Cayman First Insurance Company Limited

Financial Statements

2014

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Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cayman First Insurance Company Limited:

We have audited the accompanying financial statements of Cayman First Insurance Company Limited, (the "Company") which comprise the statement of financial position as at December 31, 2014, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended (all expressed in Cayman Islands dollars), and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

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

To the Board of Directors of
Cayman First Insurance Company Limited:

(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

As discussed in Note 22 to the financial statements, the 2013 financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Other Matter

This report is made solely to the board of directors in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the directors for our audit work, for this report, or for the opinions we have formed.

Deloitte & Touche

March 25, 2015

Cayman First Insurance Company Limited

Statement of Financial Position
As At December 31, 2014
(expressed in Cayman Islands dollars)

	Note	2014	2013 Restated*
Assets			
Cash and cash equivalents	6	$ 6,632,830	$ 3,039,944
Investments	7	14,726,408	13,255,758
Premiums receivable	8	4,941,375	5,354,346
Reinsurance balances receivable		431,802	581,552
Prepaid expenses and other receivables		265,957	204,804
Deferred policy acquisition commissions	9	894,141	862,549
Reinsurers' share of unearned premiums	13	7,577,542	7,620,552
Reinsurers' share of provision for unpaid claims	12	3,149,082	2,521,098
Intangible assets	10	1,355	4,063
Property, plant and equipment	11	2,089,043	133,789
Total assets		**$ 40,709,535**	**$ 33,578,455**
Liabilities			
Accrued expenses and other liabilities		$ 354,702	$ 329,647
Reinsurance balances payable		1,815,103	2,185,500
Unearned reinsurance commissions	9	1,822,906	1,786,171
Unearned premiums	13	9,837,249	9,905,168
Provision for litigation	12	-	1,050,000
Provision for unpaid claims	12	6,838,836	5,911,803
Total liabilities		**20,668,796**	**21,168,289**
Equity			
Share capital	14	2,000,000	1,500,000
Share premium	14	6,300,092	2,663,371
General reserve	14	3,000,000	3,000,000
Investment fair value reserve		129,180	328,618
Retained earnings		8,611,467	4,918,177
Total equity		**20,040,739**	**12,410,166**
Total liabilities and equity		**$ 40,709,535**	**$ 33,578,455**

* See Note 22

Approved on behalf of the Board:

Director:	**Director:**
Date: March 17, 2015	**Date:** March 17, 2015

The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Statement of Income and Comprehensive Income
For the year ended December 31, 2014
(expressed in Cayman Islands dollars)

	Note	2014	2013 Restated*
Underwriting income			
Gross premiums written		$ 43,471,166	$ 42,736,926
Movement in unearned premiums	**13**	67,919	(338,275)
		43,539,085	42,398,651
Premiums ceded to reinsurers		(18,992,114)	(19,346,805)
Movement in deferred reinsurance premiums	**13**	(43,010)	405,768
Net premiums earned		24,503,961	23,457,614
Commission income		5,134,845	5,011,495
Total underwriting income		**29,638,806**	**28,469,109**
Underwriting expenses			
Net claims incurred	**12**	14,049,146	14,132,718
Commission expense		2,833,648	2,726,377
Cost of excess of loss reinsurance		3,406,343	3,404,711
Total underwriting expenses		20,289,137	20,263,806
Net underwriting income		**9,349,669**	**8,205,303**
Other operating expenses			
Salaries, benefits and bonuses	**18**	3,195,322	3,061,513
General and administrative expenses		2,592,915	2,440,995
Total other operating expenses		**5,788,237**	**5,502,508**
Net technical results		**3,561,432**	**2,702,795**
Other income (expenses)			
Investment income	**15**	450,919	447,248
Other income	**16**	749	4,000
Management fees	**18**	(316,266)	(281,994)
Movement in provision for litigation	**12**	(3,544)	(2,705,126)
Total other income/(expenses)		**131,858**	**(2,535,872)**
Net income		**3,693,290**	**166,923**
Other comprehensive loss			
Change in investment fair value reserve	**7**	(199,438)	(294,334)
		(199,438)	**(294,334)**
Comprehensive income/(loss)		**$ 3,493,852**	**$ (127,411)**

* See Note 22

The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Statement of Changes in Equity
For the year ended December 31, 2014
(expressed in Cayman Islands dollars)

	Share Capital	Share Premium	General Reserve	Investment Fair Value Reserve	Retained Earnings	Total
Year-ended December 31, 2014						
Balance, beginning of year	**$ 1,500,000**	**$ 2,663,371**	**$ 3,000,000**	**$ 328,618**	**$ 4,918,177**	**$ 12,410,166**
Comprehensive income:						
Net income for the year	-	-	-	-	3,693,290	3,693,290
Change in investment fair value reserve (Note 7)	-	-	-	(199,438)	-	(199,438)
	-	**-**	**-**	**(199,438)**	**3,693,290**	**3,493,852**
Transactions with owners						
Rights issue (Note 14)	500,000	3,636,721	-	-	-	4,136,721
	500,000	**3,636,721**	**-**	**-**	**-**	**4,136,721**
Balance, end of year	**$ 2,000,000**	**$ 6,300,092**	**$ 3,000,000**	**$ 129,180**	**$ 8,611,467**	**$ 20,040,739**
Year-ended December 31, 2013						
Balance, beginning of year	$ 1,500,000	$ 2,663,371	$ 3,000,000	$ 622,952	$ 6,001,254	$ 13,787,577
Comprehensive loss:						
Net income for the year	-	-	-	-	166,923	166,923
Change in investment fair value reserve (Note 7)	-	-	-	(294,334)	-	(294,334)
	-	**-**	**-**	**(294,334)**	**166,923**	**(127,411)**
Transactions with owners						
Dividends paid ($0.83 per share)	-	-	-	-	(1,250,000)	(1,250,000)
	-	**-**	**-**	**-**	**(1,250,000)**	**(1,250,000)**
Balance, end of year	**$ 1,500,000**	**$ 2,663,371**	**$ 3,000,000**	**$ 328,618**	**$ 4,918,177**	**$ 12,410,166**

The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Statement of Cash Flows
For the year ended December 31, 2014
(expressed in Cayman Islands dollars)

	Note	2014	2013
Operating activities			
Net income for the year		$ 3,693,290	$ 166,923
Reconciliation of net income to net cash (used) provided by operating activities		(388,423)	(823,601)
Net cash provided/ (used) by operating activities	**17**	**3,304,867**	**(656,678)**
Investing activities			
Cost of investments purchased	**7**	(3,907,591)	(961,050)
Proceeds from sale and maturity of investments	**7**	2,091,765	1,671,824
Cost of property, plant and equipment purchased	**11**	(2,032,876)	(86,715)
Proceeds on sale of property, plant and equipment	**16**	-	4,000
Net cash (used)/provided by investing activities		**(3,848,702)**	**628,059**
Financing activities			
Rights issue		4,136,721	
Dividends paid		-	(1,250,000)
Net cash provided/ (used) by financing activities		**4,136,721**	**(1,250,000)**
Increase/(decrease) in cash and cash equivalents		**3,592,886**	**(1,278,619)**
Cash and cash equivalents at beginning of year		**3,039,944**	**4,318,563**
Cash and cash equivalents at end of year	**6**	**$ 6,632,830**	**$ 3,039,944**

The accompanying notes form an integral part of these financial statements.

1. Organisation

Cayman First Insurance Company Limited (the "Company") was incorporated as an ordinary resident company under the Companies Law of the Cayman Islands on February 20, 1984 as Cayman General Insurance Co. Ltd. The Company changed its name on August 31, 2006 to Sagicor General Insurance (Cayman) Ltd and then to Cayman First Insurance Company Limited on August 4, 2010.

The Company is principally engaged in writing general insurance (property & casualty) and health insurance in the Cayman Islands, for which it holds a Class "A" Insurer's License under the Insurance Law of the Cayman Islands. The Company has an A.M. Best rating of A-.

At December 31, 2013, the Company was 83.52% owned by BFH International Limited ("BFHI"), a company incorporated in the Cayman Islands, which is in turn wholly-owned by Bahamas First Holdings Limited ("BFH"), a company incorporated in the Commonwealth of The Bahamas. The Government of the Cayman Islands owned 16% of the Company and the remaining 0.48% was held by 34 minority shareholders.

During June 2014, the Company offered a rights issue of 1 share for every 3 shares held to all holders of its ordinary voting shares. One minority shareholder took up 125 rights shares and the balance of 499,875 was taken up by BFHI. Following the rights issue, BFHI shareholding increased to 87.64% and the Government of the Cayman Islands shareholding was diluted to 12%. The shareholding of the minority shareholders was also diluted to 0.36% and is held by 33 members. The shares were issued at the December 31, 2013 net book value per share of $8.273444.

The Company's registered office is located at the office of Cayman National Trust Co. Ltd., Cayman National Building, 200 Elgin Avenue, PO Box 1790, KY1-1105, George Town, Grand Cayman, Cayman Islands.

2. Adoption of new and amended International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after January 1, 2014.

a) Standards and Interpretations effective but not affecting the reported results or financial position

IFRS 10 (Amended) Consolidated Financial Statements
IFRS 12 (Amended) Disclosure of Interests in Other Entities
IAS 27 (Amended) Investment Entities
IAS 32 (Amended) Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amended) Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amended) Novation of Derivatives / Continuation of Hedge Accounting
IFRIC 21 Levies

2. Adoption of new and amended International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") (continued)

b) Standards and Interpretations in issue but not yet effective

IFRS 9 (Amended) Financial Instruments
IFRS 11 (Amended) Accounting for Acquisitions of Interest in Joint Operations
IFRS 15 Revenue from Contracts with Customers
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 and IAS 41 Agriculture: Bearer Plants
IAS 19 Defined Benefits Plans: Employee Contributions

Management does not anticipate that the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

3. Significant Accounting Policies

Basis of preparation

These financial statements have been prepared on the historical cost basis, except as modified by the revaluation of available for sale investments, and in accordance with IFRS and IFRIC interpretations.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

All amounts in these financial statements are shown in Cayman Islands dollars, unless otherwise stated.

The following policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. The Company defines insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur. Any insurance contracts not meeting the definition of an insurance contract under IFRS 4 Insurance Contracts are classified as investment contracts. The main insurance contracts issued by the Company are as follows:

Property and casualty insurance contracts: Property and casualty insurance contracts are generally one year renewable contracts covering insured entities for damage suffered to their properties or for the value of property lost or for the risk of causing harm to third parties as a result of their legitimate activities.

3. Significant Accounting Policies (continued)

Insurance contracts (continued)
Health and Group Life insurance contracts: Health and Group Life insurance contracts are one year renewable contracts. Health insurance contracts cover insureds for medical expenses incurred. Group Life insurance contracts protect the Company's customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

Reinsurance contracts
Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term recoverables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense over the period of the contract.

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

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

The Company earns commission based on reinsurance premiums ceded as determined in the contract with the reinsurer. Commissions relating to reinsurance contracts are also treated on a pro-rata basis, and unearned portions at the financial period end are similarly carried forward on the statement of financial position.

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

3. Significant Accounting Policies (continued)

Claims
The provision for unpaid claims, and reinsurers' share thereof, are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the date of the statement of financial position.

At the date of the statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. Management has engaged independent actuaries, IAO Actuarial Consulting Services Inc. ("IAO"), a subsidiary of AON, to assist in performing the liability adequacy test at December 31, 2014.

Receivables and payables related to insurance contracts
Receivables and payables are recognised when due. These include amounts due to and from brokers and insurance contracts holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the statement of income and comprehensive income.

The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for other receivables. The impairment loss is also calculated under the same method used for financial assets.

Management fees
The Company pays an annual management fee to Bahamas First Corporate Services Ltd. ("BFCS"), a Bahamas registered company within the BFH Group, for executive management oversight and general administrative support provided to the Company. The fee is expensed evenly over the year.

Investments
All investments are initially recognised at fair value, on a trade date basis. At initial recognition, investments are designated as available for sale and are carried at fair value, with unrealised gains and losses being recorded in the investment fair value reserve within equity. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

The fair value of debt securities is based on either current bid prices reported on recognised exchanges or pricing data provided by internationally recognised pricing services. The mutual fund is carried at fair value based on the Net Asset Value ("NAV") per share provided by the administrator of the fund. In the absence of readily available pricing data, fair value is determined based on dealer quotes or pricing models which are based on observable market-based inputs when available.

3. Significant Accounting Policies (continued)

Investments (continued)
IFRS 7 requires disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

Investment income
Interest on fixed income securities is recorded on the accrual basis using the effective yield method and dividends on equities are recorded on the ex-dividend date.

Premiums and discounts arising on acquisition of fixed income securities are amortised or accreted over the period remaining to maturity and are recognised through the statement of income. Realised gains and losses on available-for-sale investments are recognised through income when the securities are sold or mature. Any impairment in the value of investments, is charged against income in the year such determination is made. A financial asset is impaired if there is objective evidence of impairment.

Property, plant and equipment
Property, plant and equipment are carried at cost less depreciation. Depreciation is calculated using the straight-line method, estimated to write off the cost of the assets over their expected useful lives, as follows:

Leasehold improvements and furnishings	3 to 6 years
Motor vehicles	5 years
Computer and office equipment	3 years

The assets' useful lives are reviewed at each date of the statement of financial position 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 the proceeds with the carrying amount. These are included in the statement of income and comprehensive income in other income or other operating expenses.

Freehold land acquired during 2014 is stated at cost plus all other expenses incurred in connection with the land acquisition.

3. Significant Accounting Policies (continued)

Intangible assets
Intangible assets comprise acquired computer software licences.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of the specific software, estimates of which range between 5 and 7 years.

Cash and cash equivalents
Cash and cash equivalents comprise all bank current and short-term interest bearing accounts and term deposits with original maturities of three months or less.

Foreign currency translation
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in Cayman Islands dollars, which is the Company's presentation and functional currency.

Revenue and expense transactions denominated in currencies other than the Cayman Islands dollar have been translated using exchange rates ruling at the dates of those transactions. Assets and liabilities denominated in currencies other than the Cayman Islands dollar have been translated using period end foreign exchange rates. Gains or losses on foreign currency transactions are included in other income.

Taxes
Under current laws of the Cayman Islands, there is no income, estate, transfer, sales or other Cayman Islands taxes payable by the Company and management believes the Company is not liable for tax in any other jurisdiction. Accordingly, no tax charges or tax liabilities are reflected in the financial statements.

Stamp duty
Based on the provisions of the Stamp Duty Law (2013 Revision), the Company charges policy holders a stamp duty of $12 on each new or renewed insurance policy. Additionally, for property policies, as prescribed by the law, the Company also charges stamp duty of 2% of the premium relating to immovable property. The Company, as required by the law, submits the stamp duty charged to the Cayman Islands Government each month.

Pension obligations
The Company employees participate in a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no further payment obligations once the contributions have been paid. Payments to defined contribution retirement plans are charged as an expense as they fall due.

Provisions
Provisions for legal claims are recognised 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.

3. Significant Accounting Policies (continued)

Leases

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 statement of income and comprehensive income on a straight line basis over the period of the lease.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. Critical Accounting Estimates and Judgments

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

(a) Provision for litigation

The Company was, for a number of years, involved in protracted litigation issues relating to a Hurricane Ivan claim (the "Windsor Village litigation"), certain aspects of which progressed through the Grand Court of the Cayman Islands, the Cayman Islands Court of Appeal, the Judicial Committee of the Privy Council in the UK, and negotiated settlements with the third parties. The provision held at December 31, 2013 was based upon a negotiated settlement agreed on February 26, 2014, which effectively concluded the Windsor Village litigation.

Refer to Note 12 for further information related to this provision.

(b) The ultimate liability arising from claims made under insurance contracts

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

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, changes in medical costs and the cost of automobile and property repair materials and labour rates.

4. Critical Accounting Estimates and Judgments (continued)

(b) The ultimate liability arising from claims made under insurance contracts (Continued)

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management estimates and judgments are based on the Company's claims experience, relevant circumstances and/or advice from legal counsel. For the year ended December 31, 2014, management has also engaged independent actuaries, IAO Actuarial Consulting Services Inc., to assist them in making such estimates, based on the Company's own loss history and relevant industry data.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within two to three months after the claims event. Health claims are normally reported within three months of the event and are usually settled within days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third party liability, employers' liability, workmen's compensation and long term disability may not be readily available. The provision for the long-tail claims is continually evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The Company does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Company's level of incurred losses and the provision for unpaid claims.

The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

Refer to Notes 5 and 12 for further information on the provision for unpaid claims.

(c) Impairment of financial assets

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Available for sale debt securities and receivables are considered impaired when there is objective evidence of impairment as a result of a loss event that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Refer to Notes 5 and 8 for further information on neither past due nor impaired, past due but not impaired, and impaired financial assets.

5. Management of Insurance and Financial Risk

5.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claim and the timing of the settlement. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency and/or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company only insures the risks of entities within the Cayman Islands, and so there is a concentration of insurance risk within this territory.

Below is a discussion of insurance risks specific to the lines of coverage provided by the Company:

(a) Property and casualty insurance risks

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

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

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

For the Company's property and casualty insurance contracts, significant risk exposures arise from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

5. Management of Insurance and Financial Risk (continued)

5.1 Insurance Risk (continued)

(a) Property and casualty insurance risks (continued)

The Company has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury claims, thus ensuring settlements and avoiding claims development. However, the severity of claims can be affected by increasing level of court awards and inflation. See Note 12 for further discussion of the Company's claims exposures and reserving techniques.

The Company cedes reinsurance to other companies to minimise its exposures arising from large risks or from hazards of an unusual or catastrophic nature.

In the event that the Company's reinsurers are unable to meet their obligations under the reinsurance agreements in place, the Company would still be liable to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

(b) Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to health and group life insurance contracts are epidemics or widespread changes in lifestyle resulting in earlier or more claims than expected.

The reinsurance program used by the Company is reviewed and approved by the Technical Review and Risk Compliance Committee on an annual basis.

5.2 Financial Risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

5. Management of Insurance and Financial Risk (continued)

5.2 Financial Risk (continued)

The following table reconciles financial assets and financial liabilities to the Company's statement of financial position:

	2014	2013 Restated*
Financial assets		
Cash and cash equivalents	$ 6,632,830	$ 3,039,944
Available for sale investments (Note 7)	14,726,408	13,255,758
Loans and receivables:		
- Premiums receivable	4,941,375	5,354,346
- Reinsurance balances receivable	431,802	581,552
Reinsurers' share of provision for unpaid claims	3,149,082	2,521,098
Total financial assets	**$29,881,497**	**$24,752,698**
Non-financial assets	10,828,038	8,825,757
Total assets	**$40,709,535**	**$33,578,455**
Financial liabilities		
Payables at amortised cost:		
- Accrued expenses and other liabilities	$ 354,702	$ 329,647
- Reinsurance balances payable	1,815,103	2,185,500
Provision for litigation	-	1,050,000
Short term insurance contracts:		
- Provision for unpaid claims	6,838,836	5,911,803
Total financial liabilities	**$9,008,641**	**$9,476,950**
Non-financial liabilities	11,660,155	11,691,339
Total liabilities	**$20,668,796**	**$21,168,289**

* See Note 22

5. Management of Insurance and Financial Risk (continued)

5.2 Financial Risk (continued)

(a) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Key areas where the Company is exposed to credit risk are:

- cash and cash equivalents;
- investments in debt securities;
- reinsurers' share of insurance liabilities (reinsurers' share of provision for unpaid claims);
- amounts due from reinsurers in respect of claims paid (reinsurance balances receivable);
- amounts due from insurance contract holders (premiums receivable);
- other receivables.

All cash and cash equivalents are held with large financial institutions in the Cayman Islands and Canada. Investments in debt securities expose the Company to the risk that the issuer will default on payment of interest, the principal or both. The Company seeks to mitigate credit risk on debt securities by adhering to investment guidelines established by the Board of Directors. The minimum credit requirement on debt securities at the time of purchase is BBB by Standard & Poor's.

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 ongoing basis by reviewing their financial strength and credit ratings. The Technical Review and Risk Compliance Committee, which directs the Company's reinsurance placement policy, assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. Reinsurance coverage is placed with a number of major international third party reinsurers, including underwriting members of Lloyd's, with credit ratings of A- or higher from A.M. Best or Standard & Poor's.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

Information reported to management includes details of any uncertain or long outstanding amounts due. Where necessary, management will institute legal proceedings against debtors with long outstanding amounts due to the Company.

5. Management of Insurance and Financial Risk (continued)

5.2 Financial Risk (continued)

(a) Credit risk (continued)

The following assets of the Company are exposed to credit risk:

	2014	2013
Available for sale debt securities (Note 7)	$14,690,683	$13,202,537
Loans and receivables:		
- Premiums receivable*	5,297,789	5,520,525
- Reinsurance balances receivable	431,802	581,552
Cash and cash equivalents	6,632,830	3,039,944
Reinsurers' share of provision for unpaid claims	3,149,082	2,521,098
Total	**$30,202,186**	**$24,865,656**

Debt securities and cash and cash equivalents above are analysed in the table below using Standard & Poor's ("S&P") ratings (or an equivalent rating when not available from S&P).

	2014	2013
AAA	$ -	$ 432,589
AA	2,237,613	1,761,906
A	6,737,179	7,819,506
BBB	4,868,247	2,740,686
Below BBB or not rated	847,644	447,850
Cash and cash equivalents held with financial institution – not rated	6,632,830	3,039,944
Total debt securities and cash and cash equivalents bearing credit risk	**$21,323,513**	**$16,242,481**

*****The Premium receivable balance is on a gross basis. The balance shown on the statement of financial position is net of provision for bad debts.

5. Management of Insurance and Financial Risk (continued)

5.2 Financial Risk (continued)

(a) Credit risk (continued)

Receivables neither past due nor impaired, past due but not impaired and those that are impaired are analysed in the tables below.

At December 31, 2014:	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Available for sale debt securities	$14,690,683	$ -	$ -	$14,690,683
Loans and receivables:				
- Premiums receivable	4,323,030	618,345	356,414	5,297,789
- Reinsurance balances receivable	431,802	-	-	431,802
Reinsurers' share of provision for unpaid claims	3,149,082	-	-	3,149,082
Cash and cash equivalents	6,632,830	-	-	6,632,830
Total assets exposed to credit risk	**$29,227,427**	**$618,345**	**$ 356,414**	**$30,202,186**

At December 31, 2013:	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Available for sale debt securities	$13,202,537	$ -	$ -	$13,202,537
Loans and receivables:				
- Premiums receivable	4,945,317	409,029	166,179	5,520,525
- Reinsurance balances receivable	581,552	-	-	581,552
Reinsurers' share of provision for unpaid claims	2,521,098	-	-	2,521,098
Cash and cash equivalents	3,039,944	-	-	3,039,944
Total assets exposed to credit risk	**$24,290,448**	**$409,029**	**$ 166,179**	**$24,865,656**

A further analysis of premiums receivable is given in Note 8.

5. Management of Insurance and Financial Risk (continued)

5.2 Financial Risk (continued)

(b) Interest rate risk

The Company's investment in fixed income debt securities and cash and cash equivalents are all subject to interest rate risk. The coupon rates associated with the fixed interest debt securities held by the Company range from 2.60% to 8.50% (2013: 2.60% to 8.50%)

The average interest yields of investments held during the year are as follows:

Debt securities	4.62% (2013: 4.62%)
Cash and cash equivalents and term deposits	0.01% (2013: 0.08%)

(c) Foreign currency risk

The Company is not directly exposed to foreign currency risk, as all investments are denominated in US dollars, which is fixed to the Cayman Islands dollar at the following rate: CI$1=US$1.20. All other assets and liabilities are denominated in either Cayman Islands dollars or US dollars. The Company is indirectly exposed to foreign currency risk, where it holds an investment in a mutual fund. The underlying investments of the mutual fund could be denominated in foreign currencies, resulting in exposure to fluctuations in foreign exchange rates.

(d) Price risk

The Company is subject to price risk on its equity securities due to changes in market values. One of the primary objectives of the Company's risk management policy is to mitigate potential adverse impacts of market movements. A diversified portfolio of assets is held in order to reduce exposure to individual equities. A sensitivity analysis to changes in equity prices is given in section 5.3 below.

(e) Liquidity risk

The Company's liquidity risk primarily relates to its insurance liabilities (provision for unpaid claims), which mostly fall due within one year. The Company mitigates this risk by reinsuring a substantial portion of insurance liabilities and by maintaining significant holdings of cash and cash equivalents and investments that mature in the near future or are highly liquid.

5. Management of Insurance and Financial Risk (continued)

5.2 Financial Risk (continued)

(e) Liquidity risk (continued)

The following tables indicate the timing of undiscounted cash flows arising from financial liabilities as of December 31, 2014 and 2013:

2014		**Cash flows (undiscounted)**		
Financial liabilities	**Undiscounted amount**	**< 1 year**	**1- 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 354,702	$ 354,702	$ -	$ -
Reinsurance balances payable	1,815,103	1,815,103	-	-
Provision for unpaid claims (undiscounted)	6,838,836	4,068,143	2,284,943	485,750
Less: reinsurers' share of provision for unpaid claims (undiscounted)	(3,149,082)	(1,590,155)	(1,275,486)	(283,441)
Total undiscounted cash flows	$ 5,859,559	$ 4,647,793	$ 1,009,457	$ 202,309

2013		**Cash flows (undiscounted)**		
Financial liabilities	**Undiscounted amount**	**< 1 year**	**1- 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 329,647	$ 329,647	$ -	$ -
Reinsurance balances payable	2,185,500	2,185,500	-	-
Provision for litigation	1,050,000	1,050,000	-	-
Provision for unpaid claims (undiscounted)	5,911,803	3,375,978	2,087,778	448,047
Less: reinsurers' share of provision for unpaid claims (undiscounted)	(2,521,098)	(1,211,313)	(1,071,642)	(238,143)
Total undiscounted cash flows	$ 6,955,852	$ 5,729,812	$ 1,016,136	$ 209,904

5. Management of Insurance and Financial Risk (continued)

5.3 Sensitivity Analysis

The following factors are likely to affect the sensitivity of the Company's reserves:

- changes to the loss ratios for the underlying business
- changes to the reporting pattern of losses
- changes to the severity of losses

The Company predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash and cash equivalents generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Company's portfolio of equity and debt securities.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from insurance contracts in force at the date of the statement of financial position (both incurred claims and future claims arising from the unexpired risks at the date of the statement of financial position). The mean durations are:

	2014	2013
Net insurance liabilities – property risk	3 months	3 months
Net insurance liabilities – casualty risk	2.5 years	2.5 years
Net insurance liabilities – health contracts	1 month	1 month
Investments (excluding equity securities)	4.05 years	3.15 years

Fixed income and equity securities are marketable and will be able to be sold when required. Cash and cash equivalents are available on demand.

The provision for insurance liabilities is estimated by management based on the Company's claims experience, circumstances at hand and/or advice from legal counsel. In most cases, no explicit assumptions are made as projections/estimates are based on assumptions implicit in the Company's historic claims development and relevant circumstances. As such, the sensitivity of insurance liabilities is based on the financial impact of changes to the reported loss ratio.

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

Sensitivity factor	Description of sensitivity factor applied
Interest rate – cash and cash equivalents	The impact of an increase in market interest rates by 3% (2013: 3%) and decrease in rates by 0.01% (2013: 0.1%)
Interest rate – debt securities	The impact of a change in market interest rates by 3% (2013: 3%)
Commission expense	The impact of a change in commission expense by 5% (2013: 5%)
Loss ratios	The impact of an absolute change in loss ratios by 10% (2013: 10%)

5. Management of Insurance and Financial Risk (continued)

5.3. Sensitivity Analysis (continued)

December 31, 2014	Interest rates +3% +3%	Interest rates -0.01% -3%	Commission expense +5%	Commission expense -5%	Loss ratios +10%	Loss ratios -10%
Impact on profit* (1)	$ 198,985	$ (154)	$ (141,682)	$ 141,682	$(2,109,762)	$ 2,109,762
Impact on equity *(2)	$(1,412,245)	$1,680,058	$ (141,682)	$ 141,682	$(2,109,762)	$ 2,109,762

December 31, 2013	Interest rates +3% +3%	Interest rates -0.1% -3%	Commission expense +5%	Commission expense -5%	Loss ratios "Restated" +10%	Loss ratios "Restated" -10%
Impact on profit* (1)	$ 91,355	$ (2,883)	$ (136,319)	$ 136,319	$(2,005,290)	$ 2,005,290
Impact on equity *(2)	$(1,051,756)	$1,205,445	$ (136,319)	$ 136,319	$(2,005,290)	$ 2,005,290

* Net of reinsurance

(1) The impact on profit for a change in interest rates is based on interest received on cash and cash equivalents.

(2) The impact on equity for a change in interest rates is based on the estimated fair value of fixed income debt securities included in available for sale investments.

The Company is sensitive to price risk on its available-for-sale equity securities. The equity securities are not managed against a specific benchmark. The effect of a 10% increase (2013: 10%) and a 10% (2013: 10%) decrease in equity prices at the date of the statement of financial position are set out below:

At December 31, 2014	Carrying value	Effect on equity +10%	Effect on equity -10%
Unlisted mutual fund	$ 35,725	$ 3,573	$ (3,573)
Total	**$ 35,725**	**$ 3,573**	**$ (3,573)**
At December 31, 2013			
Unlisted mutual fund	$ 53,221	$ 5,322	$ (5,322)
Total	**$ 53,221**	**$ 5,322**	**$ (5,322)**

5. Management of Insurance and Financial Risk (continued)

5.4 Capital Management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements stipulated within the Cayman Islands Insurance Law (Revised) and with the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 mandated by the Cayman Islands Monetary Authority ("CIMA"); and

- to safeguard the Company's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain optimum capital structure.

The Company actively monitors its capital requirements and is in compliance with all relevant laws, rules and regulations.

5.5 Fair Value Estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example corporate bonds) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to fair value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5. Management of Insurance and Financial Risk (continued)

5.5 Fair Value Estimation (continued)

The following table presents the Company's assets that are measured at fair value.

At December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
Available for sale financial assets				
Debt securities				
- Debt securities issued by U.S Government Agencies	$ -	$ 457,034	$ -	$ 457,034
- Debt securities issued by foreign governments	-	442,333	-	442,333
- Corporate bonds	-	13,774,018	-	13,774,018
- Other debt securities	-	-	17,298	17,298
Total debt securities	**$ -**	**$14,673,385**	**$ 17,298**	**$ 14,690,683**
Mutual funds				
- Real Estate Fund	**$ -**	**$ -**	$ 35,725	$ 35,725
Total mutual funds	**$ -**	**$ -**	**$ 35,725**	**$ 35,725**
Total assets measured at fair value	**$ -**	**$14,673,385**	**$ 53,023**	**$ 14,726,408**

At December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total Balance**
Available for sale financial assets				
Debt securities				
- Debt securities issued by U.S Government Agencies	$ -	$ 882,754	$ -	$ 882,754
- Corporate bonds	-	12,302,485	-	12,302,485
- Other debt securities	-	-	17,298	17,298
Total debt securities	**$ -**	**$13,185,239**	**$ 17,298**	**$ 13,202,537**
Mutual funds				
- Real Estate Fund	**$ -**	**$ -**	$ 53,221	$ 53,221
Total mutual funds	**$ -**	**$ -**	**$ 53,221**	**$ 53,221**
Total assets measured at fair value	**$ -**	**$13,185,239**	**$ 70,519**	**$ 13,255,758**

5. Management of Insurance and Financial Risk (continued)

5.5 Fair Value Estimation (continued)

The following table presents the changes in Level 3 instruments:

	2014	2013
Opening balance	$ 70,519	$ 107,306
Change in investment fair value reserve	1,616	(4,404)
Proceeds from sale of investments	(16,765)	(25,990)
Realised losses on sale of investments	(2,347)	(6,393)
Closing balance	**$ 53,023**	**$ 70,519**
Change in investment fair value reserve included in Comprehensive income/(loss)	$ **1,616**	$ **(4,404)**

There were no transfers into and out of level 3 instruments.

6. Cash and Cash Equivalents

	2014	2013
Bank balances	$ 4,404,570	$ 2,311,997
Cash at broker	2,228,260	727,947
Total cash and cash equivalents	**$ 6,632,830**	**$ 3,039,944**

See also Note 5.2 (b) for the average interest yield for the year.

7. Investments

	2014	2013
Available for sale:		
Fixed income debt securities, at fair value (amortised cost $14,344,675; 2013: $12,666,413)	$ 14,484,469	$ 13,007,262
Unlisted mutual fund, at fair value (cost less impairment $46,340; 2013: $65,452)	35,725	53,221
Interest receivable	206,214	195,275
Total investments	**$ 14,726,408**	**$ 13,255,758**

7. Investments (continued)

Management believes that there is no objective evidence of impairment of the investment in fixed income debt securities. The issuers of the debt securities are not in significant financial difficulty and have not defaulted on any interest or principal payments. There is also no observable data indicating that there is a measurable decrease in the estimated future cash flows from these debt securities.

At September 30, 2007, the manager of the mutual fund (a leveraged fund that invests primarily in real estate located in the UK) suspended subscriptions and redemptions.

These actions were taken to safeguard the interest of the investors in response to a significant deterioration in the UK real estate market caused by related credit and liquidity issues in the financial markets. Given the market condition, the fair value had been below cost for a prolonged period of time and it was determined that this fund should be accounted for as impaired. Impairment losses recorded to date, net of impairment recoveries, are $196,778, and these were recorded between December 2008 and December 2010.

Following the suspension of the fund's subscriptions and redemptions, with the ultimate goal being to fully liquidate the fund over a period of approximately three years, it was resolved that the fund would sell the underlying properties of the fund and return the capital to investors at appropriate intervals. At December 31, 2014, the Fund had made two distributions to the investors representing approximately half of the issued units. The first distribution was made during 2013 and the second one during 2014. The Company received $16,765 (2013: $25,990) for its liquidated holding. The carrying cost of the units sold was $19,112 (2013: $32,383), and the realised loss of $2,347 (2013: $6,393) has been included in investment income on the statement of income and comprehensive income.

Subsequent to the year end, in January 2015, the Fund announced its third distribution, bringing the total distributions to two thirds of the original issued units.

The amortised cost and fair value of fixed income debt securities held at December 31, 2014 and 2013 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties. Refer to Note 5.2 (b) for coupon and average interest yields on these securities.

	2014		**2013**	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
Available for sale: Fixed income debt securities				
Due in less than one year	$ 1,667,887	$ 1,680,003	$ 2,079,521	$ 2,126,368
Due after one year through five years	7,454,492	7,631,626	7,404,912	7,583,869
Due after five years	5,222,296	5,172,840	3,181,980	3,297,025
	$14,344,675	**$14,484,469**	**$12,666,413**	**$13,007,262**

7. Investments (continued)

	2014	2013
Available for sale debt securities comprise:		
Government debt securities	$ 886,877	$ 874,587
Corporate debt securities	13,580,925	12,116,008
Other debt securities	16,667	16,667
Total	**$14,484,469**	**$13,007,262**

The geographical location of the Company's investments is as follows:

	2014	%	2013	%
USA	$ 8,018,942	55%	$ 9,425,330	70%
Europe	1,371,027	9%	1,334,952	10%
UK	1,329,577	9%	520,189	4%
Australia	1,321,991	9%	894,501	7%
Asia	1,214,440	8%	868,844	7%
Caribbean	450,642	3%	16,667	1%
South Africa	411,187	3%	-	0%
Canada	402,388	3%	-	0%
	14,520,194	99%	13,060,483	99%
Add: interest receivable	206,214	1%	195,275	1%
Total	**$ 14,726,408**	**100%**	**13,255,758**	**100%**

Reconciliations of movements in the balance of available for sale investments is provided below:

Available for sale investments	**2014**	**2013**
At the beginning of the year	$13,255,758	$14,424,735
Cost of investments purchased	3,907,591	961,050
Proceeds from sale and maturity of investments	(2,091,765)	(1,671,824)
Amortisation / accretion of premiums / discounts on bonds	(154,330)	(150,731)
Realised losses on sale of investments	(2,347)	(6,393)
Fair value net losses	(199,438)	(294,334)
Increase /(decrease) in interest receivable	10,939	(6,745)
At the end of the year	**$14,726,408**	**$13,255,758**

7. Investments (continued)

In connection with the acquisition of the Company by BFHI, BFHI obtained a non-revolving 10-year demand loan from Cayman National Bank Ltd ("Bank") to partially fund the acquisition. As a prerequisite of the loan facility, the Company entered into a Deed of Guarantee dated June 21, 2010 guaranteeing the payment of the loan, all interest and all other sums payable in respect of the loan facility. Pursuant to a pledge agreement dated June 21, 2010 the Company provided to the Bank security interest over its investments as collateral for the credit facility. Consequently, the Company's investments were hypothecated to the extent required to collateralise the loan issued to BFHI. On June 23, 2014, BFHI having fully settled all its obligations under the loan facility, the Company entered in to a Dead of Release with the Bank where the Bank released and discharged the Company from all obligations owed under or pursuant to the Guarantee. On July 25, 2014, the pledge agreement was terminated and the Bank released and discharged its security interest over the Company's investments.

To finance the construction of the Company's corporate headquarters, the Company offered a rights issue to all holders of its ordinary voting shares. BFHI obtained a new non-revolving 10-year demand loan from the Bank to finance its acquisition of shares in the Company. Again, as a prerequisite of the loan facility, the Company entered into a Deed of Guarantee dated June 23, 2014 guaranteeing the payment of the loan, all interest and all other sums payable under or in respect of the loan facility. Pursuant to a pledge agreement dated June 23, 2014, the Company has provided to the Bank security interest over its investments, held with or through BMO Nesbitt Burns Inc. in its capacity as securities intermediary, as collateral for the credit facility. Consequently, the Company's investments have been hypothecated to the extent required to collateralise the loan issued to BFHI. The outstanding loan balance at December 31, 2014 was $4,007,412.

8. Premiums Receivable

Premiums receivable, which is shown net of provision for bad debts, is comprised of:

	2014	2013
Agents and brokers receivables	$ 3,632,062	$ 3,744,662
Policyholders receivables	1,665,727	1,775,863
	5,297,789	5,520,525
Provision for bad debts		
Balance at beginning of year	166,179	121,217
Provision for impairment of receivables	190,235	44,962
Balance at end of year	356,414	166,179
Premium receivable, net	**$ 4,941,375**	**$ 5,354,346**

8. Premiums Receivable (Continued)

Aging of premiums receivable, net is as follows;

	2014	2013
Less than 3 months	$ 3,035,195	$ 3,417,697
3-6 months	1,287,835	1,527,620
6 months -1 year	441,720	409,029
Over 1 year	176,625	-
	$ 4,941,375	**$ 5,354,346**

9. Deferred and unearned commissions

Deferred policy acquisition commissions and unearned reinsurance commissions arise on property and casualty insurance contracts only. The movement in deferred policy acquisition commissions and unearned reinsurance commissions for the year is as follows:

	2014		2013	
	Deferred policy acquisition commissions	Unearned reinsurance commissions	Deferred policy acquisition commissions	Unearned reinsurance commissions
Beginning of year	$ 862,549	$ 1,786,171	$ 813,359	$ 1,766,060
Commissions written*	2,239,069	5,107,179	2,165,476	5,000,749
Commission incurred/earned*	(2,207,477)	(5,070,444)	(2,116,286)	(4,980,638)
Movement during the year	31,592	36,735	49,190	20,111
End of the year	**$ 894,141**	**$ 1,822,906**	**$ 862,549**	**$ 1,786,171**

*Excludes acquisition costs and reinsurance commission relating to health and life insurance contracts.

Notes to Financial Statements
For the year ended December 31, 2014
(expressed in Cayman Islands dollars)

10. Intangible Assets

		Computer Software Licences
Cost/Valuation		
At January 1, 2014	$	487,155
Additions		-
At December 31, 2014	$	487,155
Accumulated amortisation		
At January 1, 2014	$	483,092
Amortisation charge through income		2,708
At December 31, 2014	$	485,800
Net Book Value at December 31, 2014	**$**	**1,355**
Cost/Valuation		
At January 1, 2013	$	487,155
Additions		-
At December 31, 2013	$	487,155
Accumulated amortisation		
At January 1, 2013	$	480,384
Amortisation charge through income		2,708
At December 31, 2013	$	483,092
Net Book Value at December 31, 2013	**$**	**4,063**

11. Property, Plant and Equipment

	Land	Construction in progress	Leasehold improvements & furnishings	Computer & office equipment	Motor vehicles	Total
Cost						
At January 1, 2014	$ -	$ -	$ 1,804,476	$ 416,680	$ 107,483	$ 2,328,639
Additions	1,887,555	105,349	2,079	37,893	-	2,032,876
At December 31, 2014	$ 1,887,555	$ 105,349	$ 1,806,555	$ 454,573	$ 107,483	$ 4,361,515
Accumulated depreciation						
At January 1, 2014	$ -	$ -	$ (1,764,099)	$ (372,713)	$ (58,038)	$ (2,194,850)
Charge for the year	-	-	(31,672)	(34,533)	(11,417)	(77,622)
At December 31, 2014	$ -	$ -	$ (1,795,771)	$ (407,246)	$ (69,455)	$ (2,272,472)
Net Book Value at December 31, 2014	**$ 1,887,555**	**$ 105,349**	**$ 10,784**	**$ 47,327**	**$ 38,028**	**$ 2,089,043**
Cost						
At January 1, 2013	$ -	$ -	$ 1,798,246	$ 393,278	$ 63,200	$ 2,254,724
Additions	-	-	6,230	23,402	57,083	86,715
Disposals	-	-	-	-	(12,800)	(12,800)
At December 31, 2013	$ -	$ -	$ 1,804,476	$ 416,680	$ 107,483	$ 2,328,639
Accumulated depreciation						
At January 1, 2013	$ -	$ -	$ (1,688,182)	$ (343,655)	$ (62,349)	$ (2,094,186)
Charge for the year	-	-	(75,917)	(29,058)	(8,489)	(113,464)
Disposals	-	-	-	-	12,800	12,800
At December 31, 2013	$ -	$ -	$ (1,764,099)	$ (372,713)	$ (58,038)	$ (2,194,850)
Net Book Value at December 31, 2013	**$ -**	**$ -**	**$ 40,377**	**$ 43,967**	**$ 49,445**	**$ 133,789**

As noted in Note 7, the Company made a decision to buy land and develop its own purpose built corporate headquarters. In this regard, a land deal was closed in March 2014, and the value of the land is stated at cost plus all other expenses incurred in connection with the acquisition.

The development process is in its preliminary stages, and the costs incurred to December 31, 2014 have been recorded under construction in progress. The development is expected to be completed in the third quarter of 2016 and the estimated cost, including the land, is projected to be approximately $7,500,000.

12. Provision for Unpaid Claims and Reinsurers' Share of Provision for Unpaid Claims

The movement in the provision for unpaid claims comprises:

2014	**Gross**	**Reinsurers' Share**	**Net**
Provision at beginning of year	$ 5,911,803	$ 2,521,098	$ 3,390,705
Claims incurred	16,398,387	2,349,241	14,049,146
Claims incurred - current year	16,316,491	1,915,413	14,401,078
Claims incurred - prior years	81,896	433,828	(351,932)
Claims paid	(15,471,354)	(1,721,257)	(13,750,097)
Claims paid - current year	(13,102,132)	(844,504)	(12,257,628)
Claims paid - prior year	(2,369,222)	(876,753)	(1,492,469)
Provision at end of year	**$ 6,838,836**	**$ 3,149,082**	**$ 3,689,754**
Breakdown of the provision:			
Notified claims	$ 4,163,836	$ 2,674,082	$ 1,489,754
Incurred but not reported	2,675,000	475,000	2,200,000
Provision at end of year	**$ 6,838,836**	**$ 3,149,082**	**$ 3,689,754**

2013	**Gross**	**Reinsurers' Share**	**Net**
Provision at beginning of year	$ 6,895,677	$ 2,950,393	$ 3,945,284
Claims incurred	15,760,044	1,627,326	14,132,718
Claims incurred - current year	16,016,978	1,501,885	14,515,093
Claims incurred - prior years	(256,934)	125,441	(382,375)
Claims paid	(16,743,918)	(2,056,621)	(14,687,297)
Claims paid - current year	(13,991,489)	(955,270)	(13,036,219)
Claims paid - prior year	(2,752,429)	(1,101,351)	(1,651,078)
Provision at end of year	**$ 5,911,803**	**$ 2,521,098**	**$ 3,390,705**
Breakdown of the provision:			
Notified claims	$ 3,786,803	$ 2,221,098	$ 1,565,705
Incurred but not reported	2,125,000	300,000	1,825,000
Provision at end of year	**$ 5,911,803**	**$ 2,521,098**	**$ 3,390,705**

Management has elected to record the provision for outstanding claims on an undiscounted basis to be in conformity with the reserving policy of BFH, the Company's ultimate parent.

12. Provision for Unpaid Claims and Reinsurers' Share of Provision for Unpaid Claims (continued)

Gross undiscounted reserves at December 31, 2014 are $6,838,836 (2013: $5,911,803). Losses incurred but not reported include a provision for unallocated loss adjustment expenses ("ULAE").

Movements in liabilities related to insured events in prior periods changed primarily because of adjustments, based on advice received from the Company's independent legal counsel, to certain liability claims reported in various underwriting periods. The net impact of this adverse development to the Company is minimal as all losses were heavily reinsured.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of total claims incurred for each year has changed at successive year ends. The bottom half of each table reconciles the cumulative claims incurred to the liability included in the current statement of financial position. Health and Life ("H&L") claims development is shown on a calendar underwriting year basis, whilst Property and Casualty ("P&C") claims development is shown on a financial reporting year basis.

H&L ($)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Gross											
Estimate of ultimate claims incurred:											
At end of calendar underwriting year	6,420,074	6,798,121	6,709,248	9,868,384	14,344,710	14,855,678	15,566,981	13,494,394	14,217,078	13,640,992	115,915,660
One year later	6,140,229	7,032,332	6,476,636	10,290,940	14,358,866	15,302,739	15,325,489	13,028,673	13,981,016		
Current estimate of ultimate claims incurred	6,140,229	7,032,332	6,476,636	10,290,940	14,358,866	15,302,739	15,325,489	13,028,673	13,981,016	13,640,992	115,577,912
Cumulative payments to date	(6,140,229)	(7,032,332)	(6,476,636)	(10,290,940)	(14,358,866)	(15,302,739)	(15,325,489)	(13,028,673)	(13,899,683)	(11,890,992)	(113,746,579)
Liability recognised in the statement of financial position	-	-	-	-	-	-	-	-	81,333	1,750,000	1,831,333
Liability in respect of ULAE											150,000
Total liability included in the statement of financial position											1,981,333
Reinsurance											
Estimate of ultimate claims incurred:											
At end of calendar underwriting year	194,328	436,029	202,643	941,154	1,017,669	478,420	269,902	282,817	504,002	434,483	4,761,447
One year later	250,943	358,288	180,320	1,110,581	961,385	433,028	230,786	310,426	501,891		
Current estimate of ultimate claims incurred	250,943	358,288	180,320	1,110,581	961,385	433,028	230,786	310,426	501,891	434,483	4,772,131
Cumulative payments to date	(250,943)	(358,288)	(180,320)	(1,110,581)	(961,385)	(433,028)	(230,786)	(310,426)	(437,221)	(184,483)	(4,457,461)
Liability recognised in the statement of financial position	-	-	-	-	-	-	-	-	64,670	250,000	314,670
Liability in respect of ULAE											-
Total liability included in the statement of financial position											314,670
Net											
Estimate of ultimate claims incurred:											
At end of calendar underwriting year	6,225,746	6,362,092	6,506,605	8,927,230	13,327,041	14,377,258	15,297,079	13,211,577	13,713,076	13,206,509	111,154,213
One year later	5,889,286	6,674,044	6,296,316	9,180,359	13,397,481	14,869,711	15,094,703	12,718,247	13,479,125	-	-
Current estimate of ultimate claims incurred	5,889,286	6,674,044	6,296,316	9,180,359	13,397,481	14,869,711	15,094,703	12,718,247	13,479,125	13,206,509	110,805,781
Cumulative payments to date	(5,889,286)	(6,674,044)	(6,296,316)	(9,180,359)	(13,397,481)	(14,869,711)	(15,094,703)	(12,718,247)	(13,462,462)	(11,706,509)	(109,289,118)
Liability recognised in the statement of financial position	-	-	-	-	-	-	-	-	16,663	1,500,000	1,516,663
Liability in respect of ULAE											150,000
Total liability included in the statement of financial position											1,666,663

12. Provision for Unpaid Claims and Reinsurers' Share of Provision for Unpaid Claims (continued)

P&C ($)

	2005	2006 (15 months)	2007	2008	2009	2010	2011	2012	2013	2014	Total
Gross											
Estimate of ultimate claims incurred:											
At end of financial reporting year	1,967,750	2,923,333	2,092,763	21,991,580	2,178,428	2,905,048	1,837,242	2,195,941	1,799,901	2,675,499	42,567,485
One year later	1,507,072	2,574,107	1,779,036	22,216,231	2,031,769	2,628,210	1,745,398	2,072,621	1,527,507	-	-
Two years later	1,506,996	2,721,423	2,129,378	22,360,368	2,321,613	2,583,388	1,664,370	1,979,168	-	-	-
Three years later	1,557,886	2,146,527	1,254,550	22,498,219	2,495,499	2,590,311	1,657,485	-	-	-	-
Four years and three months later	1,541,324	2,552,039	1,264,438	22,433,726	2,798,724	2,595,310	-	-	-	-	-
Five years and three months later	1,553,727	2,194,930	1,264,438	22,545,822	2,870,211	-	-	-	-	-	-
Six years and three months later	1,749,842	1,762,475	1,264,438	22,495,254	-	-	-	-	-	-	-
Seven years and three months later	1,896,210	1,708,975	1,264,438	-	-	-	-	-	-	-	-
Eight years and three months later	1,828,743	1,709,870	-	-	-	-	-	-	-	-	-
Nine years and three months later	1,830,536	-	-	-	-	-	-	-	-	-	-
Current estimate of ultimate claims incurred	1,830,536	1,709,870	1,264,438	22,495,254	2,870,211	2,595,310	1,657,485	1,979,168	1,527,507	2,675,499	40,605,278
Cumulative payments to date	(1,698,209)	(1,643,819)	(1,264,438)	(22,378,816)	(2,019,758)	(2,470,271)	(1,604,943)	(1,624,706)	(1,246,014)	(1,211,140)	(37,162,114)
Liability recognised in the statement of financial position	132,327	66,051	-	116,438	850,453	125,039	52,542	354,462	281,493	1,464,359	3,443,164
Liability in respect of prior years*											1,114,339
Liability in respect of ULAE											300,000
Total liability included in the statement of financial position											4,857,503
Reinsurance											
Estimate of ultimate claims incurred:											
At end of financial reporting year	162,756	1,250,372	1,234,340	19,966,673	1,355,516	1,787,159	1,034,564	1,274,092	997,883	1,480,930	30,544,285
One year later	212,611	1,203,146	1,086,990	20,389,491	1,287,558	1,621,322	981,949	1,150,755	841,822	-	-
Two years later	200,361	1,332,074	1,277,850	20,466,158	1,446,906	1,599,668	942,185	1,112,605	-	-	-
Three years later	205,361	784,697	752,753	20,539,224	1,549,729	1,606,182	939,149	-	-	-	-
Four years and three months later	205,361	931,752	758,685	20,503,291	1,731,493	1,609,138	-	-	-	-	-
Five years and three months later	215,243	798,355	758,685	20,570,935	1,775,884	-	-	-	-	-	-
Six years and three months later	478,620	462,986	758,685	20,545,513	-	-	-	-	-	-	-
Seven years and three months later	579,697	463,011	758,685	-	-	-	-	-	-	-	-
Eight years and three months later	497,770	463,096	-	-	-	-	-	-	-	-	-
Nine years and three months later	497,770	-	-	-	-	-	-	-	-	-	-
Current estimate of ultimate claims incurred	497,770	463,096	758,685	20,545,513	1,775,884	1,609,138	939,149	1,112,605	841,822	1,480,930	30,024,592
Cumulative payments to date	(497,770)	(457,554)	(758,685)	(20,476,797)	(1,273,993)	(1,547,031)	(913,050)	(926,955)	(691,780)	(660,021)	(28,203,636)
Liability recognised in the statement of financial position	-	5,542	-	68,716	501,891	62,107	26,099	185,650	150,042	820,909	1,820,956
Liability in respect of prior years*											1,013,456
Liability in respect of ULAE											-
Total liability included in the statement of financial position											2,834,412
Net											
Estimate of ultimate claims incurred:											
At end of financial reporting year	1,804,994	1,672,961	858,423	2,024,907	822,912	1,117,889	802,678	921,849	802,018	1,194,569	12,023,200
One year later	1,294,461	1,370,961	692,046	1,826,740	744,211	1,006,888	763,449	921,866	685,685	-	-
Two years later	1,306,635	1,389,349	851,528	1,894,210	874,707	983,720	722,185	866,563	-	-	-
Three years later	1,352,525	1,361,830	501,797	1,958,995	945,770	984,129	718,336	-	-	-	-
Four years and three months later	1,335,963	1,620,287	505,753	1,930,435	1,067,231	986,172	-	-	-	-	-
Five years and three months later	1,338,484	1,396,575	505,753	1,974,887	1,094,327	-	-	-	-	-	-
Six years and three months later	1,271,222	1,299,489	505,753	1,949,741	-	-	-	-	-	-	-
Seven years and three months later	1,316,513	1,245,964	505,753	-	-	-	-	-	-	-	-
Eight years and three months later	1,330,973	1,246,774	-	-	-	-	-	-	-	-	-
Nine years and three months later	1,332,766	-	-	-	-	-	-	-	-	-	-
Current estimate of ultimate claims incurred	1,332,766	1,246,774	505,753	1,949,741	1,094,327	986,172	718,336	866,563	685,685	1,194,569	10,580,686
Cumulative payments to date	(1,200,439)	(1,186,265)	(505,753)	(1,902,019)	(745,765)	(923,240)	(691,893)	(697,751)	(554,234)	(551,119)	(8,958,478)
Liability recognised in the statement of financial position	132,327	60,509	-	47,722	348,562	62,932	26,443	168,812	131,451	643,450	1,622,208
Liability in respect of prior years*											100,883
Liability in respect of ULAE											300,000
Total liability included in the statement of financial position											2,023,091

* This relates to liabilties for years before 2005.

12. Provision for Unpaid Claims and Reinsurers' Share of Provision for Unpaid Claims (continued)

Provision for Litigation

The Company has, for a number of years, been involved in protracted litigation issues relating to a Hurricane Ivan claim (the "Windsor Village litigation"), certain aspects of which have progressed through the Grand Court of the Cayman Islands ("the Court"), the Cayman Islands Court of Appeal ("The Court of Appeal"), the Judicial Committee of the Privy Council in the UK ("the JCPC"), and negotiated settlements with the third parties.

On March 14, 2011, the Court issued its ruling on the counterclaims by the Windsor Village third parties related to abuse of process and the Mareva Injunction undertaking, dismissing the former with no damages awarded, whilst assessing significant damages against the Company on the latter. From a review of the judgment and advice obtained from legal counsel, the Company was of the view that there were a number of properly arguable grounds for appeal in respect of the Mareva awards, and so the Company filed notice of appeal on March 28, 2011. However, prior to the appeal being heard by the Court of Appeal, the Company and the various third parties agreed upon an out of court settlement and entered into a Deed of Settlement and Release Agreement dated October 14, 2011, whereby the final and full settlement for the Mareva awards was agreed at a reduced amount. The Company then withdrew its appeal and settled the agreed amount in full.

On December 9, 2011, the Court issued its ruling on the issue of costs relating to both the counterclaims related to abuse of process and the Mareva Injunction undertaking. The Court ordered that the Company must pay 85% of the costs and disbursements of the consolidated trial to the third parties awarded damages under the Mareva Injunction undertaking, on the standard basis, whilst all of the third parties, jointly and severally, must pay 15% of the costs and disbursements of the Company, on a standard basis.
The Company's view, supported by legal advice, was that the Court ruled inequitably on the issue, as the majority of time spent and costs incurred related to the abuse of process claims, which the Company was successful in defending, and the Company, therefore, subsequently filed notice of appeal against the ruling. However, prior to the appeal being heard by the Court of Appeal, the Company and the various third parties agreed upon an out of court settlement and entered into a Deed of Settlement and Release Agreement dated January 30, 2013, whereby the final and full settlement for all costs in the proceedings between the Company and the third parties was agreed upon. The Company then withdrew its appeal and settled the agreed amount in full.

With regard to the abuse of process counterclaims, subsequent to the March 14, 2011 ruling of the Court, one of the third parties filed notice of appeal on March 28, 2011. The Court of Appeal heard the matter in November 2011 and issued its ruling on April 5, 2012, dismissing the appeal against the Court's ruling, and awarding costs in favour of the Company. Following the Court of Appeal ruling, the third party appealed further to the JCPC. The JCPC heard the matter in January 2013 and issued its ruling on June 13, 2013, overturning the decision of the Court of Appeal and awarding special damages of $1.3 million and general damages of $35,000 in favour of the third party. The amounts were settled on June 24, 2013 and June 26, 2013 respectively.

12. Provision for Unpaid Claims and Reinsurers' Share of Provision for Unpaid Claims (continued)

Provision for Litigation (continued)

Following the JCPC ruling, the Company and the third party made their submissions on both interest and costs, and the JCPC issued its ruling on both matters on November 25, 2013. The Company was ordered to pay interest on the special damages awarded of $1.3 million at 50% of the respective judgement debt rates for the period from March 20, 2006 to March 14, 2011 and at the respective judgement debt rates for the period from March 14, 2011 to the date the damages were settled, which was June 24, 2013. The interest amount, based on the JCPC awards, was determined to be $257,954, which the Company settled on December 20, 2013. On the issue of costs, the JCPC ordered that the Company must pay 75% of the Court costs, 75% of the Court of Appeal costs until November 17, 2011 and 100% thereafter, and 100% of the JCPC costs, all on the standard basis, if not otherwise agreed between the parties. The Company and the third party entered into and concluded a negotiated settlement agreement dated February 26, 2014, whereby the final and full settlement for all costs in the proceedings between the Company and the third party was agreed upon. The Company settled the agreed amount in full on February 28, 2014. This effectively concluded the Windsor Village litigation.

The movement in the provision for litigation is as follows:

Provision for litigation:	**2014**	**2013**
Provision for litigation at beginning of year	$ 1,050,000	$ 1,216,771
Increase in provision for litigation during year	3,544	2,705,126
Amounts paid during year	(1,053,544)	(2,871,897)
Provision for litigation at end of year	**$ -**	**$ 1,050,000**

13. Unearned Premiums

Unearned premiums arise on P&C insurance contracts only. The movement in unearned premiums for the year is as follows:

	2014		**2013 Restated***	
	Gross	Reinsured	Gross	Reinsured
Beginning of year	$ 9,905,168	$ 7,620,552	$ 9,566,893	$ 7,214,784
Premiums written**	23,903,317	18,946,937	24,170,590	19,179,871
Premium revenue**	(23,971,236)	(18,989,947)	(23,832,315)	(18,774,103)
Movement during the year	(67,919)	(43,010)	338,275	405,768
End of the year	**$ 9,837,249**	**$ 7,577,542**	**$ 9,905,168**	**$ 7,620,552**

* See Note 22
** Excludes premiums relating to health and life insurance contracts.

14. Share Capital

a) Share Capital

	2014	2013
Authorised Share Capital:		
4,000,000 (2013: 4,000,000) ordinary shares of $1 each	$ 4,000,000	$ 4,000,000
1,000,000 (2013: 1,000,000) preference shares of $1 each	1,000,000	1,000,000
	$ 5,000,000	**$ 5,000,000**
Issued and fully paid:		
2,000,000 (2013: 1,500,000) ordinary shares of $1 each	**$ 2,000,000**	**$ 1,500,000**

b) Share Premium

	2014	2013
Balance at beginning of year	$ 2,663,371	$ 2,663,371
Rights issue	3,636,721	-
Balance at end of year	**$ 6,300,092**	**$ 2,663,371**

As disclosed in Note 1, the Company completed a rights issue of 500,000 ordinary shares in June 2014. The shares were issued at the December 31, 2013 net book value per share of $8.273444 resulting in the additional share premium of $3,636,721.

The Company had completed another rights issue of 500,000 ordinary shares in September 2011 and the share premium balance at December 31, 2013 of $2,663,371 represents the value by which the rights issue price exceeded the par value of shares issued.

c) General Reserve

The general reserve of $3,000,000 (2013: $3,000,000) represents amounts appropriated by the directors from retained earnings, and is considered to be non-distributable.

15. Investment Income

Available for sale:	2014	2013
Fixed income securities		
Interest income	$ 644,656	$ 636,473
Amortisation/accretion of premiums/discounts	(154,330)	(150,731)
Realised losses on sale of investments	(2,347)	(6,393)
Investment fees	(37,214)	(34,984)
Total for available for sale investments	**450,765**	**444,365**
Cash and cash equivalents:		
Interest income	154	2,883
Total for cash and cash equivalents	**154**	**2,883**
Total investment income	**$ 450,919**	**$ 447,248**

16. Other Income

	2014	2013
Other miscellaneous income	$ 749	$ -
Gain on disposal of property, plant and equipment	-	4,000
Total other income	**$ 749**	**$ 4,000**

17. Reconciliation of Net Income to Net Cash Provided /(Used) by Operating Activities

	2014	2013 Restated*
Net income for the year	**$ 3,693,290**	**$ 166,923**
Adjustment for non-cash items, interest and dividends:		
Investment income on available for sale investments	(450,765)	(444,365)
Net interest income on cash and cash equivalents	(154)	(2,883)
Interest received	680,835	662,202
Interest paid on purchases of investments	(46,964)	(16,101)
Investment fees paid	(37,214)	(34,984)
Depreciation of property, plant and equipment	77,622	113,464
Amortisation of intangible assets	2,708	2,708
Gain on disposal of property, plant and equipment	-	(4,000)
Movement in provision for impairment of receivables	190,235	44,962
Movement in deferred policy acquisition commissions	(31,592)	(49,190)
Movement in reinsurers' share of unearned premiums	43,010	(405,768)
Movement in reinsurers' share of provision for unpaid claims	(627,984)	429,295
Movement in unearned reinsurance commissions	36,735	20,111
Movement in unearned premiums	(67,919)	338,275
Movement in provision for unpaid claims	927,033	(983,874)
Changes in other assets and liabilities relating to operations:		
Premiums receivable	222,736	(726,937)
Reinsurance balances receivable	149,750	(43,870)
Prepaid expenses and other receivables	(61,153)	75,684
Accrued expenses and other liabilities	25,055	39,160
Reinsurance balances payable	(370,397)	329,281
Provision for litigation	(1,050,000)	(166,771)
Net cash provided/(used) by operating activities	**$ 3,304,867**	**$ (656,678)**

* See Note 22

18. Related Party Balances and Transactions

In the normal course of business the Company writes insurance for some of its directors, employees and minority shareholders. The Company grants reduced insurance rates to directors and employees.

Effective January 1, 2010, the Company purchased quota share reinsurance for motor and liability from Economical Mutual Insurance Company ("Economical"). Economical holds a 20% ownership in the Company's ultimate parent, BFH. The ceded motor and liability quota share is 50.5% and Economical's reinsurance participation is 10%.

The Company pays an annual management fee to BFCS for executive management oversight and general administrative support provided to the Company. The management fee for the year ended December 31, 2014 was $316,266 (2013:$ 281,994).

Salaries and other short-term employee benefits for key management (being those executives with the authority to direct the Company's operating policies) included in personnel expenses are as follows:

	2014	2013
Salaries and other benefits	$ 639,305	$ 737,017
Termination benefits	148,438	-
Post-employment benefits	27,989	32,312
Total remuneration for key management	**$ 815,732**	**$ 769,329**
Receivables from key management personnel	**$ 2,601**	**$ 2,580**

During the year ended December 31, 2014, the Company had a total of 7 directors (2013: 7), of whom 2 (2013: 2) are executive officers of BFH. For the year ended December 31, 2014, the aggregate compensation for directors' services was $75,000 (2013: $79,167).

19. Pension Fund

The Company participates in The Cayman National Pension Fund, a defined contribution plan approved under the National Pensions Law of the Cayman Islands and administered by a previously affiliated Company. Membership is mandatory for all employees between the ages of 18 and 60 with contributions from both employer and employees. Included in personnel expense is an amount of $125,501 (2013: $128,434) representing the Company's portion of contributions required under the plan. The Company employed 43 employees at year-end (2013: 42 employees).

20. Commitments and Contingencies

a) Commitments

The Company has leased two premises from unrelated parties under normal commercial terms.

From May 1, 2001, the Company entered in to a renewable five-year operating lease for its head office operations. The most recent five-year lease expired on April 30, 2014 and the Company is now on a month to month lease given the plans in place to develop the Company's corporate headquarters.

The Company also has a renewable two-year operating lease expiring on August 31, 2016 for its branch.

The Company's total commitments in respect of these lease contracts are summarized as follows:

		Cash flows (undiscounted)		
2014	**Total**	**< 1 year**	**1- 5 years**	**> 5 years**
Operating lease agreements and rental payments	$ 54,167	$ 32,500	$ 21,667	$ -
Total	**$ 54,167**	**$ 32,500**	**$ 21,667**	**$ -**
2013				
Operating lease agreements and rental payments	$ 168,688	$ 168,688	$ -	$ -
Total	**$ 168,688**	**$ 168,688**	**$ -**	**$ -**

b) Other legal proceedings

In the normal course of business, the Company is party to litigation (both as plaintiff and defendant) relating to coverage provided under its insurance policies. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management's policy to rigorously assert its position in such cases. Management does not believe that any current litigation will have a material adverse effect on the Company's financial position.

21. Segmented Information

The Company's operations are segmented into the following two business segments:

- Property and Casualty (P&C)
- Health and Life (H&L)

The Company conducts business in the Cayman Islands only and as a result there is no disclosure required by geographical segment.

21. Segmented Information (continued)

The segment results for the year ended December 31, 2014 and 2013 are as follows:

	P&C	H&L	Total
2014			
Total segment revenue*	$ 8,037,084	$ 18,195,379	$ 26,232,463
Depreciation of property, plant and equipment	40,109	37,513	77,622
Amortisation of intangible assets	-	2,708	2,708
Total segment result	2,083,682	1,609,608	3,693,290

	P&C	H&L	Total
2013			
Total segment revenue*	$ 7,945,459	$ 17,118,939	$ 25,064,398
Depreciation of property, plant and equipment	57,082	56,382	113,464
Amortisation of intangible assets	-	2,708	2,708
Total segment result	(370,195)	537,118	166,923

**Net premium and reinsurance commissions*

Management have pro-rated the Company’s expenses at 48.5% (2013: 48.5%) for the P&C segment and 51.5% (2013: 51.5%) for the H&L segment, based on the estimated amount of resources utilized by each segment.

The segment assets and liabilities and capital expenditure at December 31, 2014 and 2013 are as follows:

	P&C	H&L	Total
2014			
Total segment assets	$ 26,897,753	$ 13,811,782	$ 40,709,535
Total segment liabilities	18,234,510	2,434,286	20,668,796
Capital expenditure	985,945	1,046,931	2,032,876
2013			
Restated**			
Total segment assets	$ 23,262,302	$ 10,316,153	$ 33,578,455
Total segment liabilities	19,252,705	1,915,584	21,168,289
Capital expenditure	58,473	28,242	86,715

** See Note 22

22. Restatement of prior year figures

During 2013, a new business policy, which was 100% reinsured on a facultative basis, was erroneously recorded on the basis of the Company being the sole insurer, when in fact the Company was sharing the risk on a co-insurance basis. Consequently the gross premium written and the reinsurance premium ceded were overstated to the extent of the other co-insurers' shares. Since the policy is 100% reinsured, this error has no impact to the net income reported on the December 31, 2013 audited financials.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the 2013 comparative financial statements have been restated to correct the error as follows:

	2013 As previously reported	Adjustments	2013 Restated
Statement of Financial Position			
Assets			
Reinsurers' share of unearned premiums	$ 7,713,492	$ (92,940)	$ 7,620,552
Liabilities			
Unearned premiums	9,998,108	(92,940)	9,905,168
Statement of Comprehensive Income			
Gross premiums written	43,356,525	(619,599)	42,736,926
Movement in unearned premium	(431,215)	92,940	(338,275)
Premiums ceded to reinsurers	(19,966,404)	619,599	(19,346,805)
Movement in deferred reinsurance premiums	498,708	(92,940)	405,768
Statement of Cash flows			
Movement in reinsurers' share of unearned premiums	(498,708)	92,940	(405,768)
Movement in unearned premiums	431,215	(92,940)	338,275

23. Comparative figures

In accordance with IAS 1 (revised), the Company has re-presented certain comparative information to conform with the current year presentation, as follows:

- Premium receivable balances presented on Note 5.2 (a) and note 8 have been presented on a gross basis while in the prior year they had been shown net of provision for bad debts. The revised presentation allows for a distinct disclosure of impaired receivable balances on Note 5.2 (a).