

Colina Insurance Limited

**Audited Consolidated Financial Statements
Year Ended December 31, 2015
With Report of Independent Auditors**



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Independent Auditors' Report

The Directors
Colina Insurance Limited

We have audited the accompanying consolidated financial statements of Colina Insurance Limited and its Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 8, 2016

April 8, 2016

Subject: 2015 Certification of actuarial liabilities

I have valued the actuarial liabilities of Colina Insurance Limited for its consolidated balance sheet as of December 31, 2015, for a total amount of \$387,181,176 and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial liabilities makes appropriate provision for all future policyholder obligations, and the consolidated financial statements of Colina Insurance Limited present fairly the results of the valuation.

Respectfully submitted,



Jacques Tremblay FCIA, MAAA, FSA

Appointed Actuary for Colina Insurance Limited, Fellow of Canadian Institute of Actuaries,
Member of the American Academy of Actuaries, Fellow of Society of Actuaries

COLINA INSURANCE LIMITED
Consolidated Statement of Financial Position

At December 31, 2015
(Expressed in Bahamian dollars)

	Notes	2015	2014
ASSETS			
Term deposits	8	\$ 44,905,119	\$ 44,579,342
Investment securities and other financial assets	9	354,826,722	305,428,487
Mortgages and commercial loans	10	42,504,002	48,444,180
Policy loans	11	70,138,729	69,561,430
Investment properties	12	55,155,393	54,165,435
Investment in associates	13	9,183,000	8,453,894
		<u>576,712,965</u>	<u>530,632,768</u>
Total invested assets			
Cash and demand balances	8	24,194,754	20,400,078
Receivables and other assets	14	35,967,026	29,519,764
Property and equipment	15	19,565,494	20,845,315
Goodwill	16	8,103,110	8,153,110
Other intangible assets	17	-	44,194
Investment in Parent	18	50,549	50,549
		<u>664,593,898</u>	<u>609,645,778</u>
Total assets			
LIABILITIES			
Provision for future policy benefits	19	\$ 387,181,176	\$ 369,693,794
Policy dividends on deposit		27,783,495	27,685,794
		<u>414,964,671</u>	<u>397,379,588</u>
Total policy liabilities			
Repurchase agreement	20	35,000,000	-
Other liabilities	21	71,278,100	73,445,387
Due to Parent	22	28,833	1,047,878
		<u>521,271,604</u>	<u>471,872,853</u>
Total liabilities			
EQUITY			
Ordinary share capital	23	3,000,000	3,000,000
Contributed capital		50,578,976	50,578,976
Revaluation reserve	24	11,606,851	11,017,775
Retained earnings		58,996,404	55,450,158
		<u>124,182,231</u>	<u>120,046,909</u>
Total ordinary shareholders' equity			
Non-controlling interests		19,140,063	17,726,016
		<u>143,322,294</u>	<u>137,772,925</u>
Total equity			
Total liabilities and equity		<u>\$ 664,593,898</u>	<u>\$ 609,645,778</u>

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

Approved by the Board of Directors on April 8, 2016 and signed on its behalf by:

M. Robertson - Director

E. M. Alexiou – Director

COLINA INSURANCE LIMITED
Consolidated Statement of Income

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

	Notes	2015	2014
Revenues:			
Premium revenue		\$ 139,846,814	\$ 141,696,176
Less: Reinsurance premiums	27	<u>(12,541,266)</u>	<u>(12,865,989)</u>
Net premium revenue	27	127,305,548	128,830,187
Net investment income	28	32,389,388	27,177,603
Share of net gain of associates	13	729,106	645,851
Other income and fees		<u>5,751,874</u>	<u>6,652,937</u>
Total revenues		<u>166,175,916</u>	<u>163,306,578</u>
Benefits and expenses:			
Policyholders' benefits		94,715,700	99,808,613
Less: Reinsurance recoveries	29	<u>(8,367,197)</u>	<u>(12,734,083)</u>
Net policyholders' benefits	29	86,348,503	87,074,530
Changes in provision for future policy benefits	19	17,487,382	16,782,296
General and administrative expenses	30	32,248,672	30,596,522
Commission expense		10,142,002	10,414,387
Premium and other tax expense		3,757,906	3,828,953
Finance costs and interest	31	1,996,338	1,785,075
Impairment of goodwill	16	<u>50,000</u>	<u>-</u>
Total benefits and expenses		<u>152,030,803</u>	<u>150,481,763</u>
Net income for the year		<u>\$ 14,145,113</u>	<u>\$ 12,824,815</u>
Net income attributable to:			
Equity shareholders of the Company		\$ 13,521,846	\$ 13,219,777
Non-controlling interests		<u>\$ 623,267</u>	<u>(394,962)</u>
Net income for the year		<u>\$ 14,145,113</u>	<u>\$ 12,824,815</u>

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

COLINA INSURANCE LIMITED
Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
Net income for the year	\$ 14,145,113	\$ 12,824,815
Other comprehensive income:		
Reclassification during the year to profit and loss	(357,534)	379,745
Change in available-for-sale financial assets	<u>946,610</u>	<u>351,115</u>
Other comprehensive income for the year	<u>589,076</u>	<u>730,860</u>
Total comprehensive income for the year	<u>\$ 14,734,189</u>	<u>\$ 13,555,675</u>
Attributable to:		
Ordinary shareholder of the Company	\$ 14,110,922	\$ 13,950,637
Non-controlling interests	<u>623,267</u>	<u>(394,962)</u>
Total comprehensive income for the year	<u>\$ 14,734,189</u>	<u>\$ 13,555,675</u>

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

COLINA INSURANCE LIMITED
Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Contributed Capital	Revaluation Reserve	Retained Earnings	Non- controlling Interests	Total Equity
Balance, December 31, 2013	\$ 3,000,000	\$ 50,578,976	\$ 10,286,915	\$ 49,278,581	\$ 17,007,655	\$ 130,152,127
Net income for the year	-	-	-	13,219,777	(394,962)	12,824,815
Net gain on remeasurement of available-for-sale securities to fair value	-	-	351,115	-	-	351,115
Reclassification during the year to profit and loss	-	-	379,745	-	-	379,745
Changes in non-controlling interests	-	-	-	-	1,113,323	1,113,323
Dividends paid to the ordinary shareholder (Note 32)	-	-	-	(7,048,200)	-	(7,048,200)
Balance, December 31, 2014	3,000,000	50,578,976	11,017,775	55,450,158	17,726,016	137,772,925
Net income for the year	-	-	-	13,521,846	623,267	14,145,113
Net gain on remeasurement of available-for-sale securities to fair value	-	-	946,610	-	-	946,610
Reclassification during the year to profit and loss	-	-	(357,534)	-	-	(357,534)
Changes in non-controlling interests	-	-	-	-	790,780	790,780
Dividends paid to the ordinary shareholder (Note 32)	-	-	-	(9,975,600)	-	(9,975,600)
Balance, December 31, 2015	\$ 3,000,000	\$ 50,578,976	\$ 11,606,851	\$ 58,996,404	\$ 19,140,063	\$ 143,322,294

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

COLINA INSURANCE LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
Cash flows from operating activities:		
Net income	\$ 14,145,113	\$ 12,824,815
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized (gains)/losses on fair value through profit or loss securities	(2,634,027)	448,701
Increase in provision for future policy benefits	17,487,382	16,782,296
Changes in loss provisions for loans and receivables	(1,008,745)	2,743,530
Depreciation and impairment/amortization charges	1,788,684	2,122,878
Net realized losses/(gains) on fair value through profit or loss securities	397,981	(2,055,267)
Net realized gains on sale of available-for-sale securities	(6,576)	(38,878)
Interest income	(24,757,673)	(23,732,817)
Dividend income	(2,011,656)	(2,055,999)
Net fair value (gain)/loss on investment properties	(888,777)	912,442
Finance costs and interest	<u>1,996,338</u>	<u>1,785,075</u>
Operating cash flows before changes in operating assets and liabilities	4,508,044	9,736,776
Changes in operating assets and liabilities:		
Increase in other assets	(5,045,864)	(6,788,585)
(Decrease)/ increase in other liabilities	<u>(1,682,451)</u>	<u>211,237</u>
Net cash (used in)/provided by operating activities	<u>(2,220,271)</u>	<u>3,159,428</u>

(Continued)

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

COLINA INSURANCE LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
Cash flows from investing activities:		
(Increase)/decrease in term deposits with original maturities greater than 90 days	(27,930,353)	4,393,706
Fair value through profit or loss securities purchased	(32,845,428)	(15,943,170)
Proceeds on disposal of fair value through profit or loss securities	19,289,832	3,996,174
Available-for-sale securities purchased	(9,867,457)	(8,801,887)
Proceeds on disposal of available-for-sale securities	12,214,050	4,486,125
Issuance of loans and receivables	(35,000,000)	-
Reclassification during the year to profit and loss	(357,534)	492,000
Net increase in loans to policyholders	(504,871)	(2,288,936)
Net decrease in mortgages and commercial loans	5,755,309	5,531,091
Additions to investment property	(101,181)	(79,576)
Interest received	23,641,301	22,802,023
Dividends received	2,011,656	2,055,999
Additions to property and equipment	(307,615)	(2,880,841)
Net cash (used in)/provided by investing activities	<u>(44,002,291)</u>	<u>13,762,708</u>
Cash flows from financing activities:		
Changes in non-controlling interests	790,780	1,113,323
Interest paid on other contracts	(1,996,338)	(1,785,075)
Proceeds from repurchase agreement	35,000,000	-
Dividends paid to the ordinary shareholder	(9,975,600)	(7,048,200)
Net cash provided by/(used in) financing activities	<u>23,818,842</u>	<u>(7,719,952)</u>
Net (decrease)/increase in cash and cash equivalents	(22,403,720)	9,202,184
Cash and cash equivalents, beginning of year	<u>46,610,665</u>	<u>37,408,481</u>
Cash and cash equivalents, end of year (Note 8)	<u>\$ 24,206,945</u>	<u>\$ 46,610,665</u>

(Concluded)

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

COLINA INSURANCE LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

1. Corporate Information

Colina Insurance Limited (“the Company”) was incorporated under the laws of the Commonwealth of The Bahamas.

The principal activity of the Company is the transaction of life and health insurance business. The Company is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, and The Turks and Caicos Islands.

The Company is wholly owned by Colina Holdings Bahamas Limited (“the Parent” or “CHBL”) whose majority shareholder is AF Holdings Ltd. (“AFH”). Both the Parent and AFH are Bahamian companies and the ordinary shares of the Parent are listed on the Bahamas International Securities Exchange. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 35).

The registered office of the Company is located at Trinity Place Annex, Frederick and Shirley Streets, P.O. Box N-4805, Nassau, The Bahamas and its principal place of business is located at 308 East Bay Street, P.O. Box N-4728, Nassau, The Bahamas.

The consolidated financial statements of the Company for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on April 8, 2016.

2. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. The following accounting policy adopted was amended in the year commencing January 1, 2015:

- Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 7)

The adoption of the above has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transactions and arrangements.

3. Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9 Financial Instruments - Classification and Measurement.
- IFRS 15 Revenue from Contracts with Customers.

Effective for annual periods beginning on or after January 1, 2016:

- Disclosure Initiative (Amendments to IAS 1);
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12, and IAS 28);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41);
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38); and
- IFRS 14 Regulatory Deferral Accounts.

COLINA INSURANCE LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

Management has not yet assessed the full impact of the relevant adoption of these standards and interpretations in future periods against the consolidated financial statements of the Company.

4. Summary of 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 the years presented, unless otherwise stated.

4.1 Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The Company presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 36.

4.2 Basis of preparation

The consolidated financial statements of the Company have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment properties that are required to be remeasured at fair value. The Company, with the concurrence of The Insurance Commission of The Bahamas, uses actuarial practices generally accepted in Canada for the valuation of its provision for future policyholder benefits as no specific guidance is provided by IFRS for determining such provisions. The adoption of IFRS 4 – Insurance Contracts, permits the Company to continue with this valuation policy.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

4.3 Significant accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the accompanying disclosures and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Valuation of long term insurance contract liabilities and investment contract liabilities with a Discretionary Participation Feature (“DPF”)

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management’s best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates, and discount rates. The Company bases mortality and morbidity rates on standard industry Canadian mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

COLINA INSURANCE LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

The carrying value at December 31, 2015 of long term insurance contract liabilities with DPF is \$213,409,439 (2014: \$211,914,259) and of investment contract liabilities with DPF is \$7,609,526 (2014: \$7,356,177).

(b) Accident & health insurance contract liabilities

For medical insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for certain types of policies, IBNR claims form the majority of the consolidated statement of financial position liability.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs.

The carrying value at the consolidated statement of financial position date of accident & health insurance contract liabilities is \$13,327,663 (2014: \$13,984,839).

(c) Goodwill impairment testing

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The carrying value of goodwill is \$8,103,110 (2014: \$8,153,110).

(d) Revaluation of property and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the revaluation reserve. The Company assesses its property holdings through the use of independent valuation specialists on a periodic basis, performing management assessments in the intervening years. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data due to the nature of the properties. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property. Key assumptions used to determine the fair value of the properties and sensitivity analysis are discussed in Note 12.

4.4 Principles of consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

COLINA INSURANCE LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of equity in the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

Where the Company has control, subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date on which control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination (See Note 4.5) and the non-controlling interest's share of changes in equity since the date of the combination.

All material inter-company balances and transactions are eliminated on consolidation. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

4.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and any resulting gain or loss is recognized through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognized as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

COLINA INSURANCE LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

4.6 Investment in associates

The Company's investment in associates is accounted for using the equity method of accounting. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate. Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. As goodwill relating to an associate forms part of the carrying amount of an investment in associate and is not separately recognized, it is neither amortized nor individually tested for impairment.

After application of the equity method, the Company assesses at each consolidated statement of financial position date whether there is any objective evidence that the entire carrying amount of the investment in associate is impaired by comparing its carrying value to its recoverable amount. Any impairment losses are recognized immediately in the consolidated statement of income.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the relevant associate.

Upon loss of significant influence over an associate, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

4.7 Foreign currency translation

The Company's functional and presentation currency is the Bahamian dollar. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated to Bahamian dollars using the rate of exchange prevailing at the consolidated statement of financial position date. Income and expense items denominated in foreign currencies are translated at a rate of exchange that approximates the actual rate prevailing at the time of the transaction. Resulting differences are recognized in income in the reporting period in which they arise.

4.8 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise: cash on hand; demand deposits; term deposits with original maturities of 90 days or less; net of bank overdrafts.

4.9 Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the classification at every reporting date.

Financial assets at fair value through profit or loss ("FVPL")

Financial assets at FVPL has two sub categories - namely, financial assets held for trading, and those designated at fair value through the consolidated statement of income at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at initial recognition as at FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains and losses on a different basis; or

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- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at FVPL or available-for-sale. Balances that are included in this classification include: mortgages and commercial loans, policy loans, receivables arising from insurance contracts, sovereign debt, and term deposits with maturities of greater than 90 days.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus, in the case of all financial assets not carried at FVPL, transaction costs that are directly attributable to their acquisition.

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

AFS financial assets and financial assets at FVPL are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets classified in the FVPL category are included in the consolidated statement of income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as AFS are recognized in the revaluation reserve in the consolidated statement of changes in equity. When financial assets classified as AFS are sold or impaired, the difference between cost or amortized cost and estimated fair value is removed from the revaluation reserve and charged to the consolidated statement of income.

4.10 Fair value measurement

The Company measures financial instruments and non-financial assets such as investment properties at fair value at each balance sheet date. Fair value is defined under accounting guidance currently applicable to the Company to be the prices that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous and accessible market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no material changes in the Company's valuation techniques in the period represented in these consolidated financial statements.

4.11 Impairment of financial assets

Financial assets carried at amortized cost

The Company assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, though the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Financial assets carried at fair value

The Company assesses at each consolidated statement of financial position date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost. If any evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. The impairment loss is reversed through the consolidated statement of income if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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4.12 Investment properties

Investment properties comprise freehold land and buildings, residential rental properties, and commercial properties that are held for long-term yields and capital appreciation. Investment properties are held initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, such properties are measured at estimated fair value based on open market value determined periodically by external appraisers with management valuations in intervening periods. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party, or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

4.13 Property and equipment

Property and equipment, with the exception of certain Land improvements and Buildings, are carried at cost less accumulated depreciation and any impairment losses. Depreciation is charged using the straight-line method to allocate the cost of the assets over their estimated useful lives, as follows:

- Furniture, fixtures and equipment 5 to 10 years
- Computer hardware 3 to 5 years
- Motor vehicles 4 to 5 years
- Leasehold improvements 5 to 15 years, or shorter lease term
- Land improvements and buildings 40 to 50 years

Land is not depreciated. The assets' useful lives are reviewed at each consolidated statement of financial position date 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.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in equity.

Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

4.14 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses related to goodwill cannot be reversed in future periods. Goodwill is allocated to Cash Generating Units ("CGUs")

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for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For goodwill arising from the purchase of insurance related business, goodwill is allocated to CGUs identified according to the nature and type of insurance contract by major block of business.

For each CGU, the impairment charge is calculated by comparing the present value of the in force and projected new business at time of purchase and currently to determine how much the value has decreased relative to the original amount of goodwill recorded.

The Company's policy for goodwill arising on the acquisition of an associate is described in Note 4.6.

Other intangible assets

Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized using the straight-line method over the estimated useful life, not exceeding a period of three years and are included in general and administrative expenses in the consolidated statement of income. At each consolidated statement of financial position date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Other intangible assets included in investment in associates

These intangible assets include customer relationships, non-competitive agreement, trade name, and software and are carried at cost less accumulated amortization. Intangible assets included in investment in associates are amortized on a straight-line basis as follows:

Customer relationships	10 years
Non-competitive agreement	2 years
Trade name	5 to 9 years
Software	3 years

The carrying amount of intangible assets included in investment in associates is reviewed at each consolidated statement of financial position date to assess whether it is recorded in excess of its recoverable amount. Where the carrying value exceeds this estimated value the asset is written down to the recoverable amount.

4.15 Insurance contracts

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Significant insurance risk is defined as the probability of paying significantly more on the occurrence of an insured event than if the insured event did not occur.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

A number of insurance and investment contracts contain a DPF. This feature entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company, and;
- that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract;
 - realized and/or unrealized investment returns on a specified pool of assets held by the Company; or

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- the profit or loss of the Company, fund or other entity that issues the contract.

The amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary.

Insurance contracts and investment contracts with and without DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

Short duration life insurance contracts protect the Company's customers from the financial consequences of events (such as death, sickness, or disability). Benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims IBNR.

Individual health insurance premiums are recognized as revenue when received. Company life and health insurance premiums are recognized as revenue over the related contract periods.

Long-term insurance and other contracts

Long-term insurance and other contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are reviewed annually. A margin for adverse deviations is included in the assumptions.

Long-term insurance and other contracts are further classified into the following sub-categories:

- with fixed and guaranteed terms;
- with fixed and guaranteed terms and with DPF;
- without fixed and guaranteed terms; and
- without fixed and guaranteed terms and with DPF.

The contracts containing DPF participate in the profits of the Company. As the Company declares the amount to be paid, it is credited to the individual policyholders.

Long-term investment contracts with DPF

The fair value of these contracts is determined with reference to the fair value of the underlying financial assets and they are recorded at inception at their fair value.

4.16 Provision for future policy benefits

The provision for future policy benefits represents the amount required, in addition to future premiums and investment income, to provide for estimated future benefit payments, taxes (other than income taxes), commissions and policy administration expenses for all insurance and annuity policies in force with the Company. The Company's Appointed Actuary is responsible for determining the provision for future policy benefits.

The provision for future policy benefits is determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA"), which are accepted in The Bahamas. In accordance with these standards, the actuarial liabilities have been determined by the Appointed Actuary using the Canadian Asset Liability Method ("CALM") and the CIA Standards of Practice (Practice – Specific Standards For Insurers), Section 2300, Life and Health Insurance ("SOP").

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CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations. The method consists of four basic steps:

1. Determination of the period over which these projections are performed.
2. Projection of liability cash flows.
3. Projection of asset cash flows.
4. Performance of interest rate scenario testing under a variety of plausible economic conditions.

The Company maintains specific assets to back the policy liabilities by lines of business. The projection of liability and asset cash flows recognizes these specific assets. The projection period is chosen so as to include all insured events in the valuation process.

The actuarial liabilities for very small blocks of business have been set up as 100% of their annual premiums. IBNR reserves for group life, accident and health are computed as a percentage of related premiums based on experience studies. These bases are in accordance with CALM and SOP.

4.17 Repurchase agreements

Repurchase agreements are transactions in which the Company sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Company continues to recognize the securities in their entirety in the consolidated statement of financial position because it retains substantially all of the risks and rewards of ownership. The consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Company sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement. Such transferred assets are included in "pledged financial assets at fair value through profit or loss" in Investment Securities and other Financial Assets in Note 9.

4.18 Commission expense

Commission expenses comprise commissions earned by the Company's salespersons in respect of insurance and investment products sold. Commission expenses are recognized when payable.

4.19 Pension business

The pension business consists of third party pension plans with fund accumulations at rates of interest determined by the Company. There are no future interest or annuity rate guarantees. The liability established for future pension benefits for each of these plans is equal to the fund balance at the valuation date. Such third party pension liabilities are included in 'other liabilities,' see Note 21.

4.20 Policy dividends on deposit

Policy dividends on deposit comprise dividends declared on policies but not withdrawn from the Company, together with accrued interest.

4.21 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Board of Directors. Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

4.22 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment will be made. Revenue is measured at the fair value of the consideration received or receivable. Interest income for financial assets that are not classified as at FVPL is recognized using the effective interest method. Dividend income is recognized when the Company's right to receive payment is established – this is the ex-dividend date for equity securities. Commission income is earned on completion of the sale and is recognized at

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the effective date of writing the policy. Interest income on financing of premiums to customers is recognized over the financing period. The Company's policy for recognition of revenue from operating leases is described in Note 4.28. For the revenue recognition policies surrounding insurance contracts, see Note 4.15.

4.23 Reinsurance

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums due for reinsurance contracts and are recognized as an expense when due.

An impairment review of recoverable amounts is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

4.24 Defined contribution pension plan

The Company's subsidiaries operate separate defined contribution pension plans. Contributions are made to the plans on a mandatory and voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's portion of the contributions is charged to the consolidated statement of income as employee/salespersons' benefits expense in the year to which they relate.

4.25 Share-based payments

The Company operates an Employee Share Ownership Plan ("ESOP"). Under this plan, eligible employees and salespersons can purchase common shares of CHBL on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and salespersons' contributions are matched by the Company at rates ranging between 20% to 100% of eligible earnings. The Company's matching contribution fully vests to the employee or salesperson after a period of 1-4 years, subject to the individual plan requirements. These share-based payments to employees and salespersons are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and salespersons' contributions amounted to \$26,214 in 2015 (2014: \$18,906) and is included in employee/salespersons' benefits expense.

4.26 Taxation

The Company is subject to tax on taxable gross premium income at the flat rate of 3% (2014: 3%). Premium taxes are included in premium and other tax expense on the consolidated statement of income. The Company is also subject to Value Added Tax (VAT) on taxable supplies at the standard rate of 7.5%. The Company is eligible, however, for input tax credits to reduce its VAT liability based on an apportionment formula based on its proportion of standard rated taxable supplies to non-taxable supplies. VAT incurred by the Company in excess of input tax credits received are apportioned to the Company's general and administrative expenses. There are no other corporate, income or capital gains taxes levied on the Company in The Bahamas or in any other jurisdictions in which the Company operates.

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4.27 Segregated fund

With the acquisition of Imperial Life in 2005, certain contracts were acquired which allow unit holders to invest in a segregated fund managed by the Company for their benefit. Substantially all risks and rewards of ownership accrue to the unit holders and, consequently, the assets held in the segregated fund account are excluded from the assets in the Company's general funds. As of December 31, 2015, these assets amounted to \$44.5 million (2014: \$43.7 million). The Company has entered into a sub-investment management agreement with a related party to manage a significant portion of these assets.

4.28 Leases

Rental income due from lessees on operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Where the Company is the lessee, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

4.29 Loans

Loans are initially recognized at fair value, which is the cost of the consideration received, net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortized cost, using the effective interest rate method.

Borrowing costs are recognized as an expense when incurred.

4.30 Other financial liabilities and insurance, trade and other payables

These items are recognized when due and measured on initial recognition at the fair value of the consideration paid. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Financial liabilities and insurance, trade and other payables are derecognized when the obligation under the liability is discharged, cancelled or expired. When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

4.31 Contingent liabilities

Provisions for contingent liabilities are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. Responsibilities of the Appointed Actuary and Independent Auditors

The Appointed Actuary is appointed by the Board of Directors and is responsible for carrying out an annual valuation of the Company's policy liabilities in accordance with accepted actuarial practice and reporting thereon to the Board of Directors. In performing the valuation, the Appointed Actuary makes assumptions as to the future rates of interest, asset default, mortality, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies taking into consideration the circumstances of the Company and the policies in force. The Appointed Actuary's report outlines the scope of the valuation and the actuary's opinion.

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The Independent Auditors have been appointed by the shareholders and are responsible for conducting an independent and objective audit of the consolidated financial statements in accordance with International Standards on Auditing. They report to the shareholders regarding the fairness of the presentation of the Company's consolidated financial statements in accordance with IFRS. In carrying out their audit, the Independent Auditors also make use of the work of the Appointed Actuary and the Appointed Actuary's report on the policy liabilities. The Independent Auditors' report outlines the scope of their audit and their opinion.

6. Subsidiaries

Subsidiaries of the Company as of December 31, 2015 are as follows:

Name	Place of Incorporation	Shareholding
Mortgage Company		
Colina Mortgage Corporation Ltd. ("CMCO")	The Bahamas	100%
Investment Property Holding Companies		
Bay St. Holdings Ltd.	The Bahamas	100%
Colina Real Estate Fund Ltd.	The Bahamas	84%
Collmpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	86%
IMPCO Properties (Bahamas) Limited	The Bahamas	100%
IMPCO Real Estate Holdings (Bahamas) Limited	The Bahamas	100%
NCP Holdings Ltd.	The Bahamas	100%
P.I. Investments Ltd.	The Bahamas	100%
Wednesday Holding Company Ltd.	The Bahamas	100%
Investment Holding Companies		
Fairway Close Development Company Ltd.	The Bahamas	100%
Partner Investment Ltd.	The Bahamas	100%
PRO Health Holdings Ltd.	The Bahamas	100%
Sharp Investment Ltd.	The Bahamas	100%
Investment Funds		
CFAL Global Bond Fund Ltd.	The Bahamas	91%
CFAL Global Equity Fund Ltd.	The Bahamas	30%
Ikonic Fund SAC Limited	The Bahamas	75%

7. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has three reportable operating segments as follows:

- Life Division - offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.
- Group and Health Division – offers a wide range of individual medical and group life and health medical insurance.
- Other – includes the Company's participation in International Reinsurance Managers, LLC (IRM) reinsurance facilities and the operations of its other subsidiary and associate companies.

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Segment performance is evaluated based on profit or loss, which in certain respects is measured differently from profit or loss in the consolidated financial statements.

No inter-segment transactions occurred in 2015 or 2014. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results would then include those transfers between business segments which would then be eliminated on consolidation.

The segment results for the period ended December 31 are as follows:

	2015			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 56,496,880	\$ 52,494,517	\$ 18,314,151	\$ 127,305,548
Net investment income	29,808,160	473,308	2,837,026	33,118,494
Other income and fees	558,922	5,176,017	16,935	5,751,874
Total revenues	<u>86,863,962</u>	<u>58,143,842</u>	<u>21,168,112</u>	<u>166,175,916</u>
POLICYHOLDER BENEFITS EXPENSES	57,496,799	31,465,566	14,873,520	103,835,885
	<u>24,737,233</u>	<u>17,913,784</u>	<u>5,543,901</u>	<u>48,194,918</u>
NET INCOME	<u>\$ 4,629,930</u>	<u>\$ 8,764,492</u>	<u>\$ 750,691</u>	<u>\$ 14,145,113</u>
TOTAL ASSETS	<u>\$ 611,688,525</u>	<u>\$ 52,185,617</u>	<u>\$ 719,756</u>	<u>\$ 664,593,898</u>
TOTAL LIABILITIES	<u>\$ 485,705,953</u>	<u>\$ 30,733,185</u>	<u>\$ 4,832,466</u>	<u>\$ 521,271,604</u>
	2014			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 56,484,465	\$ 56,995,869	\$ 15,349,853	\$ 128,830,187
Net investment income	25,382,370	920,604	1,520,480	27,823,454
Other income and fees	311,202	6,325,219	16,516	6,652,937
Total revenues	<u>82,178,037</u>	<u>64,241,692</u>	<u>16,886,849</u>	<u>163,306,578</u>
POLICYHOLDER BENEFITS EXPENSES	56,497,153	32,803,818	14,555,855	103,856,826
	<u>23,856,151</u>	<u>18,323,225</u>	<u>4,445,561</u>	<u>46,624,937</u>
NET INCOME / (LOSS)	<u>\$ 1,824,733</u>	<u>\$ 13,114,649</u>	<u>\$ (2,114,567)</u>	<u>\$ 12,824,815</u>
TOTAL ASSETS	<u>\$ 569,966,663</u>	<u>\$ 39,647,562</u>	<u>\$ 31,553</u>	<u>\$ 609,645,778</u>
TOTAL LIABILITIES	<u>\$ 436,574,579</u>	<u>\$ 30,949,758</u>	<u>\$ 4,348,516</u>	<u>\$ 471,872,853</u>

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8. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2015	2014
Term deposits	\$ 44,905,119	\$ 44,579,342
Less: Deposits with original maturities of greater than 90 days	<u>(44,633,256)</u>	<u>(16,702,903)</u>
Short-term deposits	271,863	27,876,439
Cash and demand balances	24,194,754	20,400,078
Less: Bank overdraft (See Note 21)	<u>(259,672)</u>	<u>(1,665,852)</u>
Total cash and cash equivalents	<u>\$ 24,206,945</u>	<u>\$ 46,610,665</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

As of the consolidated statement of financial position date, the weighted-average interest rate on short-term deposits is 0.2% (2014: 1.7%). These short-term deposits have an average maturity of 30 days (2014: 78 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 1.7% (2014: 1.7%).

Included in deposits with original maturities of greater than 90 days are restricted amounts of \$826,522 (2014: \$825,517). No restricted amounts are included in cash and demand balances (2014: NIL).

9. Investment Securities and other Financial Assets

Investment securities and other financial assets comprise equity and debt securities classified into the following categories:

	2015	2014
Equity securities		
Fair value through profit or loss	\$ 16,478,972	\$ 15,284,288
Available-for-sale	<u>11,058,720</u>	<u>10,239,778</u>
Total equity securities	<u>27,537,692</u>	<u>25,524,066</u>
Non-pledged debt securities		
Fair value through profit or loss	33,155,616	71,127,561
Available-for-sale	206,564,511	208,776,860
Loans and receivables	<u>35,000,000</u>	<u>-</u>
Total debt securities (non-pledged)	<u>274,720,127</u>	<u>279,904,421</u>
Pledged debt securities (See Note 20)		
Fair value through profit or loss	<u>52,568,903</u>	<u>-</u>
Total debt securities (pledged)	<u>52,568,903</u>	<u>-</u>
Total pledged and non-pledged debt securities	<u>327,289,030</u>	<u>279,904,421</u>
Total investment securities and other financial assets	<u>\$ 354,826,722</u>	<u>\$ 305,428,487</u>

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Financial assets at fair value through profit or loss are comprised primarily of financial instruments in the Bahamas Investment Fund (See Note 34).

Included in investment securities and other financial assets are government debt securities which are mainly comprised of fixed rate and variable rate bonds tied to the Bahamian \$ Prime Rate issued by The Bahamas Government. These securities have interest rates ranging from 4.3% to 7.1% per annum (2014: from 4.4% to 7.1% per annum) and scheduled maturities between 2016 and 2065 (2014: between 2015 and 2044).

Included in debt securities classified as 'available-for-sale' is \$2,185,000 (2014: \$2,185,000) representing a restricted balance which is held in favour of the CIL Statutory Trust (the "Trust"). The Trust was established in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended). The aforementioned legislation requires that a minimum of \$2,000,000 in assets be deposited in favour of the Insurance Commission of The Bahamas by registered insurers in respect of any entities which propose to carry on life and/or health insurance business.

The movements in the categories of investment securities are as follows:

	FVPL	Available- for-sale	Loans and receivables	Total
At December 31, 2013	\$ 72,858,287	\$ 214,423,138	\$ -	\$ 287,281,425
Additions	15,943,170	8,801,887	-	24,745,057
Disposals and maturities	(3,996,174)	(4,486,125)	-	(8,482,299)
Net fair value gains	1,606,566	277,738	-	1,884,304
At December 31, 2014	86,411,849	219,016,638	-	305,428,487
Additions	32,845,428	9,867,457	35,000,000	77,712,885
Disposals and maturities	(19,289,832)	(12,214,050)	-	(31,503,882)
Net fair value gains	2,236,046	953,186	-	3,189,232
At December 31, 2015	\$ 102,203,491	\$ 217,623,231	\$ 35,000,000	\$ 354,826,722

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The following table shows an analysis of financial instruments recorded at fair value by level within the fair value hierarchy:

At December 31, 2015	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
<u>Non-Pledged Securities</u>			
Equity securities	\$ 11,494,493	\$ 2,323,473	\$ 13,817,966
Shares in investment funds	-	2,661,006	2,661,006
Government securities	-	19,608,604	19,608,604
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	11,997,012	11,997,012
Sub-total	<u>11,494,493</u>	<u>38,140,095</u>	<u>49,634,588</u>
<u>Pledged Securities (See Note 20)</u>			
Government securities	\$ -	\$ 48,844,204	\$ 48,844,204
Other debt securities	-	3,724,699	3,724,699
Sub-total	-	52,568,903	52,568,903
Total	<u>\$ 11,494,493</u>	<u>\$ 90,708,998</u>	<u>\$ 102,203,491</u>
Available-for-sale financial assets:			
Equity securities	\$ 5,662,926	\$ 4,630,575	\$ 10,293,501
Shares in investment funds	-	765,219	765,219
Government securities	-	171,004,097	171,004,097
Preferred shares	-	19,197,041	19,197,041
Other debt securities	-	16,363,373	16,363,373
Total	<u>\$ 5,662,926</u>	<u>\$ 211,960,305</u>	<u>\$ 217,623,231</u>
Loans and receivables:			
Sovereign debt	\$ -	\$ 35,000,000	\$ 35,000,000
Total	<u>\$ -</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

The Company did not have any financial instruments classified as Level 3 as at December 31, 2015.

At December 31, 2014	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
Equity securities	\$ 10,376,742	\$ 2,357,448	\$ 12,734,190
Shares in investment funds	-	2,550,098	2,550,098
Government securities	-	56,627,974	56,627,974
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	12,949,587	12,949,587
Total	<u>\$ 10,376,742</u>	<u>\$ 76,035,107</u>	<u>\$ 86,411,849</u>
Available-for-sale financial assets:			
Equity securities	\$ 4,335,476	\$ 5,163,695	\$ 9,499,171
Shares in investment funds	-	740,607	740,607
Government securities	-	170,654,148	170,654,148
Preferred shares	-	19,481,343	19,481,343
Other debt securities	-	18,641,369	18,641,369
Total	<u>\$ 4,335,476</u>	<u>\$ 214,681,162</u>	<u>\$ 219,016,638</u>

The Company did not have any financial instruments classified as Level 3 as at December 31, 2014.

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10. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2015	2014
Mortgages and commercial loans	\$ 45,894,082	\$ 51,649,391
Accrued interest	7,901,353	7,181,999
Subtotal	53,795,435	58,831,390
Less: Provisions	(11,291,433)	(10,387,210)
Mortgages and commercial loans, net	<u>\$ 42,504,002</u>	<u>\$ 48,444,180</u>

Mortgages and commercial loans are classified into the following categories:

	2015	2014
Residential mortgages	\$ 27,004,942	\$ 31,147,169
Commercial mortgages	16,218,545	17,693,153
Commercial paper	2,670,595	2,809,069
Subtotal	45,894,082	51,649,391
Accrued interest	7,901,353	7,181,999
Total	<u>\$ 53,795,435</u>	<u>\$ 58,831,390</u>

The totals above represent the Company's gross exposure on mortgages and commercial loans. It is the Company's policy not to lend more than 75% of collateralized values pledged reducing the Company's overall net exposure.

Included in residential mortgages at December 31, 2015 are loans to employees and salespersons amounting to \$4,968,320 (2014: \$5,575,919).

Provisions on mortgages and commercial loans are as follows:

	2015	2014
Residential mortgages	\$ 1,653,246	\$ 2,064,937
Commercial mortgages	4,325,217	3,572,271
Accrued interest	5,312,970	4,750,002
Total provisions on mortgages and commercial loans	<u>\$ 11,291,433</u>	<u>\$ 10,387,210</u>

The movement in loan loss provisions is as follows:

	2015	2014
Balance, beginning of year	\$ 10,387,210	\$ 8,867,934
Increase in provisions	2,439,474	2,759,034
Provisions written back to income	(1,535,251)	(1,239,758)
Balance, end of year	<u>\$ 11,291,433</u>	<u>\$ 10,387,210</u>

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As of the year-end reporting date, the approximate weighted average interest rates on mortgages and commercial loans are as follows:

	2015	2014
Residential mortgages	7.49%	7.51%
Commercial mortgages	9.16%	8.37%
Commercial paper	7.90%	7.94%

11. Policy Loans

Policy loans are comprised of:

	2015	2014
Policy loans	\$ 66,356,346	\$ 65,851,475
Accrued interest on policy loans	3,795,103	3,715,952
Subtotal	70,151,449	69,567,427
Less: Provisions	(12,720)	(5,997)
Policy loans, net	\$ 70,138,729	\$ 69,561,430

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of \$12,720 (2014: \$5,997) in policy overloans. Policy overloans represent policy loans in excess of the cash surrender values of the policies on which the loans are made. These overloans are not secured by cash surrender values; however, the related policies remain in force. The policy overloans have been fully provided for at December 31, 2015. Interest is accrued on a monthly basis and the loans are settled on termination of the policy, if not repaid while the policy remains in force. The approximate effective interest rate on policy loans is 11.64% (2014: 11.7%).

12. Investment Properties

The Company's investment properties consist of land holdings, residential rental properties, and commercial office rental properties and are carried at fair value. All investment properties have been classified as Level 3 in the fair value measurement hierarchy and there were no transfers from or to Level 3 during the period. Movements in investment properties classified by category are as follows:

	Land	Residential	Commercial Office	Total
At December 31, 2013	\$ 4,937,442	\$ 650,000	\$ 49,410,859	\$ 54,998,301
Additions (subsequent expenditure)	-	-	79,576	79,576
Net loss from fair value adjustments	(912,442)	-	-	(912,442)
At December 31, 2014	4,025,000	650,000	49,490,435	54,165,435
Additions (subsequent expenditure)	-	-	101,181	101,181
Net gain/(loss) from fair value adjustments	135,000	(20,000)	773,777	888,777
At December 31, 2015	\$ 4,160,000	\$ 630,000	\$ 50,365,393	\$ 55,155,393

During the period, a number of the individual properties were valued by independent appraisers from Coldwell Banker and Bahamas Realty. All appraisers used are accredited independent appraisers with experience in the location and category of the investment property valued. In accordance with the Company's policy for the valuation of investment property holdings in intervening periods, the fair values of all other properties at December 31, 2015 were based on valuations performed by management using the Discounted Cash Flow Method (DCF), Replacement Cost (RC) and the Sales Comparison Method (SC). (2014: DCF, SC and Cost Approach Method (CA))

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Significant unobservable inputs used in the valuations in 2015 were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	SC	Sales price / acre	\$13,500-\$320,000 (\$14,927)
Residential	SC	Sales price / sq.ft	\$330 (\$330)
Commercial office	DCF	Estimated rental rate/sqft/p.a.	\$11
		Discount rate	8.75%-12.75%
		Rent growth p.a.	3.0%
		Expense inflation p.a.	3.0%
		Capitalization rate for terminal value	8.75%-11.0%
		Vacancy rate	0% to 35.7%
	SC	Cost / sqft	\$12 (\$12)
	RC	Cost/ sqft	\$125 -\$350

Significant unobservable inputs used in the valuations in 2014 were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	DCF	Estimated rental rate/sqft/p.a.	\$3 (\$3)
		Discount rate	8.75%
		Rent growth p.a.	3.0%
		Expense inflation p.a.	3.0%
		Capitalization rate for terminal value	9.0%
		Vacancy rate	0.0%
	SC	Sales price / acre	\$13,500-\$300,000 (\$14,800)
Residential	SC	Sales price / sq.ft	\$340
Commercial office	DCF	Estimated rental rate/sqft/p.a.	\$9-\$100
		Discount rate	8.70%-9.70%
		Rent growth p.a.	3.0%
		Expense inflation p.a.	3.0%

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		Capitalization rate for terminal value	9.0%-10.0%
		Vacancy rate	0.0%-22%
	CA	Cost / sqft	\$86(\$86)

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. A market-derived discount rate is applied to establish the present value of the income streams associated with the property. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events such as lease renewals, and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of property. Periodic cash flows are typically estimated as gross rental income less vacancy, non-recoverable expenses, maintenance and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The RC method bases the cost of replacing the subject property with a structure providing similar utility. The cost estimate may not be necessarily based on similar materials if considered appropriate by the appraiser based on current construction standards.

Under the SC method, fair value is determined by a comparison of recent property sales similar to the subject property. The prices for these properties provide the basis for estimating the value of the subject by comparison. Appropriate adjustments are made for the differences in the properties as they compare to the subject. The adjusted process yields various indicators of value which are analyzed and correlated to provide a value estimate for the subject property.

The CA method provides an analysis showing the fee simple value of the land, the value of site improvements and the cost to construct the building at current building rates. Physical depreciation is then deducted from the construction cost. Functional obsolescence and economic depreciation are also factored in the depreciation if applicable.

Significant increases (decreases) in estimated rental values and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the property. Significant increase (decrease) in long-term vacancy rates and discount rates in isolation would result in a significantly lower (higher) fair value. Increases/(decreases) in the capitalization rate would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate and an opposite change in the long term vacancy rate.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment property for repair, maintenance and enhancement.

Investment properties, with carrying values totaling approximately \$43.2 million (2014: \$41.9 million), have been mortgaged in support of loans advanced to subsidiary companies by the Company – the referenced loans have been eliminated on consolidation. Income from investment properties, which amounted to \$4,504,576 (2014: \$4,812,056), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to \$1,706,542 (2014: \$1,039,996), are included in general and administrative expenses.

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13. Investment in Associates

Investment in Associates is comprised of:

	2015	2014
Walk-In Holdings Limited	\$ 4,238,634	\$ 4,640,156
SBL Ltd.	<u>4,944,366</u>	<u>3,813,738</u>
Total	<u>\$ 9,183,000</u>	<u>\$ 8,453,894</u>

Gains and losses from the Company's investment in associates are comprised of the following:

	2015	2014
Share of profit of investment in associate		
Walk-In Holdings Limited	\$ 98,478	\$ 216,597
SBL Ltd.	1,130,628	429,254
Impairment of goodwill - WIHL	<u>(500,000)</u>	<u>-</u>
Share of net gain of associates	<u>\$ 729,106</u>	<u>\$ 645,851</u>

Walk-In Holdings Limited

In November 2007, the Company, through its wholly-owned subsidiary, PRO Health Holdings Ltd., acquired a 30% interest in Walk-In Holdings Limited ("WIHL"), a privately-held company incorporated in The Bahamas at a cost of \$3,402,631. WIHL owns and operates medical clinics in The Bahamas.

The investment in WIHL is comprised of the following:

	2015	2014
Total assets	\$ 9,253,996	\$ 8,771,280
Total liabilities	<u>(1,078,712)</u>	<u>(913,665)</u>
Net assets of WIHL	<u>\$ 8,175,284</u>	<u>\$ 7,857,615</u>
Company's share of WIHL's balance sheet	\$ 2,505,933	\$ 2,407,455
Goodwill	<u>1,732,701</u>	<u>2,232,701</u>
Total investment in WIHL	<u>\$ 4,238,634</u>	<u>\$ 4,640,156</u>

Management estimates that the carrying value of the investment in WIHL approximates its fair value at the consolidated statement of financial position date.

The Company's share of WIHL's profit is as follows:

	12 Months Ended Dec. 31, 2015	12 Months Ended Dec. 31, 2014
Total revenue	\$ 2,975,553	\$ 7,017,817
Total profit for the period	<u>\$ 317,669</u>	<u>\$ 731,460</u>
Share of WIHL's profit	<u>\$ 98,478</u>	<u>\$ 216,597</u>

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SBL Ltd.

In July 2009, the Company and its Parent, purchased 12% and 7% of SBL Ltd. ("SBL") at a cost of \$5 million and \$3 million respectively. In considering the classification of its 12% equity holding in SBL, the Company has classified its investment in SBL as an investment in associate as two of the ten Board members of SBL are also Directors of the Company. In May 2009, SBL acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and in July 2009, merged ABL subsequently with Sentinel Bank & Trust Limited ("SBT") with the surviving entity retaining the name Ansbacher (Bahamas) Limited. ABL's principal activities comprise private and specialist banking, wealth protection and management, and fiduciary services.

During 2012, the Company and its Parent made additional capital contributions of \$213,382 and \$124,473 respectively in SBL Ltd. to assist SBL's subsidiary, ABL to partially fund acquisition activities. The Company and its Parent's percentage ownership in SBL Ltd. after the capital contribution remained at 12% and 7% respectively.

The investment in SBL is comprised of the following:

	2015	2014
Total assets	\$ 662,929,143	\$ 768,801,903
Total liabilities	(622,020,563)	(737,312,553)
Net assets of SBL	<u>\$ 40,908,580</u>	<u>\$ 31,489,350</u>
Company's share of SBL's balance sheet	\$ 4,730,052	\$ 3,492,370
Intangible assets	<u>214,314</u>	<u>321,368</u>
Total investment in SBL	<u>\$ 4,944,366</u>	<u>\$ 3,813,738</u>

Management estimates that the carrying value of the investment in SBL approximates its fair value at the consolidated statement of financial position date.

The Company's share of SBL's income is as follows:

	12 Months Ended Dec. 31, 2015	12 Months Ended Dec. 31, 2014
Total revenue	\$ 26,071,254	\$ 18,296,097
Total gain for the period	<u>\$ 9,838,793</u>	<u>\$ 4,077,109</u>
Share of SBL's gain	<u>\$ 1,130,628</u>	<u>\$ 429,254</u>

The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2015 and 2014:

	Other Intangible Assets		Total
	Goodwill	Assets	
Balance as of December 31, 2013	\$ 2,232,701	\$ 330,778	\$ 2,563,479
Acquired during the year	-	100,863	100,863
Amortization	-	(110,273)	(110,273)
Balance as of December 31, 2014	<u>2,232,701</u>	<u>321,368</u>	<u>2,554,069</u>
Amortization	-	(107,054)	(107,054)
Impairment losses	(500,000)	-	(500,000)
Balance as of December 31, 2015	<u>\$ 1,732,701</u>	<u>\$ 214,314</u>	<u>\$ 1,947,015</u>

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The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2015, is shown below.

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 329,760	\$ (217,092)	\$ 112,668
Non-competitive agreement	54,480	(54,480)	-
Trade name	89,040	(89,040)	-
Software	577,269	(475,623)	101,646
Total Other Intangible Assets	<u>\$ 1,050,549</u>	<u>\$ (836,235)</u>	<u>\$ 214,314</u>

The useful life of intangible assets with finite lives ranges from 2 to 10 years, with a weighted average amortization period of 9 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets included in Investment in Associates
2016	\$ 72,038
2017	48,350
2018	45,346
2019 and thereafter	48,580
	<u>\$ 214,314</u>

14. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2015	2014
Financial assets		
Premiums receivable	\$ 9,078,586	\$ 9,187,351
Less: Provision on premiums receivable	(2,116,044)	(3,705,171)
Reinsurance recoveries receivable	2,762,546	8,685,645
Net balances receivable/(payable) on ASO plans	6,926,814	(4,608,475)
Agents' balances	1,323,190	1,634,568
Less: Provision on agents' balances	(1,312,633)	(1,643,197)
Accrued interest income	3,862,093	3,544,226
Receivables from related parties (See Note 35)	159,979	880,993
Participation in IRM reinsurance facilities	719,755	31,552
Non-financial assets		
Properties assumed under mortgage defaults	1,795,400	2,616,700
Land held for development	5,942,466	5,708,704
Prepayments and other assets	6,824,874	7,186,868
Total receivables and other assets	<u>\$ 35,967,026</u>	<u>\$ 29,519,764</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

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Administrative Services Only (ASO) receivables

Included in receivables and other assets are net amounts due from / (due to) groups to whom the Company provides administrative services only ("ASO").

Participation in IRM reinsurance facilities

The Company participates in reinsurance facilities managed by International Reinsurance Managers, LLC ("IRM"), an underwriting management company domiciled in the United States of America which provides Company health reinsurance services to small and medium sized insurance companies in the Caribbean and Latin America. The Company's participation in these facilities varies from 10% to 50% for differing underwriting years and its interest is included above. The underlying assets of the reinsurance facilities are principally comprised of US Treasury money market instruments.

15. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2014	\$ 24,366,183	\$ 2,365,677	\$ 3,977,211	\$ 65,174	\$ 30,774,245
Additions	-	-	307,615	-	307,615
Disposals	-	-	-	-	-
At December 31, 2015	<u>\$ 24,366,183</u>	<u>\$ 2,365,677</u>	<u>\$ 4,284,826</u>	<u>\$ 65,174</u>	<u>\$ 31,081,860</u>
Accumulated depreciation:					
At December 31, 2014	\$ 5,818,838	\$ 1,392,816	\$ 2,661,838	\$ 55,438	\$ 9,928,930
Disposals	-	-	-	-	-
Depreciation charge	709,044	232,082	640,122	6,188	1,587,436
At December 31, 2015	<u>\$ 6,527,882</u>	<u>\$ 1,624,898</u>	<u>\$ 3,301,960</u>	<u>\$ 61,626</u>	<u>\$ 11,516,366</u>
Net book value:					
At December 31, 2015	<u>\$ 17,838,301</u>	<u>\$ 740,779</u>	<u>\$ 982,866</u>	<u>\$ 3,548</u>	<u>\$ 19,565,494</u>
At December 31, 2014	<u>\$ 18,547,345</u>	<u>\$ 972,861</u>	<u>\$ 1,315,373</u>	<u>\$ 9,736</u>	<u>\$ 20,845,315</u>

The opening balances have been adjusted for fully depreciated assets.

The cost of land, land improvements and buildings is comprised of the following:

	2015	2014
Land and land improvements	\$ 6,035,523	\$ 6,035,523
Buildings	18,330,660	18,330,660
Total cost	<u>\$ 24,366,183</u>	<u>\$ 24,366,183</u>

Properties are stated at their revalued amounts, as assessed by qualified independent property appraisers or management valuation in intervening periods. The revalued amount is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses.

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be \$13.1 million (2014: \$13.7 million).

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16. Goodwill

	2015	2014
Cost	\$ 10,473,068	\$ 10,473,068
Accumulated impairment charges	(2,369,958)	(2,319,958)
Net book amount	<u>\$ 8,103,110</u>	<u>\$ 8,153,110</u>
Balance, beginning of year	\$ 8,153,110	\$ 8,153,110
Impairment charge	(50,000)	-
Balance, end of year	<u>\$ 8,103,110</u>	<u>\$ 8,153,110</u>

17. Other Intangible Assets

	2015	2014
Cost	\$ 5,512,019	\$ 5,512,019
Accumulated amortization	(5,512,019)	(5,467,825)
Net book amount	<u>\$ -</u>	<u>\$ 44,194</u>
Balance, beginning of year	\$ 44,194	\$ 422,514
Amortization charge	(44,194)	(378,320)
Balance, end of year	<u>\$ -</u>	<u>\$ 44,194</u>

18. Investment in Parent

The Investment in Parent comprises 19,982 (2014: 19,982) ordinary shares of CHBL that are held by the Company amounting to \$50,549 (2014: \$50,549). The fair value of this quoted investment based on the year-end bid price was \$113,898 (2014: \$80,128) and would have been classified as Level 1 in the fair value hierarchy.

19. Provision for Future Policy Benefits

The provision for future policy benefits is calculated using expected future policy lapse rates, mortality, morbidity, investment yield and policy maintenance expense assumptions and any other relevant contingency.

The provisions for adverse deviation recognize uncertainty in establishing these best estimates and allow for possible deterioration in experience. As the best estimate assumption is realized, the provisions for adverse deviations will be released in future income to the extent that they are no longer required to cover adverse experience.

The assumptions used in determining the provision for future policy benefits are reviewed regularly, compared to emerging experience and updated when appropriate. The assumptions that are most sensitive to change are investment yields, expenses, policy lapse rates, and mortality and morbidity.

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Margins for Adverse Deviation Assumptions

The basic assumptions made in establishing provisions for future policy benefits are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the provisions are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase provisions and decrease the income that would be recognized on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Company uses assumptions which take into account the risk profiles of the business. The Closed Participating Fund ("Closed Par Fund"), discussed below, has the lowest margins, as the risk is passed back to the policyholders by dividend distributions.

Investment yields

The computation of provisions takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 35 basis points from the current (Prime) rates immediately and assuming future interest rates remain at that level in the long term. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by \$57.8 million or decrease by \$43.9 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company. The expenses are allocated by line of business using allocation factors developed by the Company. Such expense studies are conducted annually, and are subject to changes in the Company's cost structure as well as the rate of inflation. Best estimate expenses are assumed to increase with inflation of 2.11% in all years. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by \$6.7 million or decrease by \$6.7 million.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If future lapse rates are to differ by 10% from that assumed, the liability would increase by \$8.9 million or decrease by \$8.6 million.

Mortality and Morbidity

Assumptions for life business are based on Company and industry experience. A margin is added for adverse deviation in the range of 4.0 to 11.25 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by \$3.6 million or decrease by \$3.3 million.

Medical claims costs

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claims inflation factors. If the average claim costs were to increase by 10%, gross liabilities would increase by \$0.7 million, with

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the net liabilities increasing by \$0.7 million. If the average claim costs were to decrease by 10% gross liabilities would decrease by \$0.7 million, with the net liabilities decreasing by \$0.7 million.

Analysis of provision for future policy benefits

The following is a summary of the provision for future policy benefits by product line:

	2015	2014
Life insurance	\$ 345,893,242	\$ 326,958,909
Annuities	20,350,745	21,393,869
Accident and health	13,327,663	13,984,839
Colina Investment Plan (See Note 34)	<u>7,609,526</u>	<u>7,356,177</u>
Total provision for future policy benefits	<u>\$ 387,181,176</u>	<u>\$ 369,693,794</u>

The following is a summary of the provision for future policy benefits by contract category:

	2015	2014
Short-term insurance contracts	\$ 13,648,242	\$ 14,318,572
Long-term insurance and other contracts		
-with fixed and guaranteed terms	132,061,779	114,850,969
-with fixed and guaranteed terms and with DPF	196,775,170	195,750,519
-without fixed and guaranteed terms	20,452,190	21,253,817
-without fixed and guaranteed terms and with DPF	16,634,269	16,163,740
Long-term investment contracts with DPF	<u>7,609,526</u>	<u>7,356,177</u>
Total provision for future policy benefits	<u>\$ 387,181,176</u>	<u>\$ 369,693,794</u>

Analysis of change in provision for future policy benefits

	2015	2014
Balance, beginning of year	\$ 369,693,794	\$ 352,911,498
Changes in discretionary participation features	(888,172)	(8,712,256)
Normal changes in policy liabilities	12,664,414	10,090,575
Changes in assumptions and refinement of estimates	<u>5,711,140</u>	<u>15,403,977</u>
Balance, end of year	<u>\$ 387,181,176</u>	<u>\$ 369,693,794</u>

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2015 are actuarial reserves totaling \$32.0 million (2014: \$31.8 million) relating to Colina's commitment to maintain and operate a Closed Participating Fund ("Closed Par Fund") covering the individual participating business (both life and annuity) of the Canada Life portfolio of business acquired on January 1, 2004. The objective of this Closed Par Fund is to finance the participating policyholders' reasonable expectations that Colina will: (i) pay the benefits guaranteed by each participating policy according to its terms; (ii) pay dividends according to the current dividend scale provided that current experience continues; and (iii) make an equitable adjustment to the dividend scale in future years to reflect any deviations from the current experience, in accordance with the insurer's dividend policy as well as applicable actuarial standards. Future profits that may emerge within the Closed Par Fund are for the sole benefit of the participating policyholders.

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The Appointed Actuary's valuation of the Closed Par Fund as of December 31, 2015 shows that it had the following asset mix:

	2015	2014
Government securities	51.8%	51.5%
Policy loans	23.6%	25.2%
Equity securities	9.3%	8.8%
Mortgage loans	7.1%	8.4%
Cash and equivalents	3.6%	0.7%
Preference shares	3.4%	4.1%
Corporate bonds	1.2%	1.3%

20. Repurchase Agreement

On December 7, 2015, the Company entered into a structured repurchase transaction with Deutsche Bank AG (DB), acting through its London Branch. On the initial exchange, DB funded the Company with an amount totaling US\$35 million at an annual fixed rate of 4.85% in exchange for delivery by the Company to DB assets with face amounts totaling US\$47.5 million (the Pledged Bonds). The Pledged Bonds by the Company in respect of this transaction are bonds held by the Company through its interests in its subsidiary CFAL Global Bond Fund Ltd. (CGBF). The Company owns 100% of the issued shares in Class C of the CGBF and by agreement dated December 7, 2015, has been granted all rights and obligations over all assets and liabilities in Class C of the CGBF.

The funded amount by DB to the Company of US\$35 million will be repaid in 5 equal principal repayment instalments of US\$7 million each beginning December 10, 2016 and annually until December 10, 2020. On each repayment date, DB releases a pro-rata portion of the Pledged Bonds.

If the value of the Pledged Bonds falls by more than US\$250,000, the Company will be required to post the shortfall with DB in cash or cash equivalents within 1 business day.

The table below shows the amount of collateral given in respect of the repurchase agreement:

	2015	2014
Payables under sale and repurchase agreements	\$ 35,000,000	\$ -
Carrying amount of collateral provided in respect of above	\$ 52,568,903	\$ -

Collateral provided includes securities transferred under the repurchase agreement. The Company continues to recognize these securities in the statement of financial position and presents them within pledged financial assets at fair value through profit or loss.

The repurchase transaction is scheduled to terminate on December 10, 2020.

21. Other Liabilities

	2015	2014
Third party pension liabilities	\$ 24,866,860	\$ 26,584,541
Benefits payable to policyholders	14,237,806	17,582,205
Accrued expenses and other liabilities	30,171,456	25,002,781
Bank overdraft (See Note 8)	259,672	1,665,852
Reinsurance payables	1,742,306	2,610,008
Total other liabilities	<u>\$ 71,278,100</u>	<u>\$ 73,445,387</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated balance sheet date.

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22. Due to Parent

The balance Due to Parent of \$28,833 (2014: \$1,047,878) is as a result of a net dividend liability.

23. Share Capital

	2015	2014
Authorized:		
1,000,000 Ordinary shares of B\$1.00 each (2014: 1,000,000)	\$ 1,000,000	\$ 1,000,000
20,000 Ordinary shares of B\$0.01 each (2014: 20,000)	\$ 200	\$ 200
Issued and fully paid:		
1,000,000 Ordinary shares of B\$1.00 each (2014: 1,000,000)	\$ 1,000,000	\$ 1,000,000
20,000 Ordinary shares of B\$0.01 each (2014: 20,000)	200	200
Share Premium	<u>1,999,800</u>	<u>1,999,800</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

In August 2010, the Board of Directors by resolution authorized an additional 20,000 Ordinary Shares with a par value of \$0.01 to be offered at a share premium of \$99.99 each.

The Company then immediately offered to its Parent these additional 20,000 Ordinary Shares by converting \$2,000,000 of its share premium into paid up share capital of \$2,000,000 in the Company, resulting in the additional issued shares with a value of \$200 and the accompanying share premium of \$1,999,800.

24. Revaluation Reserve

The revaluation reserve is comprised of the net gain/(loss) on remeasurement of available-for-sale securities to fair value and revaluation adjustments related to land and buildings. Also included in the revaluation reserve are unrealized gains related to the purchase of additional equity in a subsidiary company subsequent to the date control was first established.

	2015	2014
Balance, beginning of year	\$ 11,017,775	\$ 10,286,915
Net fair value gains during the year	946,610	351,115
Transfers to net income	<u>(357,534)</u>	<u>379,745</u>
Balance, end of year	<u>\$ 11,606,851</u>	<u>\$ 11,017,775</u>

25. Contingent Liabilities and Commitments

The Company has the following contingent liabilities and commitments as of the year-end reporting date:

Legal proceedings and regulations

The Company operates in the insurance and financial services industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

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The Company is also subject to insurance solvency regulations in all the jurisdictions in which it operates and has complied with all regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

Contingent liabilities

The Company may have contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. As at December 31, 2015, the Company did not provide any guarantees to third parties in the ordinary course of business. (2014: NIL).

The Company, is from time to time, in connection with its normal operations, named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. The Board of Directors is of the opinion, based upon the advice of counsel, that the final outcome of such actions will not have a material adverse effect on the financial position of the Company.

Commitments

Lending: The company had no commitments to extend credit for mortgages and commercial loans at December 31, 2015 (2014: \$271,161).

Purchase of property and equipment: The Company had no commitments for the purchase of capital equipment or services at December 31, 2015 (2014: NIL).

Leases: The Company leases office and other space for use in its day-to-day business activities pursuant to the terms of non-cancelable operating leases. The expenditures related to these lease arrangements are not considered to be material. The future aggregate minimum lease payments under operating leases as of December 31, 2015 are as follows:

	At December 31, 2015
No later than 1 year	\$ 641,324
Later than 1 year and no later than 5 years	3,022,740
Later than 5 years	1,660,089
	<hr/>
Total	<u>\$ 5,324,153</u>

26. Future Minimum Lease Payments Receivable

The Company derives rental income from certain of its investment properties under non-cancellable rental agreements. The future minimum lease payments due to be received under these agreements as of December 31, 2015 are as follows:

	At December 31, 2015
No later than 1 year	\$ 2,284,784
Later than 1 year and no later than 5 years	2,819,527
	<hr/>
Total	<u>\$ 5,104,311</u>

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27. Net Premium Revenue

Net premium revenue is comprised of the following:

	2015	2014
Life and health insurance premiums	\$ 121,515,121	\$ 126,332,302
Less: Reinsurance premiums	<u>(12,541,266)</u>	<u>(12,865,989)</u>
Subtotal	108,973,855	113,466,313
Premiums from IRM reinsurance facilities (See Note 14)	<u>18,331,693</u>	<u>15,363,874</u>
Net premium revenue	<u>\$ 127,305,548</u>	<u>\$ 128,830,187</u>

Net premium revenues are classified in the following categories:

	2015	2014
Short-term insurance contracts	\$ 77,072,431	\$ 78,868,749
Long-term insurance and other contracts		
-with fixed and guaranteed terms	31,985,399	29,978,543
-with fixed and guaranteed terms and with DPF	20,710,996	21,251,063
-without fixed and guaranteed terms	68,351	140,367
-without fixed and guaranteed terms and with DPF	10,392,557	8,723,941
Long-term investment contracts with DPF	<u>(382,920)</u>	<u>2,733,513</u>
Total premium revenue arising from contracts issued	139,846,814	141,696,176
Premiums ceded to reinsurers	<u>(12,541,266)</u>	<u>(12,865,989)</u>
Net premium revenue	<u>\$ 127,305,548</u>	<u>\$ 128,830,187</u>

28. Net Investment Income

Net investment income is classified as follows:

	2015	2014
Term deposits	\$ 667,595	\$ 1,035,739
Investment securities	19,405,882	14,233,322
Net fair value gains included in the revaluation reserve (See Note 24)	946,610	351,115
Less: Investment management fees (See Note 35)	<u>(1,830,012)</u>	<u>(1,727,881)</u>
Net investment return on managed assets	19,190,075	13,892,295
Mortgages and commercial loans	2,094,438	2,490,095
Policy loans	7,695,698	7,566,115
Rental income	4,659,672	4,951,397
Net fair value gains/(losses) on investment properties (See Note 12)	888,777	(912,442)
Fair value losses on property assumed under mortgage default	(826,000)	-
Other fees and income	<u>(366,662)</u>	<u>(458,742)</u>
Total return on invested assets	33,335,998	27,528,718
Less: Fair value gains in the revaluation reserve	<u>(946,610)</u>	<u>(351,115)</u>
Total net investment income recognized in income	<u>\$ 32,389,388</u>	<u>\$ 27,177,603</u>

There are no impairment charges included in net investment income from investment securities (2014: \$Nil).

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29. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2015	2014
Life and health policyholder benefits	\$ 80,383,314	\$ 85,932,346
Less: Reinsurance recoveries	<u>(8,367,197)</u>	<u>(12,734,083)</u>
Subtotal	72,016,117	73,198,263
Benefits paid on IRM reinsurance facilities (See Note 14)	<u>14,332,386</u>	<u>13,876,267</u>
Total net policyholders' benefits	<u>\$ 86,348,503</u>	<u>\$ 87,074,530</u>

Included in life and health policyholder benefits is \$863,341 related to interest on policy dividends on deposit (2014: \$839,979).

Policyholders' benefits for the year by contract classification were as follows:

	2015	2014
Short-term insurance contracts	\$ 48,337,177	\$ 50,315,998
Long-term insurance and other contracts		
-with fixed and guaranteed terms	13,982,446	15,846,475
-with fixed and guaranteed terms and with DPF	21,439,979	21,772,896
-without fixed and guaranteed terms	2,130,317	1,747,771
-without fixed and guaranteed terms and with DPF	8,211,476	9,093,091
Long-term investment contracts with DPF	<u>614,305</u>	<u>1,032,382</u>
Total policyholders' benefits	94,715,700	99,808,613
Reinsurance recoveries	<u>(8,367,197)</u>	<u>(12,734,083)</u>
Net policyholders' benefits	<u>\$ 86,348,503</u>	<u>\$ 87,074,530</u>

30. General and Administrative Expenses

General and administrative expenses are comprised of:

	2015	2014
Salaries and employee/salesperson benefits	\$ 13,542,200	\$ 14,253,137
Fees, insurance and licences	5,675,444	5,118,193
IRM reinsurance facilities expenses (See Note 14)	2,803,309	1,974,874
Advertising and communications expense	2,886,148	2,656,848
Depreciation and amortization	1,631,630	2,012,605
Premises and maintenance	3,272,173	3,577,991
Underwriting fees	735,191	563,001
Other expenses	<u>1,702,577</u>	<u>439,873</u>
Total general and administrative expenses	<u>\$ 32,248,672</u>	<u>\$ 30,596,522</u>

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31. Finance Costs and Interest

Finance costs and interest are comprised of:

	2015	2014
Interest on third party pension liabilities	\$ 1,172,121	\$ 1,230,189
Interest on liabilities due to ASO groups	485,051	554,886
Other interest costs	339,166	-
	<hr/>	<hr/>
Total finance costs and interest	<u>\$ 1,996,338</u>	<u>\$ 1,785,075</u>

32. Dividends Per Share

Dividends to the Parent are recognized as a liability in the period in which they are declared by the Board of Directors. Dividends paid by the Company to its ordinary shareholder in 2015 totaled \$9,975,600 or \$9.78 per share (2014: \$7,048,200 or \$6.91 per share).

33. Pension Plan

The Company operates a defined contribution plan for eligible administrative employees and salespersons which is administered by a related party. Under the plan, eligible staff and salespersons contribute 5% of pensionable earnings with Company contributing 5%. The Company's matching contributions fully vest after five years. Pension expense for the year was \$656,532 and is included in salaries and employee/salespersons' benefits expense (2014: \$640,377).

34. Unit Linked Funds and Investment Plans

Certain policy contracts allow the policyholder to invest in units in a notional fund called the Bahamas Investment Fund (the "BIF"). The value of the units is linked to the performance of the underlying assets of the BIF. These assets may be varied by the Company from time to time and neither the policyholder nor any other person who may be entitled to benefit has any legal or beneficial interest in the BIF or the units or any underlying assets, which are solely the property of the Company.

Certain policy contracts, obtained through the acquisition of the former Colina in 2002, allow the policyholder to acquire units in a notional investment fund known as the Colina Investment Plan (the "CIP"). The value of the units is based on the performance of the underlying assets of the CIP. These assets may be varied from time to time.

Depending on the issue date of their policy, the Company may have guaranteed investors in the CIP a minimum rate of return of either 4% or 4.5% per annum, payable at maturity. The liabilities in relation to these guarantees are included in the provision for future policy benefits.

Issuance of new CIP policies was discontinued in January 2001.

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The underlying assets of the BIF and CIP that are included in their respective categories in the consolidated statement of financial position at December 31, 2015 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2015	2014	2015	2014
Equities - listed	\$ 9,921,012	\$ 7,442,934	\$ 2,585,421	\$ 2,295,893
Equities - unquoted	66,894	66,894	15,000	15,000
Preferred shares - unquoted	550,000	550,000	318,000	318,000
Government securities	6,923,800	6,102,800	5,268,000	6,340,721
Debt securities - unquoted	517,858	528,572	39,287	42,858
Term deposits	576,437	1,184,630	623,398	539,155
Policy loans	-	-	803,959	807,280
Cash	103,917	258,129	148,585	114,230
Due to general fund	(5,113,641)	(2,245,997)	(2,192,124)	(3,116,960)
Total assets	<u>\$ 13,546,277</u>	<u>\$ 13,887,962</u>	<u>\$ 7,609,526</u>	<u>\$ 7,356,177</u>

35. Related Party Balances and Transactions

Related parties are entities or individuals where there is effective control or significant influence by the Company, its directors, AFH or its shareholders. All significant balances and transactions with AFH and entities or individuals controlled or significantly influenced by AFH or otherwise related to it, are disclosed in these consolidated financial statements as being with related parties.

Transactions with related parties

The following transactions were carried out with related parties:

	AFH	Other affiliates	Other related parties	Total 2015	Total 2014
Revenues					
Group medical insurance	\$ 12,056	\$ 955,271	\$ 1,051,646	\$ 2,018,973	\$ 2,073,090
Investment management and other fees	-	-	375,681	375,681	71,662
Other income	-	-	100,000	100,000	155,097
Total	<u>\$ 12,056</u>	<u>\$ 955,271</u>	<u>\$ 1,527,327</u>	<u>\$ 2,494,654</u>	<u>\$ 2,299,849</u>
Expenses					
Management and consulting	\$ 353,240	\$ -	\$ -	\$ 353,240	\$ 103,892
Legal fees	-	321,131	-	321,131	635,299
Investment management fees	-	-	1,830,012	1,830,012	1,727,881
Administration, Registrar and Transfer Agent fees	-	18,403	97,886	116,289	289,592
Property management fees	-	61,920	-	61,920	61,920
Advertising and marketing	-	233,888	-	233,888	232,866
Property rental	-	460,593	-	460,593	464,657
Medical lab expenses	-	-	545,644	545,644	494,260
Other	-	306,873	2,827	309,700	250,000
Total	<u>\$ 353,240</u>	<u>\$ 1,402,808</u>	<u>\$ 2,476,369</u>	<u>\$ 4,232,417</u>	<u>\$ 4,260,367</u>

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Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries, directly or indirectly, including any director (whether executive or otherwise) of the Company. Compensation for key management personnel for the year ended December 31, 2015 was \$2,358,188 (2014: \$2,677,693).

Directors' fees

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended December 31, 2015 totaled \$216,101 (2014: \$283,658).

Year-end balances arising from sales/purchases of products and /or services

The following related party amounts are included in the consolidated statement of financial position as at December 31:

	AFH	Other affiliates	Other related parties	Key Management / Directors	Total 2015	Total 2014
Assets						
Investment securities	\$ -	\$ 614,025	\$ -	\$ -	\$ 614,025	\$ 116,126
Mortgages and and commercial loans, net	\$ -	\$ -	\$ -	\$ 1,375,531	\$ 1,375,531	\$ 1,607,240
Cash and bank balances	\$ -	\$ -	\$ 3,880,564	\$ -	\$ 3,880,564	\$ 7,525,926
Receivables and other assets	\$ 53,828	\$ 62,199	\$ 43,952	\$ -	\$ 159,979	\$ 880,993
Liabilities						
Other liabilities	\$ -	\$ 85,574	\$ 297,609	\$ -	\$ 383,183	\$ 373,204

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.5% and 8.5% p.a. (2014: 5.5% and 8.5% p.a.).

During the year, the Company entered into a credit agreement allowing it to purchase certain assets (See Note 9). ABL funded, and as a result acquired \$10 million of the acquired assets.

36. Risk Management

Governance Framework

The primary objective of the Company's Corporate Governance framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place. The Company has a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

Regulatory Framework

Regulators are primarily interested in protecting the rights of the policyholders and have established guidelines and regulations by which the Company is required to comply to ensure that the Company is satisfactorily managing affairs for their benefit. The operations of the Company are subject also to regulatory requirements in the foreign jurisdictions in which it operates. The Company's regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from changes in the economic environment. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

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Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below indicates the concentration of insured benefits across four bands of insured benefits per coverage insured rounded to the nearest thousand.

	2015		2014
	(in \$000s)		(in \$000s)
\$0 to \$49,999	\$ 457,575	\$	483,214
\$50,000 to \$99,999	939,826		968,046
\$100,000 to \$149,999	2,116,854		2,154,493
\$150,000 and over	3,176,525		3,163,176
	<hr/>		<hr/>
Total	\$ 6,690,780	\$	6,768,929
	<hr/>		<hr/>

The Company manages risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company limits the amount of loss on any one policy by reinsuring certain levels of risk in various areas of exposure with other insurers.

Generally, the Company has retention limits on insurance policies as follows:

	2015		2014
Individual life	\$ 50,000	\$	50,000
Individual accidental death and dismemberment	\$ 50,000	\$	50,000
Individual personal accident	\$ 50,000	\$	50,000
Group accidental death and dismemberment	\$ 50,000	\$	50,000
Individual and Group Medical	\$ 250,000	\$	250,000

Reinsurance ceded does not discharge the Company's liability as the primary insurer and failure of reinsurers to honour their obligations could result in losses to the Company.

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Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, credit risk and liquidity risk.

These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

The Company manages these positions within an asset liability management ("ALM") framework that has been developed to maximize long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match cash flows from assets to the liability cash flows arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

Interest rate risk

The Company is vulnerable to periods of declining interest rates given that most of its investments in government bonds have floating interest rates tied to the Bahamian \$ Prime rate. The Company manages this risk by attempting to retain a level of assets to liabilities with similar principal values, effective interest rates and maturity dates.

The Company monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of mortality, morbidity and terminations. No future discretionary supplemental benefits are assumed to accrue. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by means of buying and selling securities of different durations. The Company's sensitivity to interest rate risk is included in Note 18.

Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Company's credit risk exposure is primarily concentrated in its deposits placed with other financial institutions, loans to policyholders and other clients, and amounts due from reinsurers and insurance contract holders.

The Company's deposits are primarily placed with well-known high quality financial institutions. Loans to policyholders are generally collateralized by cash surrender values of the respective policies. Mortgage loans are adequately secured by properly registered legal charges on real property. With respect to the Company's unsecured commercial paper loans and other material unsecured receivables, management is satisfied that the debtors concerned are both financially able and willing to meet their obligations to the Company except in those instances where impairment provisions have been made.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Appointed Actuary advises management with respect to the Company's reinsurance placement policy and assists with assessing the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. The Company's main reinsurer is Munich Reinsurance Company Canada Branch (Life).

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The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal assessments of the credit ratings of counterparties. The table also includes an aging analysis of financial assets, providing information regarding the Company's exposures on amounts current, and past due:

December 31, 2015 (in \$000s)	Balances with no scheduled repayment dates	Current			Past due but not impaired		Total
		Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	
Financial assets							
Term deposits	\$ 43,705	\$ -	\$ -	\$ 1,200	\$ -	\$ -	\$ 44,905
FVPL securities	-	1,574	82,649	17,980	-	-	102,203
AFS securities	-	3,079	206,319	8,226	-	-	217,624
Loans and receivables	-	-	35,000	-	-	-	35,000
Mortgages and commercial loans	-	-	20,984	-	3,247	18,273	42,504
Policy loans	69,335	-	-	804	-	-	70,139
Cash and demand balances	23,942	-	-	253	-	-	24,195
Premiums receivable	-	-	2,188	-	1,245	3,530	6,963
Reinsurance receivables	-	-	1,359	-	1,404	-	2,763
Other financial assets	891	3,862	6,927	-	-	-	11,680
Total financial assets	\$ 137,873	\$ 8,515	\$ 355,426	\$ 28,463	\$ 5,896	\$ 21,803	\$ 557,976

December 31, 2014 (in \$000s)	Balances with no scheduled repayment dates	Current			Past due but not impaired		Past due and/or impaired	Total
		Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days		
Financial assets								
Term deposits	\$ 42,855	\$ -	\$ -	\$ 1,724	\$ -	\$ -	\$ -	\$ 44,579
FVPL securities	-	2,935	68,786	14,691	-	-	-	86,412
AFS securities	-	2,039	207,966	9,012	-	-	-	219,017
Mortgages and commercial loans	-	-	25,655	-	2,943	19,846	-	48,444
Policy loans	68,754	-	-	807	-	-	-	69,561
Cash and demand balances	20,028	-	-	372	-	-	-	20,400
Premiums receivable	-	-	2,532	-	1,956	994	-	5,482
Reinsurance receivables	-	-	1,443	-	3,948	3,295	-	8,686
Other financial assets	904	3,544	(4,608)	-	-	-	-	(160)
Total financial assets	\$ 132,541	\$ 8,518	\$ 301,774	\$ 26,606	\$ 8,847	\$ 24,135	\$ -	\$ 502,421

Management's internal credit rating assessment allows for Government Securities and listed equity securities to be included in the 'Investment Grade' classification.

Liquidity risk

The Company is exposed to daily calls on its available cash resources, mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

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The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual obligations (undiscounted cash flow basis):

December 31, 2015 (in \$000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 6,180	\$ (3)	\$ 77	\$ -	\$ 7,289	\$ 13,543
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,411)	(21,954)	567,837	-	13,642	548,114
-with fixed and guaranteed terms, with DPF	8,425	43,925	544,630	-	3,869	600,849
-without fixed and guaranteed terms	1,800	6,818	20,130	-	422	29,170
-without fixed and guaranteed terms, with DPF	2,806	7,967	13,143	-	(968)	22,948
Long-term investment contracts with DPF	-	-	-	-	7,610	7,610
Financial Liabilities						
Policy dividends on deposit	-	-	-	27,783	-	27,783
Repurchase agreement	7,000	28,000	-	-	-	35,000
Other financial liabilities	-	-	-	71,278	-	71,278
Total	\$ 14,800	\$ 64,753	\$ 1,145,817	\$ 99,061	\$ 31,864	\$ 1,356,295

December 31, 2014 (in \$000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 6,801	\$ 122	\$ 73	\$ -	\$ 7,204	\$ 14,200
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,394)	(23,329)	551,679	-	6,945	523,901
-with fixed and guaranteed terms, with DPF	7,707	41,030	548,698	-	6,912	604,347
-without fixed and guaranteed terms	1,808	6,916	21,582	-	382	30,688
-without fixed and guaranteed terms, with DPF	2,715	7,208	13,321	-	(632)	22,612
Long-term investment contracts with DPF	-	-	-	-	7,356	7,356
Financial Liabilities						
Policy dividends on deposit	-	-	-	27,686	-	27,686
Other financial liabilities	-	-	-	73,445	-	73,445
Total	\$ 7,637	\$ 31,947	\$ 1,135,353	\$ 101,131	\$ 28,167	\$ 1,304,235

Due to system limitations, certain balances were not able to be classified and have been included in the caption 'not classified'.

The table below summarizes the expected recovery or settlement of assets:

December 31, 2015 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 43,705	\$ -	\$ 1,200	\$ 44,905
Investment securities				
FVPL securities	-	84,223	17,980	102,203
AFS securities	-	209,398	8,226	217,624
Loans and receivables	-	35,000	-	35,000
Mortgages and commercial loans	3,502	39,002	-	42,504
Policy loans	-	69,335	804	70,139
Investment properties	-	55,155	-	55,155
Investment in associates	-	9,183	-	9,183
Cash and demand balances	23,942	-	253	24,195
Receivables and other assets	35,967	-	-	35,967
Property and equipment	-	19,565	-	19,565
Goodwill	-	8,103	-	8,103
Investment in Parent	-	51	-	51
Total Assets	\$ 107,116	\$ 529,015	\$ 28,463	\$ 664,594

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December 31, 2014 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 42,855	\$ -	\$ 1,724	\$ 44,579
Investment securities				
FVPL securities	-	71,721	14,691	86,412
AFS securities	-	210,005	9,012	219,017
Mortgages and commercial loans	1,694	46,750	-	48,444
Policy loans	-	68,754	807	69,561
Investment properties	-	54,166	-	54,166
Investment in associates	8,454	-	-	8,454
Cash and demand balances	20,028	-	372	20,400
Receivables and other assets	29,520	-	-	29,520
Property and equipment	-	20,845	-	20,845
Goodwill	-	8,153	-	8,153
Other intangible assets	-	44	-	44
Investment in Parent	-	51	-	51
Total Assets	\$ 102,551	\$ 480,489	\$ 26,606	\$ 609,646

Price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company has a relatively small investment in local equities which are exposed to market price risk arising from uncertainties about the future values of the investment. A sensitivity analysis has therefore not been presented. Securities reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors and/or respective Board Committees review and approve equity investment decisions meeting thresholds established in each respective subsidiary's Investment guidelines.

Settlement Risk

The Company's trading activities may give rise to the risk that at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities, or other assets as contractually agreed.

For those transactions, the Company mitigates settlement risk by the simultaneous commencement of the payment and the delivery parts of the transaction.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. Internal processes include activities relating to accounting, reporting, operations, compliance and personnel management. Such risk manifests itself in various breakdowns, errors and business interruptions and can potentially result in financial losses and other damage to the Company.

The Company regularly assesses new systems which will better enable the Company to monitor and control its exposure to operational risk in order to keep operational risk at appropriate levels.

Capital Management

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return of capital to the shareholders.

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The Company fully complied with all externally imposed capital requirements during the reported financial period and no changes were made to the Company's capital base, objectives, policies and processes from the prior year.

Externally imposed capital requirements for the Company are set and regulated by the Insurance Commission of The Bahamas. These requirements are put in place to ensure sufficient solvency margins. At December 31, 2015, the Company exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets. Further objectives are set by management and the Board to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders' value. For the purposes of assessing its capital position, the Company uses the capital on its consolidated statement of financial position excluding goodwill and with limitations placed on all but the strongest forms of capital.

In addition to the solvency margins as required by statute, the Company measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). The Canadian Insurance regulator has set a MCCSR supervisory target of 150%. At December 31, 2015, the Company's MCCSR exceeded the target.

37. Other Subsequent Events

Dividends declared for the Ordinary Shareholder

The Board of Directors, by resolution dated March 16, 2016, approved an ordinary dividend of \$5.27 per ordinary share for the ordinary shareholder of record on March 30, 2016.