount	**8,782,127**	**1,421,101**	**90,799**	**83,921**	**10,377,948**

13. INTANGIBLE ASSETS

	2014 $	2013 $
Underwriting system – other intangible asset		
Cost	2,220,109	2,068,046
Accumulated amortisation	(1,965,773)	(1,933,192)
Net book amount	**254,336**	**134,854**
Year ended 31 December		
At beginning of year	134,854	158,931
Net additions & improvements	152,063	11,889
Amortisation	(32,581)	(35,966)
Closing net Book amount	**254,336**	**134,854**

14. OTHER LIABILITIES

	2014 $	2013 $
Reinsurance balance payable	8,507,549	7,535,655
Deferred ceding commission	4,465,006	3,469,338
Accounts payable	2,092,910	1,276,621
Commission payable	2,020,401	2,365,531
Profit commission payable	1,318,195	1,867,011
Premium taxes payable	1,304,703	764,768
	19,708,764	**17,278,924**

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	2014 $	2013 $
Authorised - common share of a par value of $1 each	500,000	500,000
Issued - common share of a par value of $1 each	**320,555**	**320,555**

	Number of shares outstanding	Ordinary Shares $	Contributed Surplus $	Total $
At 31 December 2014 and 2013	**320,555**	**320,555**	**29,323,775**	**29,644,330**

The contributed surplus has the same characteristics, terms, rights and obligations as "Share Premium" as defined in the Cayman Islands Companies Law and the contributed surplus was made with the intention and expectation that it be recorded as a component of equity by the Company.

16. INSURANCE CONTRACTS CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2014 $	2013 $
Insurance contracts expenses paid	5,352,514	8,880,119
Change in insurance contracts claim liabilities	3,114,634	(1,182,131)
Insurance claims & loss adjustment expenses	8,467,148	7,697,988
Reinsurance recoveries received	(2,519,618)	(5,123,523)
Change in reinsurance claim recoveries	(2,082,269)	1,412,278
Insurance claims & loss adjustment expenses recovered	(4,601,887)	(3,711,245)
	3,865,261	**3,986,743**

17. OPERATING EXPENSES

	2014 $	2013 $
Salaries & wages	4,798,525	5,514,346
Office & administration expenses	1,055,320	773,633
Advertising, promotion and business development	1,168,804	893,084
Professional fees	1,056,058	939,257
BF&M operating cost allocation	885,676	-
Bank charges	652,660	811,759
Rent, utilities and insurance	573,563	586,161
Depreciation and amortisation	565,709	457,141
License, acquisition & government fees	345,534	276,325
	11,101,849	**10,251,706**

The Group participates in a defined contribution pension scheme as required under Cayman Islands law; this is applicable to employees of IHIC. During the year ended December 31, 2014 the Company contributed $164,645 (2013: $167,872).

18. INCOME TAXES

Income tax is calculated and payable on the profits earned in jurisdictions with corporate tax requirements. The Group is subject to income tax in Antigua 25%, Barbados 25%, Dominica 30%, Grenada 30%, St. Kitts & Nevis 35%, St. Lucia 33%, St. Maarten 34.5%, St. Vincent 30% and US Virgin Islands 37.4%. The Group is domiciled in the Cayman Islands and is exempt from taxation on income earned in the Cayman Islands and other Caribbean jurisdictions.

A. INCOME TAX

	2014 $	2013 $
Current tax expense on income for the reporting period	1,376,964	588,354
Current taxes referring to previous years	(283,130)	812,045
Deferred taxes	(56,397)	1,030,505
	1,037,437	**2,430,904**

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

	2014 $	2013 $
Profit before tax	11,689,954	13,770,104
Tax at the domestic rate of 0%	-	-
Effect of higher tax rates in countries listed above	976,862	1,580,668
Expenses not deductible for tax	-	57,834
Tax losses for which no deferred tax has been recognised	347,671	30,421
Utilisation of tax losses previously for which no deferred tax had been recognised	(3,966)	(50,064)
Prior year adjustments	(283,130)	812,045
	1,037,437	**2,430,904**

18. INCOME TAXES (continued)

B. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settles the balances on a net basis. The deferred income tax asset and liability relates to the following items:

	2014 $	2013 $
Deferred tax assets:		
Net unearned premiums	448,612	402,857
Outstanding claims	17,119	15,998
Deferred ceding commissions	196,718	248,577
Capital loss carry forward	51,465	48,933
Gross deferred tax asset	**713,914**	**716,365**
Deferred tax liabilities:		
Deferred acquisition costs	714,234	773,082
Net deferred tax liability	**(320)**	**(56,717)**

C. INCOME TAX PAYABLE

	2014 $	2013 $
Income tax (payable)/receivable at beginning of year	(714,820)	522,874
Tax payments made	634,912	162,705
Current tax expense for year	(1,376,964)	(588,354)
Prior year adjustments	283,130	(812,045)
Income tax payable at end of year	**(1,173,742)**	**(714,820)**

19. EXPERIENCE DEPOSIT RECEIVABLE

Under the terms of one of the Group's reinsurance agreements, a portion of the annual premiums paid, is credited to the experience account, which accrues to the benefit of the Group. The future balance of the experience account is reduced by claims ceded to the reinsurance agreement and any positive balance is returned to the Group at expiration. The treaty runs for a three year period, expiring on March 31, 2017. However, provided the balance in the experience account is positive, the Group can elect to cancel the treaty at its anniversary date of March 31 at which time any balance in the experience account will be returned to the Group less any adjustments to premium components agreed on in the reinsurance contract. Based on loss development in the year December 31, 2014, the experience deposit receivable is $1,480,000 (2013: $4,600,000). This receivable includes a $120,000 cancellation charge, as the Group intends to cancel this treaty.

20. CASH DIVIDENDS

During the year ended December 31, 2014, the directors of the Company declared a dividend to the shareholder in the amount of $12,000,000 (2013: $10,000,000). The dividend was settled during the year ended December 31, 2014.

21. RELATED PARTY TRANSACTIONS

A number of the subsidiaries as disclosed in note 1 transacted with the Group during the year in the normal course of business. These transactions are eliminated on consolidation.

The Group also carried out transactions with BF&M Limited, its ultimate parent company, during the year in the normal course of business. Key management personnel have been defined as the senior executive team and Board of Directors of the Group. Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The following transactions were carried out with key management and related parties:

21. RELATED PARTY TRANSACTIONS (continued)

	2014 $	2013 $
A - Sale of insurance contracts & other services		
Key management	7,837	14,487
BF&M Limited	342,103	1,795,250
	349,940	**1,809,737**
B - Purchase of products and services		
Insurance contracts benefits & expenses - Key management (claim payment)	(1,006)	(6,380)
Commission income - Fellow subsidiary	-	90,000
Commission expense - BF&M Limited	(227,738)	(301,426)
Employee life insurance expense - BF&M Limited	(27,892)	-
Operating expenses - BF&M Limited (operational cost allocation)	(885,676)	167,818
	(1,142,312)	**(385,624)**
C - Key management compensation		
Salary and other compensation	1,200,310	2,108,998
Group pension & medical contributions	59,702	68,946
	1,260,012	**2,177,944**
D - Year end balances related parties assets		
Insurance receivables & other assets		
BF&M Limited	-	1,795,250
Due from related parties	-	1,852,134
Total assets	**-**	**3,647,384**
Liabilities		
Other liabilities		
BF&M Limited	-	301,426
Due from related parties	35,903	1,088,900
Total liabilities	**35,903**	**1,390,326**

22. COMMITMENTS

A. Operating lease commitments

On December 16, 2010, the Group entered into a licensing agreement with The Governor of the Cayman Islands to sponsor and take over the responsibilities of maintenance, horticultural and aesthetic appearance of a roundabout on Grand Cayman. This agreement is valid for a period of 5 years with an option to extend. The cost of maintenance is estimated to be $26,111 (2013: $58,400) for the remaining lease period and will be expensed through the statement of comprehensive income when incurred.

Included within operating expenses are operating lease expenses of $162,419 (2013: $296,652) including non-cancellable operating leases with future aggregate lease payments of $Nil (2013: $71,188).


Island
Heritage

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