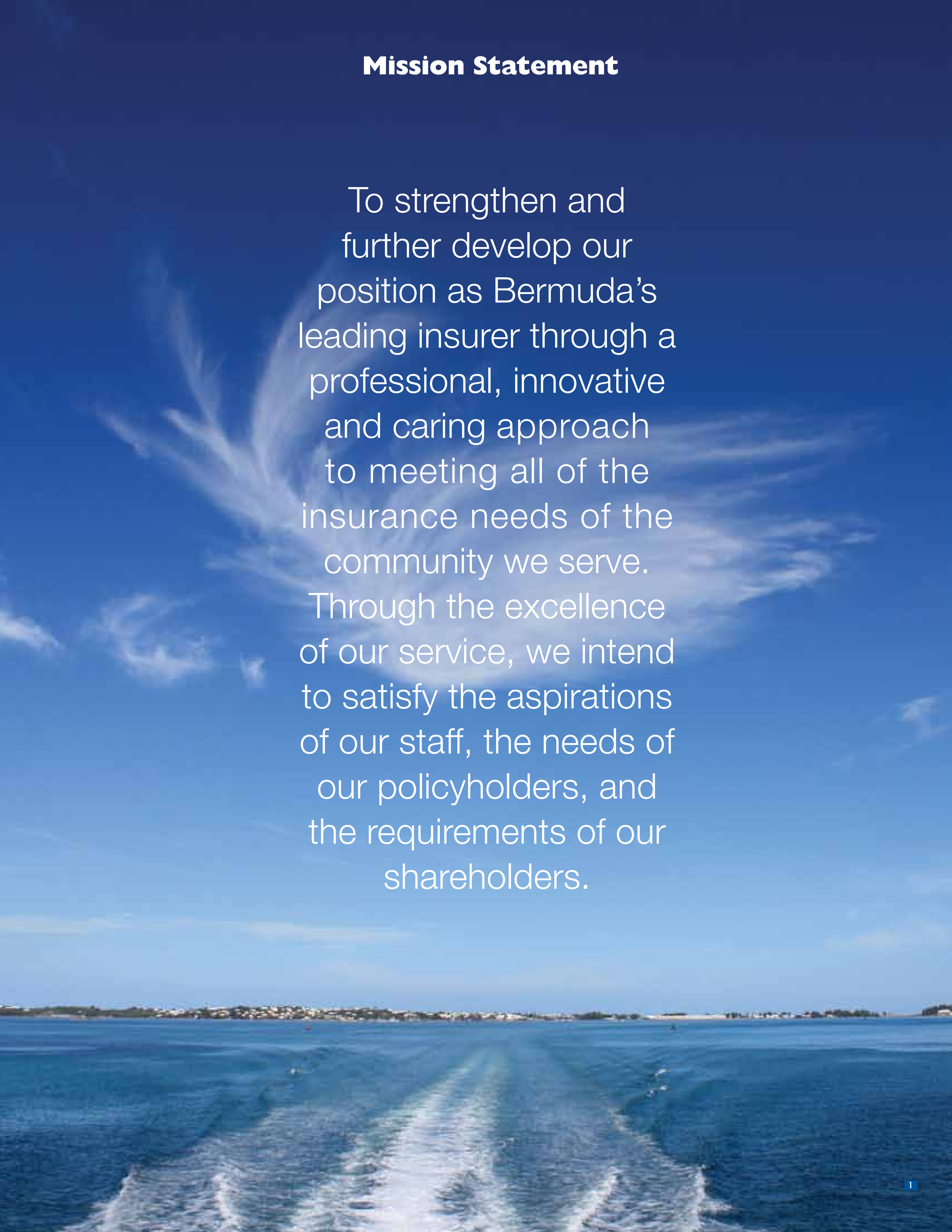
# BF&M LIMITED
ANNUAL REPORT 2010

# Contents

## Mission Statement



To strengthen and further develop our position as Bermuda's leading insurer through a professional, innovative and caring approach to meeting all of the insurance needs of the community we serve. Through the excellence of our service, we intend to satisfy the aspirations of our staff, the needs of our policyholders, and the requirements of our shareholders.

# Group Executive

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

**Susan Reed,** B.A., CLU, FLMI
Chief Operating Officer

**Janet Carew,** C.A.
Chief Financial Officer

**Glen P. Gibbons,** B.A., A.C.I.I.
Senior Vice President
BF&M General Insurance Company Limited

**Goulbourne Alleyne,** M.B.A., FCII
Vice President, Underwriting & Claims
BF&M General Insurance Company Limited

**Gina A. Bradshaw,** FLMI
Vice President, Corporate Strategy

**Miguel DaPonte,** CFA, M.B.A.
Vice President
BF&M Investment Services Limited

**Lynda A. Davidson Leader,** B.A., C.A.
Vice President, Corporate Services

**Holly A. Flook,** RN, BSN
Vice President, Underwriting & Claims
BF&M Life Insurance Company Limited

**Debby L. Graham,** P.H.R.
Vice President, Human Resources

**Michael Lima**
Vice President & General Manager
Bermuda International Insurance Services Limited

**Paul Matthews,** B.A., PMP
Vice President, Information Technology

**Dennis Marinac,** FSA, FCIA
Vice President & Life Actuary
BF&M Life Insurance Company Limited

**Patrick Neal,** B.A., CPCU
Vice President, Bancassurance

**Alyson L. Nicol,** C.A., C.P.A.
Vice President, Pensions
BF&M Life Insurance Company Limited

**Henry Sutton,** CPCU, ARe
Vice President, Customer Relations
BF&M General Insurance Company Limited

**Michelle Webbe,** C.A.
Vice President & Group Controller

# Directors

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

[2] **Peter N. Cooper,** Retired Managing Director, A.S. Cooper & Sons, Ltd.

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

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

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

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

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

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

[1] **S. Caesar "Sy" Raboy,** CLU, Retired Senior Vice President & Deputy General Manager,
Sun Life Assurance Company of Canada's U.S. Operation

[2] **Aaron Smith,** B.Sc(Hon), M.B.A.,
Chairman & CEO, Igility Group of Companies

[1,3] **Richard D. Spurling,** Retired Partner, Appleby, Barristers & Attorneys

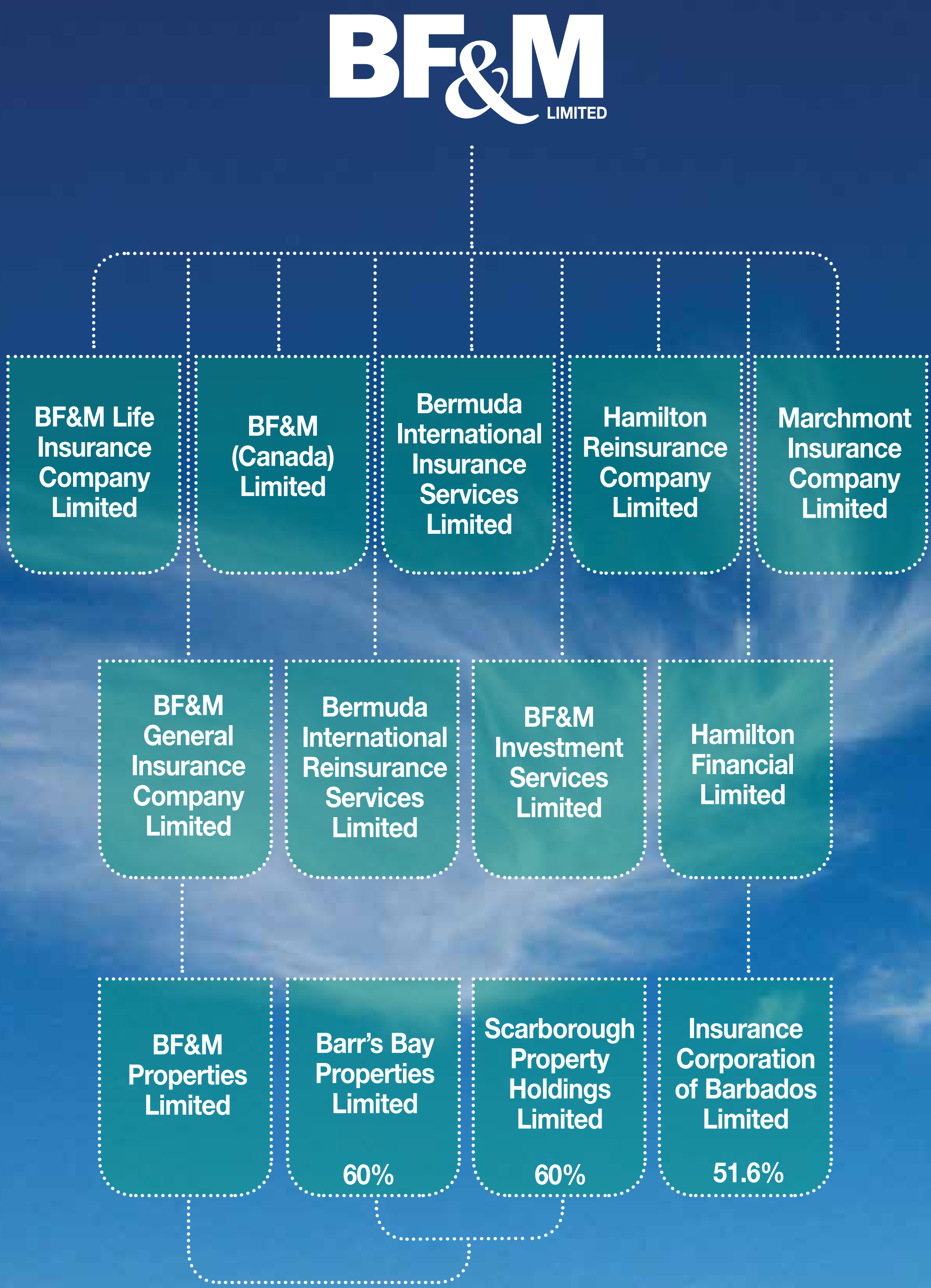
[2] **C.L.F. "Lee" Watchorn,** FCIA, FSA, President, Watchorn Advisory Group

[3] **David A. J. G. White,** President & Managing Director, Knick Knack Co. Ltd.

[3] **R. John Wight,** C.A., CPCU, President & Chief Executive Officer, BF&M Limited

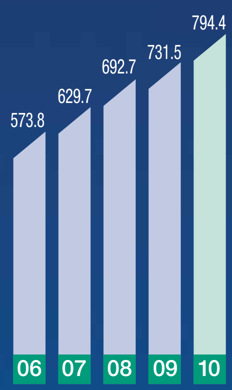
[1] Finance, Compensation & Corporate Governance Committee
[2] Audit, Compliance & Corporate Risk Management Committee
[3] Nominating Committee

# Corporate Structure

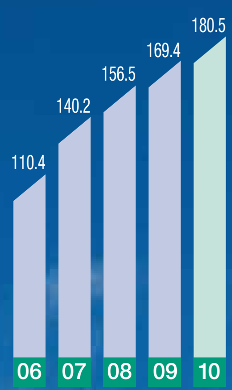


# Financial and Statistical Summary

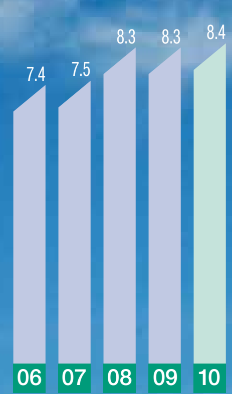
## AT END OF YEAR




**Total Assets**
*in millions of dollars*

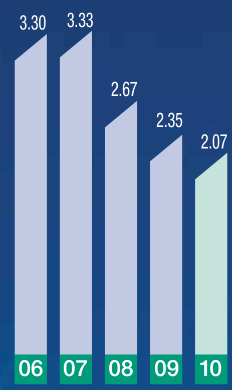



**Shareholders' Equity**
*in millions of dollars*

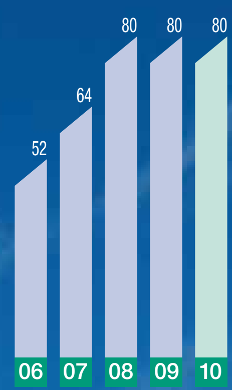



**Number of Common Shares**
*in millions*

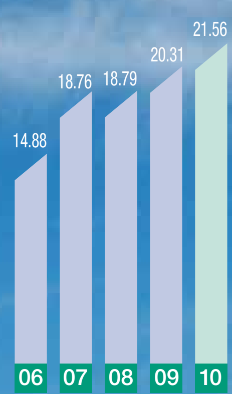
## PER COMMON SHARE




**Net Earnings**
*in dollars*

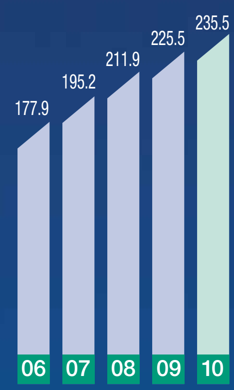



**Cash Dividends**
*in cents*

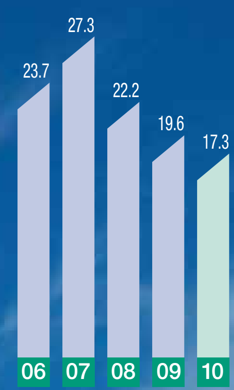



**Book Value**
*in dollars*

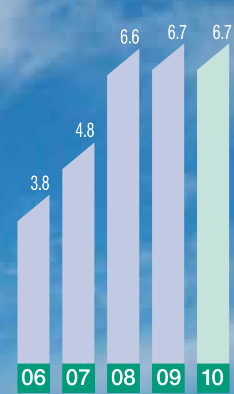
## FOR THE YEAR




**Gross Premiums Written**
*in millions of dollars*

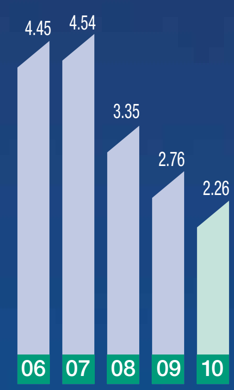



**Net Earnings**
*in millions of dollars*




**Dividends Declared**
*in millions of dollars*

## FINANCIAL RATIOS




**Return on Assets**
*percentage*


**Return on Common Shareholders' Equity**
*percentage*

**R. John Wight,** C.A., CPCU
*President and*
*Chief Executive Officer*

**Gavin R. Arton**
*Chairman*

# The Shareholders' Report

2010 proved to be as challenging for Bermuda as 2009 as our island continued to feel the effects of the western world's economic downturn, which in 2011 enters its fourth year. Although there are indications of optimism coming out of the US economy, there is no sign of immediate recovery for Bermuda.

Net earnings for BF&M Limited for the year ended 31st December, 2010 were $17.3 million. This compared with earnings of $19.6 million for 2009. Based on these 2010 financial results the company maintained the same level of dividends as 2009. 2010 earnings represent a 10% return on equity for shareholders. At 31st December 2010, assets were $794.4 million and shareholders' equity $180.5 million.

We were pleased that rating agency A.M. Best maintained their Financial Strength Rating "A" Excellent for BF&M's two principal operating companies BF&M Life Insurance Company Limited ("BF&M Life") and BF&M General Insurance Company Limited ("BF&M General"). A.M. Best's rating system is designed to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. Their opinions are derived from an evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best's "A" Excellent rating rationale cited "the organization's consistently positive net income, steady premium growth, and strong capitalization". These "A" Excellent ratings for BF&M Life and BF&M General are the strongest of any local insurer in the Bermuda marketplace.

BF&M's investment performance in 2010 was good. Investment income, consisting of dividends, interest, and the increase or decrease in the fair value of investments during the year, went from $13.4 million to $19.5 million. BF&M has a conservative investing policy, which has served the company particularly well during the past few years of volatility in the markets. BF&M's split in investments at 31st December 2010 was 61% bonds; 33% first mortgages, and 6% equities. A provision for non performing mortgages was recorded in 2010 in the event of non repayment in full of obligations due to the company. This amount was not material to earnings.

Last year we reported that the company was preparing itself for the new accounting standard "International Financial Reporting Standards" (IFRS) under which BF&M, as a publicly accountable enterprise must report, effective 1st January 2011. IFRS replaces Canadian Generally Accepted Accounting Principles (GAAP). One time transition and consultancy costs were large for a company our size in both 2010 and 2009. We are pleased to report that we were fully prepared as required to report under this new standard from 1st January 2011 and the quarterly results for the 3 month period ending 31st March 2011 that the Company will announce in June, will be in accordance with IFRS. The effects on earnings of converting from Canadian GAAP to IFRS will not be material.

2010 was a successful year in the roll out of the company's first line of business on its new insurance administrative system. This module was delivered and implemented on time and budget, largely due to our dedicated team of operational staff, business analysts, information systems programmers and testers. This was the first of several lines of business which will be rolled out in 2011, 2012, and 2013. The benefits to the business will be enhanced customer service capabilities, lower ongoing maintenance costs, and greater operational efficiencies.

BF&M had seven profit centres in 2010 which we will report on as follows:

- **Bermuda General Insurance**
- **Bermuda Health & Life Insurance, Pension Administration Services**
- **Bermuda Investment Advisory Services**


## Paget Health Services

Paget Health Services is a consortium of leading Bermudian and international companies which was formed to design, construct, finance and maintain a new building at the King Edward VII Memorial Hospital in Bermuda. The redevelopment will include 90 single occupancy en suite patient rooms, a day surgery unit, ambulatory care facilities, diagnostic imaging services, a new emergency room and new utility plant. BF&M is proud to be advising on the insurance programme.

- **Bermuda Real Estate**
- **Barbados Operation**
- **International Life Insurance**
- **International Life Reinsurance**

## Bermuda General Insurance

Net earnings for this line of business increased in 2010 over 2009. The Property account benefitted from strong retention of existing business accompanied by additional premium derived from the servicing of existing business.

Our ongoing bancassurance relationship with HSBC Bank Bermuda continued to add to our growth in 2010 with increases in new business and strong retention rates being achieved. Additionally, BF&M is now writing home insurance business in Cayman, derived by HSBC Bank Cayman.

The Motor book remains healthy in spite of the reduction in gross premium in 2010. This reduction was a result of certain policyholders electing to switch to third party from comprehensive insurance coverage, in order to manage their insurance spend, and insureds electing for options leading to discounts on their premium. The total value of incurred motor claims were down, however the number of claims reported grew marginally. Continued effort and attention was given to motor claims as we worked with garages and repair shops to ensure that amounts paid were acceptable and manageable.

2010 was an active year for claims, specifically property and marine claims. We experienced wind losses in the property and marine classes resulting from the bad weather in January and Hurricane Igor in September.

Bermuda was very fortunate to escape with minimal damage from the effects of Igor. The standard of Bermuda construction bore witness to the island's ability to cope with a Category 1 hurricane and the event was well managed by our Hurricane Recovery Team. Added to the wind losses during 2010 we also had a number of unusually severe house fires, lightning and water damage claims.

The company's reinsurance programme for 2010 was renewed on similar terms with 2009. Reinsurance is a very strategic element of our business that is given great attention. It only takes a potentially strong Category 4 hurricane such as Igor was four days before it hit Bermuda, to remind ourselves how relevant and important it is for BF&M to reinsure with only top quality global companies with strong A.M. Best and /or Standard & Poors ratings. BF&M's Reinsurance Security Committee maintains a watchful eye on any developments during the year impacting any reinsurers on our panel.

## Bermuda Health & Life Insurance, Pension Administration Services

Earnings from this division increased marginally in 2010 over 2009. The earnings trend from health, life, and pension business has changed over the past several years. We are very pleased with the growth and profitability from life insurance and pension administration services. In addition, efforts to grow pension business have correspondingly been successful. Our company however continues to be concerned about the rising cost of health care. In 2010 we observed far higher medical inflation from local facilities in Bermuda then from medical providers overseas. The reasons for medical inflation are numerous however these include an ageing population, a new billing system and additional service offerings at the Bermuda Hospitals Board that results in a growing burden of healthcare costs transferred to insurers, both public and private. Claim costs paid by BF&M to King Edward Memorial Hospital in 2010 increased 17% over 2009, despite the number of insureds on BF&M's plan being fairly constant over the two years. These levels of claims are obviously not sustainable

I just want to thank you so very much for this opportunity to lose weight. I am so proud of myself for losing so much. I think overweight children in Bermuda needed this to eat right and excercise. I will not stop eating right or exercising. It feels good now. Thanks Again

Mahogany Bean

The National High School Challenge

SCHOOL

Get Fit!

Find the hero in you!

As time goes on and we leave the High School Challenge, I have talked to people from it. We're closer and really good friends But.... a lot of us want to go back and keep doing it, we don't want to stop. Maybe we can keep doing sessions or we should make our own group and do it anyways.

Bry Den

for our policyholders and thus we are pleased to be working with the Ministry of Health and Bermuda Health Council on strategic approaches to address these rising costs as a matter of urgency alongside their efforts to reform the health care sector.

The delivery and financing of health care can be a complicated and emotional issue for residents. During 2010 and early 2011, two important Consultative Papers were released, namely The Bermuda Health Council's report on Health Care Financing and the Ministry of Health's National Health Plan 2011. BF&M is supportive of many of the topics described in these documents that align with Bermuda's objective of providing an effective and efficient health care delivery model that is financially affordable and sustainable. In areas where BF&M has concerns we have expressed these privately to the Ministry and Health Council. Much of the detail underlying these policy documents is still to be determined. We have been pleased by the interest taken by many employers, either individually or through organizations such as the Chamber of Commerce and the Bermuda Employers Council, on these two papers and all reform recommendations since changes to our health care model will affect all of us.

BF&M's wellness program continues to be utilized by many large employer groups. The program includes Health Risk Assessments; aggregate reporting analysis; customized employer-based-wellness program design; nurse consultancy and 24/7 online wellness website access. These services are offered free of charge. We continue to focus on Preventative Health through our benefit design. Several studies have shown that prevention reduces direct and indirect medical services costs over time.

As part of our effort to increase wellness awareness, we continue to promote personal accountability through our sponsorships, such as the Bermuda Cancer & Health Breast Cancer Awareness Walk and health care consumer education, through our quarterly publication of "Health Matters".

## Bermuda Investment Advisory Services

BF&M Investment Services Limited (formerly North Atlantic Asset Management Limited) provides pension investment management and consulting services and is fully licensed with the Bermuda Monetary Authority under the Investment Business Act. The Company provides a full range of Separately Managed Accounts and mutual funds to meet client requirements. BF&M has distribution agreements with over thirty internationally recognized mutual fund managers and through these managers our clients have access to over ninety individual funds. This division proved to be a real growth area for BF&M. We were very pleased with the financial results in 2010.

## Bermuda Real Estate

BF&M's real estate portfolio consists of three main commercial office buildings that we own and occupy in Hamilton. The Insurance Building continues to house the majority of our staff. BF&M has a majority interest in Aon House (formerly named the Ace Tempest Re building) and in Argo House. Profits from this division were down modestly in 2010 versus 2009 due to certain vacancies that existed for a part of the year. Both of these buildings were fully tenanted from 1st August 2010, with long term leases in place.

## Barbados Operation

The results of BF&M's 51.6% ownership interest in the Insurance Corporation of Barbados Limited ("ICBL") continue to benefit the group through geographical diversification. Earnings in 2010 were down over 2009 due to the effects of the recession in Barbados and higher than expected losses notably from motor insurance. We are pleased that the company, already the market leader in

# The 2010 Breast Cancer Awareness Fun Walk raised $97,700.

Everyone at BF&M is committed to improving the community with information about cancer prevention and other health topics. That is why BF&M continues to host a Preventative Health Event at the Bermuda Cancer and Health's Annual Breast Cancer Awareness Fun Walk.

property and casualty insurance in Barbados, is developing its group and individual health and life insurance book of business to better balance its distribution of risk.

Approximately 15% of BF&M's profits in 2010 were earned through the Company's ownership interest in ICBL. BF&M's 2006 investment in ICBL, has both increased the profitability of BF&M and diversified overall geographic risk. ICBL has an A.M. Best rating of A – (Stable). There is no Barbados insurer writing domestic business with a higher rating.

## Bermuda International Insurance Services Limited

Bermuda International Insurance Services Limited markets and administers life insurance products to high net worth clients in the international marketplace. We were pleased with the production of new business in 2010. We believe that continued production of new and profitable business in 2011 will result in this business featuring more prominently in the future profits of the overall group.

## Bermuda International Reinsurance Services Limited

Bermuda International Reinsurance Services Limited contracts with International Reinsurance Managers LLC (IRM), to underwrite, market and administer health, life and personal accident reinsurance in the Caribbean and Latin America markets. A small accounting loss was recorded in 2010 however IRM have a long and distinguished history of generating underwriting profits and we are confident of long term success in this marketplace.

## People and Community

BF&M has a strong Board of Directors, with overall extensive business experience within Bermuda and internationally. Due to business commitments, Blake Marshall retired as a Director effective 31st December 2010. We would like to thank Blake for his wise counsel during the many years of his directorship with BF&M. We were very pleased that Aaron Smith joined the board of BF&M subsequent to year end. Mr. Smith is a highly respected businessman and we look forward to his contributions to Board deliberations.

There were several management changes to report in 2010. Lynne Woolridge, Senior Vice President of BF&M Life stepped down, and her responsibility for leading that company was assumed by Susan Reed, BF&M's Chief Operating Officer. The management team was strengthened with the addition of Dennis Marinac, Vice President & Life Actuary, formerly a consulting actuary for BF&M, and Michelle Webbe, the group's new Corporate Controller.

Promotions from within the organization were well earned by Miguel DaPonte to the position of Vice President of BF&M Investment Services Limited, Michael Rawlins, Assistant Vice President, Customer Relations and Sales and Jon Carey, Assistant Vice President, Business Services.

BF&M strongly encourages and supports our employees to continue their education. During 2010 the following members received professional designations:

**Goulbourne Alleyne – *ACS, FLMI, FFSI***
**Raquel Fagundo – *PHR***
**Stephen Muso – *AINS***
**Larenzo Ratteray – *CPCU***
**Sevonne Scott – *ALMI***
**Julia Sousa – *FFSI***
**Nicole Waite – *ACS, AINS***

We congratulate all of them on their achievements.

We were very saddened by the untimely passing of a friend and colleague of ours at BF&M, Jackie Loving. We greatly value long service at BF&M and Jackie had been providing excellent service to life insurance policyholders for 32 years. She will be greatly missed by all of us at BF&M.

Through a wide range of philanthropic programs, BF&M made a meaningful difference to the community in 2010. While there are many worthwhile charitable organizations in Bermuda that do so much for our community, our donations and community involvement policy is largely aligned with the health of our community. For the 14th straight year BF&M was the lead sponsor for the Bermuda Cancer & Health's Breast Cancer Awareness Walk.

Every member of our staff has been affected in some way by a loved one or friend who has been affected by breast cancer. We feature pictures in this report of some of the individuals and BF&M staff who take such pride in assisting with this walk which raises much needed funding for education about this disease.

Other worthwhile programs that we financially supported were Camp Cardio, a summer program that teaches our young people about the importance of healthy living, and the 100 Day Challenge, where participants change their lives by improving their health through diet and exercise. Finally, in 2010 we continued our support of the Bermuda Cricket Board and their various teams to help to ensure that a beloved local sporting tradition continues to delight, inspire and provide opportunities to Bermuda's next generation of cricketers.

Being a company that supports green initiatives, we are pleased that many shareholders have chosen since we introduced this service, to read this report and our other publications online. Being environmentally conscious is important to our employees and makes good business sense. Wherever feasible we use recycled paper for our Annual Reports and calendars. Conducting business with BF&M online at www.bfm.bm saves paper and improves service to those policyholders who choose to renew or take out new policies for home, motor, marine, and travel insurance conveniently and without the need for paper. We are very proud that BF&M has been recognized in our community as a leader in environmental awareness.

## Looking Forward

2010 was clearly a challenging economic year for our policyholders. It remains to be seen what impact the strengthening US economy will have on Bermuda and its fortunes. What is clear is that there is no such thing as "business as usual", either for BF&M or the policyholders who we support through our portfolio of insurance and investment products and services. Our challenge going forward is to continue to provide a value proposition that meets the growing needs of our policyholders. We have proven that during the difficult economic times that have faced Bermuda since the fall of 2008, BF&M has been able to record financial returns commensurate with those of other high performing companies. Uncertainty about the Bermuda economy will challenge these financial returns. We look forward to 2011 and beyond with great enthusiasm and expectation for continued success for our staff, policyholders and shareholders.

**Gavin R. Arton**
*Chairman*

R. John Wight

**R. John Wight, C.A., CPCU**
*President and Chief Executive Officer*

BF&M LIMITED

# Financial Statements

# RESPONSIBILITY FOR FINANCIAL REPORTING

For the year ended 31 December 2010

The Management of BF&M is responsible for the preparation of the consolidated financial statements contained in this report. These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorized and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well defined responsibilities, and the communication of policies relating to good conduct and business practice.

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

The shareholders' independent auditors, PricewaterhouseCoopers have examined the consolidated financial statements of the Company in accordance with auditing standards generally accepted in Bermuda and Canada and has expressed its opinion in its report to the Company's shareholders. The auditors have unrestricted access to and meet periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

**R. John Wight,** C.A., CPCU
*President and Chief Executive Officer*

**Janet A. Carew,** C.A.
*Chief Financial Officer*

pwc

May 24, 2011

**Independent Auditor's Report**

**To the Shareholders**
**of BF&M Limited**

We have audited the accompanying consolidated financial statements of BF&M Limited and its subsidiaries, which comprise the consolidated balance sheet as at 31 December, 2010 and the consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of shareholders' equity, consolidated statement of cash flows and consolidated statement of segregated fund assets and changes in segregated funds assets and for the year then ended, 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 consolidated financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, 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.

***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. 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.

***Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BF&M Limited and its subsidiaries as at 31 December, 2010 and its financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

PricewaterhouseCoopers

**Chartered Accountants**

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2010

| | NOTE | **2010** $ | 2009 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Investments | 4 | **273,609,799** | 264,349,043 |
| Segregated funds with a guaranteed return | | **265,640,926** | 242,552,271 |
| Cash and short-term deposits | | **74,328,854** | 58,252,701 |
| Insurance balances receivable | | **37,321,159** | 29,871,393 |
| Deferred policy acquisition costs | 6 | **1,968,390** | 1,790,786 |
| Reinsurers' share of: | | | |
| Claims provisions | 9 | **19,400,394** | 18,135,428 |
| Unearned premiums | 7 | **18,858,985** | 17,515,285 |
| Provision for participating policy benefits | | **-** | 63,861 |
| Accounts receivable and other | 13 & 15 | **21,527,316** | 22,954,677 |
| Property, plant and equipment | 8 | **56,389,775** | 54,973,212 |
| Goodwill | 11 | **2,628,848** | 2,628,848 |
| Intangible assets | 11 | **22,736,978** | 18,449,577 |
| | | **794,411,424** | 731,537,082 |
| **SEGREGATED FUNDS WITH NO GUARANTEED RETURN ASSETS** | | **453,695,940** | 339,826,786 |
| **LIABILITIES** | | | |
| Provision for claims and adjustment expenses | 9 | **67,730,197** | 66,861,723 |
| Provision for future policy benefits | 10 | **137,469,241** | 120,819,330 |
| Provision for participating policy benefits | | **61,514** | - |
| Segregated funds with a guaranteed return | | **265,640,926** | 242,552,271 |
| Claims payable | 9 | **7,033,016** | 2,595,062 |
| Insurance balances payable | | **15,762,192** | 6,637,200 |
| Unearned premiums | 7 | **41,026,534** | 40,028,070 |
| Deferred commission income | | **5,585,463** | 5,321,672 |
| Accounts payable and other | 12 & 13 | **27,472,650** | 31,541,993 |
| Loans payable | 12 | **4,379,328** | 4,999,728 |
| Non-controlling interests | | **41,748,048** | 40,760,301 |
| | | **613,909,109** | 562,117,350 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 14(a) | **8,370,294** | 8,339,970 |
| Contributed surplus | | **1,481,976** | 1,409,705 |
| Share premium | | **57,032,130** | 56,693,299 |
| Accumulated other comprehensive loss | | **(1,280,549)** | (1,336,784) |
| Retained earnings | | **114,898,464** | 104,313,542 |
| | | **180,502,315** | 169,419,732 |
| | | **794,411,424** | 731,537,082 |
| **SEGREGATED FUNDS WITH NO GUARANTEED RETURN LIABILITIES** | | **453,695,940** | 339,826,786 |

Gavin R. Arton, *Chairman*

R. John Wight, C.A., CPCU, *President and Chief Executive Officer*

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

# CONSOLIDATED STATEMENT OF EARNINGS
For the year ended 31 December 2010

| | NOTE | **2010** **$** | 2009 $ |
|---|---|---|---|
| **INCOME** | | | |
| Gross premiums written | | **235,458,781** | 225,507,351 |
| Reinsurance ceded | | **(63,997,598)** | (61,996,696) |
| Net premiums written | | **171,461,183** | 163,510,655 |
| Net change in unearned premiums | 7 | **345,237** | 791,808 |
| Net premiums earned | | **172,806,420** | 164,302,463 |
| Investment income | 4(c) | **19,478,076** | 13,360,075 |
| Commissions and other income | | **26,552,289** | 24,050,160 |
| Rental income | | **3,853,412** | 4,842,975 |
| | | **221,690,197** | 206,555,673 |
| **EXPENSES** | | | |
| Claims and adjustment expenses | 9 | **22,660,110** | 18,696,599 |
| Policy benefits | 10 | **114,053,558** | 97,971,270 |
| Total paid or credited to policyholders | | **1,180,211** | 399,224 |
| Commission expense | 6 | **11,900,842** | 9,649,873 |
| Operating expense | | **45,321,311** | 43,378,461 |
| Amortization | 8 & 11 | **4,353,467** | 8,366,454 |
| Interest on loans | 12 | **184,335** | 199,954 |
| Non-controlling interests | | **2,957,115** | 5,405,382 |
| | | **202,610,949** | 184,067,217 |
| **EARNINGS BEFORE INCOME TAXES** | | **19,079,248** | 22,488,456 |
| Income taxes | 15(b) | **1,675,984** | 2,747,400 |
| **NET EARNINGS FOR THE YEAR** | | **17,403,264** | 19,741,056 |
| Participating policyholders' net gain | | **(125,375)** | (92,836) |
| **SHAREHOLDERS' NET EARNINGS** | | **17,277,889** | 19,648,220 |
| **EARNINGS PER SHARE FOR THE YEAR** | | | |
| - Basic | 14(c) | **$2.07** | $2.35 |
| - Fully diluted | 14(c) | **$2.07** | $2.35 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| **NET EARNINGS** | **17,277,889** | 19,648,220 |
| **OTHER COMPREHENSIVE GAIN (LOSS)** | | |
| Unrealized gain (loss) on assets held as available for sale | **31,558** | (356,624) |
| Unrealized foreign exchange gain on translation of foreign operations | **24,677** | 32,445 |
| **TOTAL OTHER COMPREHENSIVE GAIN (LOSS)** | **56,235** | (324,179) |
| **COMPREHENSIVE INCOME** | **17,334,124** | 19,324,041 |

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

# CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the year ended 31 December 2010

| | NOTE | **2010** **$** | 2009 $ |
|---|---|---|---|
| **SHARE CAPITAL** | | | |
| Balance - Beginning of year | | **8,339,970** | 8,327,193 |
| Shares issued under employee share purchase plan | 14(a) | **12,320** | 9,492 |
| Stock options exercised under equity incentive plan | 14(b) | **-** | 3,285 |
| Stock grants issued under equity incentive plan | 14(b) | **23,754** | - |
| Stock grants forfeited under equity incentive plan | 14(b) | **(5,750)** | - |
| Balance - End of year | | **8,370,294** | 8,339,970 |
| **CONTRIBUTED SURPLUS** | | | |
| Balance - Beginning of year | | **1,409,705** | 1,299,466 |
| Amortization of unvested stock options | 14(b) | **72,271** | 110,239 |
| Balance - End of year | | **1,481,976** | 1,409,705 |
| **SHARE PREMIUM** | | | |
| Balance - Beginning of year | | **56,693,299** | 56,535,475 |
| Shares issued under employee share purchase plan | 14(a) | **142,591** | 142,188 |
| Stock options exercised under equity incentive plan | 14(b) | **-** | 15,636 |
| Stock grants issued under equity incentive plan | 14(b) | **309,990** | - |
| Stock options forfeited under equity incentive plan | | **(113,750)** | - |
| Balance - End of year | | **57,032,130** | 56,693,299 |
| **ACCUMULATED OTHER COMPREHENSIVE LOSS** | | | |
| Balance - Beginning of year | | **(1,336,784)** | (1,012,605) |
| Other comprehensive gain (loss) | | **56,235** | (324,179) |
| Balance - End of year | | **(1,280,549)** | (1,336,784) |
| **RETAINED EARNINGS** | | | |
| Balance - Beginning of year | | **104,313,542** | 91,334,387 |
| Net earnings for the year | | **17,277,889** | 19,648,220 |
| Cash dividends | | **(6,692,967)** | (6,669,065) |
| Balance - End of year | | **114,898,464** | 104,313,542 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **180,502,315** | 169,419,732 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

| | 2010 $ | 2009 $ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net earnings for the year | **17,277,889** | 19,648,220 |
| Add (deduct) items not affecting cash: | | |
| Amortization of property, plant and equipment | **2,241,738** | 2,349,983 |
| Amortization of intangible assets | **2,111,729** | 6,016,471 |
| Compensation expense related to shares and options | **854,245** | 450,280 |
| Realized (gain) loss on available for sale assets | **93,328** | 156,657 |
| Unrealized (gain) loss on held for trading assets | **(2,590,202)** | 3,397,969 |
| Provision for losses on mortgages | **666,084** | (150,000) |
| Non-controlling interests | **2,957,115** | 5,405,382 |
| Gain on sale of property plant & equipment | **(110)** | (13,198) |
| Changes in assets and liabilities: | | |
| Insurance balances receivable | **(7,449,766)** | 602,124 |
| Deferred acquisition costs | **(177,604)** | (353,351) |
| Reinsurers' share of: | | |
| Claims provisions | **(1,264,966)** | (240,703) |
| Unearned premiums | **(1,343,700)** | 133,176 |
| Accounts receivable and other | **1,427,361** | 2,441,847 |
| Provision for claims and adjustment expenses | **868,475** | (1,146,616) |
| Provision for future policy benefits | **16,649,912** | 5,154,181 |
| Provision for participating policy benefits | **125,375** | 92,836 |
| Claims payable | **4,437,954** | (123,359) |
| Insurance balances payable | **9,124,992** | 42,633 |
| Unearned premiums | **998,464** | (924,983) |
| Deferred commission income | **263,791** | 56,373 |
| Accounts payable and other | **(2,879,038)** | 814,254 |
| Deferred taxes | **(14,662)** | 52,074 |
| Income tax payable | **(1,175,645)** | (40,244) |
| Net cash provided by operating activities | **43,202,759** | 43,822,006 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | **(191,569,860)** | (148,927,355) |
| Proceeds from sales of investments | **187,838,387** | 129,461,133 |
| Proceeds from sales of property, plant and equipment | **110** | 13,198 |
| Acquisition of property, plant and equipment (note 8) | **(3,658,300)** | (1,294,479) |
| Acquisition of intangible assets (note 11) | **(6,399,130)** | (2,256,606) |
| Net cash used in investing activities | **(13,788,793)** | (23,004,109) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Cash dividends paid | **(6,686,784)** | (6,667,154) |
| Loans issued | **(4,108,378)** | - |
| Loans repaid | **(620,400)** | (533,834) |
| Cash dividends paid to non-controlling interest | **(1,969,368)** | (3,546,168) |
| Proceeds on issue of common shares | **47,117** | 79,379 |
| Net cash used in financing activities | **(13,337,813)** | (10,667,777) |
| **INCREASE IN CASH AND SHORT-TERM DEPOSITS** | **16,076,153** | 10,150,120 |
| **CASH AND SHORT-TERM DEPOSITS - BEGINNING OF YEAR** | **58,252,701** | 48,102,581 |
| **CASH AND SHORT-TERM DEPOSITS - END OF YEAR** | **74,328,854** | 58,252,701 |

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

## CONSOLIDATED STATEMENT OF SEGREGATED FUNDS ASSETS
For the year ended 31 December 2010

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **CONSOLIDATED STATEMENT OF SEGREGATED FUNDS ASSETS** | | |
| Assets | | |
| Mutual funds | **443,436,324** | 329,450,143 |
| Fixed income investment and equities | **264,328,292** | 240,685,292 |
| Cash and short-term deposits | **11,572,250** | 12,243,622 |
| | **719,336,866** | 582,379,057 |
| **SEGREGATED FUNDS WITH A GUARANTEED RETURN** | **265,640,926** | 242,552,271 |
| **SEGREGATED FUNDS WITH NO GUARANTEED RETURN** | **453,695,940** | 339,826,786 |
| **SEGREGATED FUNDS NET ASSETS** | **719,336,866** | 582,379,057 |

## CONSOLIDATED STATEMENT OF CHANGES IN SEGREGATED FUNDS ASSETS
For the year ended 31 December 2010

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **SEGREGATED FUNDS NET ASSETS - BEGINNING OF YEAR** | **582,379,057** | 508,037,130 |
| Additions to segregated funds | | |
| Rent-a-captive premiums | **760,800** | 612,014 |
| Reinsurance recoveries | **-** | 90,036,029 |
| Collateral and expense funding | **-** | 800,000 |
| Pension contributions | **127,055,345** | 113,259,977 |
| Life insurance | **15,914,255** | 1,374,395 |
| Net realized and unrealized gains | **36,029,030** | 40,649,813 |
| Other investment income | **8,758,660** | 9,407,028 |
| | **188,518,090** | 256,139,256 |
| Deductions from segregated funds | | |
| Payments to policyholders and their beneficiaries | **(73,096,943)** | (177,946,998) |
| Management fees | **(5,355,289)** | (3,744,436) |
| Losses paid | **(1,000,000)** | - |
| Underwriting expenses | **(120,025)** | (105,895) |
| | **(79,572,257)** | (181,797,329) |
| Net additions to segregated funds | **108,945,833** | 74,341,927 |
| Net segregated funds acquired | **28,011,976** | - |
| **SEGREGATED FUNDS NET ASSETS - END OF YEAR** | **719,336,866** | 582,379,057 |

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

## 1. NATURE OF THE COMPANY AND ITS BUSINESS

BF&M Limited (the "Company") was incorporated in Bermuda on 5 August 1991 as an investment holding company, and has the following subsidiaries:

| | % Owned | Principal country of operation and incorporation |
|---|---|---|
| BF&M General Insurance Company Limited ("BF&M General") | 100 | Bermuda |
| BF&M Life Insurance Company Limited ("BF&M Life") | 100 | Bermuda |
| BF&M Properties Limited ("BF&M Properties") | 100 | Bermuda |
| Marchmont Insurance Company Limited ("Marchmont") | 100 | Bermuda |
| Hamilton Reinsurance Company Limited ("Hamilton") | 100 | Bermuda |
| BF&M Investment Services Limited ("BFMISL") | 100 | Bermuda |
| Bermuda International Insurance Services Limited ("Bermuda International") | 100 | Bermuda |
| Bermuda International Reinsurance Services Limited ("Bermuda International Re") | 100 | Bermuda |
| Hamilton Financial Limited ("Hamilton Financial") | 100 | St. Lucia |
| Scarborough Property Holdings Limited ("Scarborough") | 60 | Bermuda |
| Barr's Bay Properties Limited ("Barr's Bay") | 60 | Bermuda |
| Insurance Corporation of Barbados Limited ("ICBL") | 51.6 | Barbados |
| Insurance Corporation of Barbados Limited/National Insurance Board Joint Venture ("ICBLJV") | 37.4 | Barbados |
| BF&M (Canada) Limited ("BF&M Canada") | 100 | Canada |

All subsidiaries have a 31 December year-end.

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

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

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

BF&M Investment Services Limited was formerly named North Atlantic Asset Management Limited ("NAAM"). The name change became effective on 28 January, 2010 after filings with the Registrar of Companies and Bermuda Monetary Authority. BFMISL's objectives and licence remain otherwise unchanged.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (A) BASIS OF PRESENTATION AND CONSOLIDATION

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. These consolidated financial statements include the accounts of the Company, along with full consolidation of all of the Company's subsidiaries, and are stated in Bermuda dollars. Interest related to minority shareholders is accounted for as non-controlling interest. All significant transactions and balances between these subsidiaries have been eliminated on consolidation.

### (B) USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates.

### (C) FINANCIAL INSTRUMENTS

**Bonds**

Bonds are included within investments on the Consolidated Balance Sheet. Bonds that are traded on an active market are designated as held for trading and are carried at fair value. Realized and unrealized gains and losses on held for trading bonds are recorded to changes in fair value of held for trading assets within investment income in the Consolidated Statement of Earnings. Investment in bonds that are not traded on an active market are classified as loans and receivables and carried at amortized cost less any impairment. Purchases and sales of bonds are recognized on their trade dates, the date that the Company commits to purchase or sell the bond. Transactions costs are expensed immediately. Interest income earned on bonds is recorded within investment income in the Consolidated Statement of Earnings.

**Equities**

Equities are included within investments on the Consolidated Balance Sheet. They are designated as either held for trading or available for sale based on management's intention and are carried at fair value. Realized and unrealized gains and losses on held for trading equities are recorded to changes in fair value of held for trading assets within investment income in the Consolidated Statement of Earnings. Unrealized gains and losses on available for sale equities are recorded in other comprehensive income until the asset is sold or otherwise disposed of at which point the realized gain or loss is recorded to investment income in the Consolidated Statement of Earnings. Purchases and sales of equities are recognized on their trade dates, the date that the Company commits to purchase or sell the equity. Transaction costs are expensed immediately. Dividends earned on equities are recorded within investment income on the Consolidated Statement of Earnings.

**Mortgages and loans**

Mortgage and loans are included within investments on the Consolidated Balance Sheet. They are carried at amortized cost less any impairment and are recognized on their trade dates. Transaction costs are expensed immediately. Interest income earned is recorded within investment income on the Consolidated Statement of Earnings.

**Fair Value Measurement**

Fair values for bonds classified as held for trading or available for sale are determined using quoted market bid prices provided by third party independent pricing sources. Where prices are not quoted in a normally active market, fair values are determined by valuation models. When available, quoted prices for identical assets at the balance sheet date are used to measure bonds at fair value in held for trading and available for sale portfolios.

The Company estimates the fair value of bonds not traded in active markets by referring to actively-traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses or pricing valuation models.

Fair values for bonds and mortgages and loans classified as loans and receivables are determined by discounting expected future cash flows using current market rates.

Fair value for publicly traded equities are generally determined by the closing bid price for the security from the exchange where it is principally traded. Fair values for equities for which there is no active market are determined at the last bid price.

**Disclosures**

Effective 1 January 2009, the Company adopted the amended CICA Handbook Section 3862, Financial Instruments – Disclosures. Disclosure standards have been expanded to be consistent with new disclosure requirements made under International Financial Reporting Standards (IFRS) that classify financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values. Any instrument within the scope of the Section that has been measured at fair value on the balance sheet must be included within the hierarchy, including all instruments classified as "held-for-trading" or "available-for-sale".

**Impairment**

The carrying amount of the Company's financial instruments is reviewed for impairment at each balance sheet date. Since held for trading bonds and equities are recorded at fair value with changes in fair value recorded to income, any reduction in value of these assets due to impairment is already reflected in investment income. When it is determined that an available for sale equity is impaired and the decline is other than temporary, the loss accumulated in Other Comprehensive Income (OCI) is reclassified to net gains (losses) on available for sale assets within investment income. Mortgages and loans and bonds classified as loans and receivables are impaired when there is no longer assurance of the timely collection, either through an agreed payment schedule or receipt of proceeds on sale of security, of the full amount of principal and interest. When these assets are impaired an allowance is established to adjust the carrying value of the assets to its net recoverable amount. Interest would no longer be accrued. Allowances and reversals would be charged against net investment income.

**(D) SEGREGATED FUNDS**

Segregated funds are lines of business in which the Company issues a contract where the benefit amount is directly linked to either the fair value of the investments held in the particular segregated funds, or a guaranteed return on assets held in the particular segregated funds. The underlying assets are registered in the name of the Company and the segregated fund contract holder has no direct access to the specific assets. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance, except for segregated funds with a guaranteed return where the risks for these accounts are borne by the Company.

Segregated fund assets are carried at fair value as shown on the Consolidated Statement of Segregated Funds Net Assets. Fair values are determined as per note 2(c). Segregated fund assets may not be applied against liabilities that arise from any other business of the Company. The investment results of the segregated funds are reflected directly in segregated fund liabilities, except for segregated funds with a guaranteed return where the excess or deficiency of the return on the assets over the guaranteed return is reflected in investment income in the Consolidated Statement of Earnings. For the segregated funds where the benefit amount is directly linked to the fair value of the investments, the Company derives only fee income which is included within commissions and other income on the Consolidated Statement of Earnings.

Assets and liabilities for rent-a-captive segregated accounts relate to certain funding contracts, which are arranged by the Company in accordance with a Private Act and comprise the cumulative excess of premiums received and interest allocated to the "accounts" over the repayment of premiums, losses and loss expenses. Assets for these accounts are segregated and invested in accordance with the terms of the underlying policy agreements and are available only to settle the corresponding segregated account liabilities and accordingly are included within segregated funds with no guaranteed return on the Consolidated Balance Sheet.

**(E) CASH AND SHORT-TERM DEPOSITS**

Cash and short-term deposits include cash and time deposits with an ordinary maturity of ninety days or less from date of purchase. The carrying value of cash and short-term deposits approximates their fair value.

**(F) REVENUE RECOGNITION**

**(i) Premium income**

For property and casualty insurance products, premiums written are earned on a pro-rata basis over the terms of the policies to which they relate. Unearned premiums represent the portion of premiums written that relate to periods of risk subsequent to the year-end. The reinsurers' share of unearned premium, net of any provision for doubtful accounts, is recognized as an asset at the same time and using principles consistent with the Company's method for determining the unearned premium liability.

Premiums written from life and health policies are recognized as revenue when due from policyholders.

Premiums receivable are recorded at amounts due less any required provision for doubtful accounts.

**(ii) Commission and other income**

Commission income is recognized over the term of the related reinsurance policies and in accordance with the expensing of the related reinsurance premiums. The recognition of profit commissions is also dependent on the loss experience underlying such reinsurance policies.

Other income is recognized when earned, collectible and the amount can be reasonably estimated. Other income primarily includes fees earned from the management of segregated fund assets, pension administrative services, and investment advisement and management.

**(iii) Rental Income**

Rental income is recorded on an accrual basis.

### (G) POLICY ACQUISITION COSTS

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs are comprised of commissions. These costs are expensed in accordance with the earning of the related premium. Deferred policy acquisition costs are included within assets on the Consolidated Balance Sheet.

Policy acquisition costs related to unearned premiums are only deferred to the extent that they can be expected to be recovered from the unearned premiums, and are amortized to income over the periods in which the premiums are earned. If the unearned premiums are not sufficient to pay expected claims and expenses, a premium deficiency is said to exist. Anticipated investment income can be considered in determining whether a premium deficiency exists. Premium deficiencies are recognized by writing down the deferred policy acquisition cost asset.

### (H) REINSURANCE

For general insurance, reinsurance is recorded on a gross basis as it pertains to reinsurance recoveries and unearned premiums on the Consolidated Balance Sheet and premiums ceded in the Consolidated Statement of Earnings, to indicate the extent of credit risk related to reinsurance. Reinsurance is recorded on a net basis as it pertains to claims, benefits and claims expenses in the Consolidated Statement of Earnings to indicate the results of its retention of losses.

For life insurance, the provision for the future policy benefits and policy benefits are recorded on a net basis.

### (I) LOANS TO POLICYHOLDERS

Loans to policyholders are carried at their unpaid balance and are fully secured by the policy values on which the loans are made. Carrying value of loans to policyholders approximates their fair values.

### (J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over their estimated useful lives at the following rates:

| | |
|---|---|
| Buildings | 2% |
| Furniture, equipment and leasehold improvements | 10% - 20% |
| Computer hardware and software | 20% - 33% |
| Investment properties and leasehold improvements | 2% - 20% |

### (K) GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the cost of ICBL at acquisition over the fair value of the net assets acquired. Intangible assets are allocated between indefinite and finite life intangible assets. Finite life assets are amortized on a straight-line basis over their estimated useful lives. Goodwill and intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis and if determined to be impaired, a charge is recorded in earnings to the extent the carrying value exceeds the estimated fair value.

### (L) PROVISION FOR CLAIMS AND ADJUSTMENT EXPENSES AND FUTURE POLICY BENEFITS

**(i) Provision for claims and adjustment expenses**

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

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

**(ii) Provision for future policy benefits**

The provision for future policy benefits represents the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all in-force life insurance and annuity policies.

The policy actuarial liability reserves are determined using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries ("CIA"). In accordance with these standards, the policy actuarial liability reserves have been determined using the Canadian Asset Liability Method ("CALM") and the Standards of Practice for the Valuation of Policy Liabilities of Life Insurers ("LSOP").

The policy actuarial liability reserves under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best-estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. The policy actuarial liability reserves make sufficient provision for the expected experience scenario and for adverse deviations in experience. Many of the estimates used in actuarial valuation relate to future events and involve a significant amount of judgement. As a result these estimates are subject to revision at subsequent measurement dates.

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

### (M) POLICYHOLDER DIVIDENDS

Policyholder dividends are charged to the operations of the participating line of business on an annual basis. Dividends vary depending on the type and duration of the policy and the age of the insured at the date of issue.

### (N) FOREIGN CURRENCY TRANSLATION

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated to Bermudian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Any unrealized foreign currency translation gains and losses would be presented separately as a component of other comprehensive income.

The exchange rate between Barbadian and Bermudian dollars has essentially remained unchanged since the acquisition of the Barbadian self-sustaining foreign operation in 2005 and as a result there are no unrealized translation gains and losses to be reported.

Foreign currency translation gains and losses included as a component of Other Comprehensive Income relate to the consolidation of BF&M Canada.

### (O) PENSION PLANS AND OTHER POST–RETIREMENT BENEFITS

The Company's projected pension benefit obligation is discounted using a market interest rate based on high quality debt instruments. For the purpose of calculating the expected return on plan assets, those assets are fair valued. Annual changes in net assets or obligations arising from plan amendments and transitional amounts are amortized over the expected average remaining service life of the employees covered by the plan. Actuarial gains and losses that are in excess of 10% of the greater of the benefit obligation and the fair value of plan assets are amortized over the average remaining service period of active employees.

In addition to pension benefits, the Company provides post-retirement benefits for health care. These costs are recognized on an accrual basis during the years when service is provided to the Company. Annual changes in the post-retirement benefits for health care obligations arising from plan amendments are amortized on a straight-line basis over the expected average remaining service life to full eligibility age of employees covered by the plan. Actuarial gains and losses that are in excess of 10% of the benefit obligation are amortized over the average remaining service period of active employees.

### (P) SHARE BASED COMPENSATION PLANS

The Company has an Equity Incentive Plan which is described in note 14(b). Share grants are issued to employees equal to the fair value of the shares on the grant date. The amount of the benefit of these shares grants is amortized over the three year vesting period as compensation expense within earnings.

This plan also includes share options which are issued with an exercise price set at the fair market value of the Company's shares at the date of issuance. The Company determines the fair value of the options on the date of grant using an option pricing model. The amount of the benefit of these options is also amortized over the three year vesting period as compensation expense within earnings. Effective 2009, options were no longer issued subsequent to an amendment in the plan rules.

### (Q) INCOME TAX

Income tax for the year, on the Company's Barbados and Canadian operations, comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Earnings except to the extent that it relates to items recognized directly to equity, in which case it is recognized into equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. Deferred income tax assets are only recognized to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

## 3. ACCOUNTING POLICY DEVELOPMENTS

### (A) CHANGES IN ACCOUNTING POLICIES

#### (i) Financial Instrument Disclosure and Presentation

Effective 1 January 2009, the Company adopted the amended CICA Handbook Section 3862, Financial Instruments – Disclosures. Disclosure standards have been expanded to be consistent with new disclosure requirements made under International Financial Reporting Standards (IFRS) that classify financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values. Any instrument within the scope of the Section that has been measured at fair value on the balance sheet must be included within the hierarchy, including all instruments classified as "held-for-trading" or "available-for-sale". This new disclosure is included in note 4 of these Consolidated Financial Statements.

**(ii) Goodwill and Intangible Assets**

Effective 1 January 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets. This section replaced Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Provisions concerning goodwill are unchanged from the previous Section 3062. The provisions relating to intangible assets, including internally generated intangible assets, are incorporated from International Financial Reporting Standards. The effect was to transfer internally developed software costs from property, plant & equipment to intangible assets subject to amortization. This information is set out in Note 11 - Intangible Assets.

### (B) FUTURE ACCOUNTING AND REPORTING CHANGES

**Convergence with International Financial Reporting Standards**

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after 1 January 2011. The Company will be required to report using IFRS standards for its interim and annual financial statements beginning 1 January 2011.

The Company developed an IFRS changeover plan which addresses key areas such as accounting policies, financial reporting, disclosure controls and procedures, information systems, education and training, and other business activities. The Company, as part of its changeover plan, has identified differences in accounting policies and with respect to certain choices upon conversion in accordance with IFRS 1, First-time Adoption of IFRS.

It is likely that the changeover to IFRS will affect the presentation of the Company's consolidated financial statements for the year ending 31 December 2011 and thereafter. These anticipated changes arise from the elections available to first-time adopters of IFRS under IFRS 1 and required changes in financial statement presentation associated with this new basis of accounting. The Company will report interim financial results at 30 June 2011 in accordance with the regulations of the Bermuda Stock Exchange.

## 4. INVESTMENTS AND RELATED INVESTMENT INCOME

### (A) CARRYING VALUE AND FAIR VALUE OF INVESTMENTS

Investments comprise:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| | **$** | **$** | $ | $ |
| Bonds | | | | |
| Held for trading | **98,378,730** | **98,378,730** | 93,795,955 | 93,795,955 |
| Amortized cost | **69,250,150** | **69,772,619** | 65,699,607 | 68,688,641 |
| Equities | | | | |
| Held for trading | **10,048,711** | **10,048,711** | 11,143,126 | 11,143,126 |
| Available for sale | **4,930,103** | **4,930,103** | 5,426,657 | 5,426,657 |
| Mortgages and loans | | | | |
| Loans and receivables | **89,705,036** | **92,903,300** | 88,283,698 | 88,266,622 |
| Properties – available for sale | **1,297,069** | **1,297,069** | - | - |
| | **273,609,799** | **277,330,532** | 264,349,043 | 267,321,001 |

Included in the investments balance of $273,609,799 (2009 - $264,349,043) is $40,013,170 (2009 - $41,584,456) which has been pledged to meet the requirements of Section 25(5) of the Barbados Insurance Act 1996-32 and $499,376 (2009 - $499,376) of investments which is being held by the Supervisor of Insurance of Barbados as required under Section 23(2)(b) of the Barbados Insurance Act.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at 31 December 2010:

| **2010** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Bonds | - | 98,378,730 | - | 98,378,730 |
| Equities | 8,659,214 | 6,319,600 | - | 14,978,814 |
| | 8,659,214 | 104,698,330 | - | 113,357,544 |

| **2009** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Bonds | - | 93,795,955 | - | 93,795,955 |
| Equities | 9,257,066 | 7,312,717 | - | 16,569,783 |
| | 9,257,066 | 101,108,672 | - | 110,365,738 |

The following table illustrates the classification of the Company's segregated funds' financial instruments within the fair value hierarchy as at 31 December 2010:

| **2010** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Segregated Funds | 167,857,649 | 515,237,502 | - | 683,095,151 |
| | 167,857,649 | 515,237,502 | - | 683,095,151 |

| **2009** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Segregated Funds | 133,034,780 | 405,948,452 | - | 538,983,232 |
| | 133,034,780 | 405,948,452 | - | 538,983,232 |

### (B) MORTGAGES AND LOANS

Mortgages and loans comprise:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Mortgages | **84,522,861** | 85,514,152 |
| Loans | **5,182,175** | 2,769,546 |
| Total | **89,705,036** | 88,283,698 |

### (C) INVESTMENT INCOME

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Investment Income | | |
| Bonds – held for trading | **5,924,086** | 6,261,783 |
| Bonds – amortized cost | **3,118,948** | 2,876,254 |
| Equities – held for trading | **440,901** | 374,724 |
| Equities – available for sale | **135,260** | 195,147 |
| Mortgages and loans – loans and receivables | **6,286,441** | 5,921,530 |
| Bank deposits and policyholder loans | **1,075,566** | 1,285,263 |
| Net realized losses on available for sale assets | **(93,328)** | (156,657) |
| Change in fair value of held for trading assets | | |
| Bonds | **3,790,962** | (712,724) |
| Equities | **(1,200,760)** | (2,685,245) |
| Total | **19,478,076** | 13,360,075 |

## 5. MANAGEMENT OF FINANCIAL RISK INCLUDING CAPITAL MANAGEMENT

### (A) CREDIT RISK

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

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee.
- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single company, asset class or credit rating.
- Investment guidelines specify collateral requirements for mortgages and loans which include the property described in note 5(a)(iv).
- Maintaining a strong underwriting strategy and related guidelines.
- Transacting business with well-established reinsurance companies with strong credit ratings. All major reinsurers are rated A- or better with A.M. Best.

#### (i) Maximum exposure to credit risk

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

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Cash and short-term deposits | **74,328,854** | 58,252,701 |
| Bonds | **167,628,880** | 159,495,562 |
| Mortgages and loans | **89,705,036** | 88,283,698 |
| Insurance balances receivable | **37,321,159** | 29,871,393 |
| Accounts receivable | **21,527,316** | 22,954,677 |
| Reinsurers' share of claims provisions | **19,400,394** | 18,135,428 |
| | **409,911,639** | 376,993,459 |

**(ii) Concentration of credit risk**

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

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

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Bonds issued or guaranteed by: | | |
| Financials | **44,367,822** | 49,619,958 |
| Federal government | **64,508,783** | 56,594,557 |
| U.S. Treasury and other agencies | **27,273,518** | 24,030,861 |
| Utilities and energy | **12,699,293** | 10,250,655 |
| Consumer staples and discretionary | **8,815,716** | 8,403,289 |
| Telecom | **2,705,763** | 4,412,472 |
| Computer technology products and services | **2,279,544** | 2,385,249 |
| Other | **4,978,441** | 3,798,521 |
| Total bonds | **167,628,880** | 159,495,562 |

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| United States | **79,652,209** | 81,046,669 |
| Barbados | **66,927,721** | 63,485,080 |
| Canada | **8,763,518** | 5,903,537 |
| Northern Europe | **3,728,691** | 3,234,620 |
| Caribbean | **2,000,770** | 2,058,386 |
| United Kingdom | **1,769,394** | 1,320,041 |
| Australia | **1,142,445** | 658,606 |
| Other | **3,644,132** | 1,788,623 |
| Total bonds | **167,628,880** | 159,495,562 |

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

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Bermuda | **85,678,233** | 82,837,269 |
| Barbados | **4,026,803** | 5,446,429 |
| Total mortgages and loans | **89,705,036** | 88,283,698 |

**(iii) Credit quality of financial assets**

Bond Portfolio Quality

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| AAA | **38,584,569** | 35,578,015 |
| AA | **15,228,153** | 16,566,713 |
| A | **44,729,920** | 43,524,750 |
| BBB | **56,683,333** | 52,058,228 |
| BB and lower | **23,447** | - |
| Not rated* | **12,379,458** | 11,767,856 |
| Total bonds | **167,628,880** | 159,495,562 |

* Not rated bonds relate to assets held within ICBL's investment portfolio that are not traded in an active market.

**(iv) Mortgages and loans credit risk**

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due but not impaired:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Not past due | **67,502,441** | 69,125,634 |
| Past due but not impaired: | | |
| Past due less than 90 days | **14,403,324** | 9,694,465 |
| Past due 90 to 180 days | **1,491,282** | 2,467,803 |
| Past due 180 days or more | **740,891** | 6,243,716 |
| Impaired (net of impairment provisions of $569,593, 2009 - $100,00) | **5,567,098** | 752,080 |
| Total mortgages and loans | **89,705,036** | 88,283,698 |

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

**(B) LIQUIDITY RISK**

Liquidity risk is the risk that the Company may not be able to meet its obligations as they become due. In order to manage liquidity risks, management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Company's short-term obligations. The Company also closely manages operating liquidity through cash flow matching of assets and liabilities on its life and health insurance business.

A significant business objective of the insurance industry is to match the cash flows of the investment portfolio with the expected payment of policy liabilities. The maturity profile of investments with specific maturities at 31 December 2010 was as follows:

| | **Within 1 year $** | **2 to 3 years $** | **4 to 5 years $** | **Over 5 years $** | **Total $** | **Effective interest rate ranges** |
|---|---|---|---|---|---|---|
| Bonds | **29,439,770** | **45,869,129** | **36,953,999** | **55,365,982** | **167,628,880** | **.37% - 9.13%** |
| Mortgages | **12,320,321** | **3,902,463** | **5,623,855** | **62,676,222** | **84,522,861** | **5.0% - 9.0%** |
| Corporate loans | **5,182,175** | **-** | **-** | **-** | **5,182,175** | **1.8% - 8.7%** |
| | **46,942,266** | **49,771,592** | **42,577,854** | **118,042,204** | **257,333,916** | |
| **PERCENT OF TOTAL** | **18%** | **19%** | **17%** | **46%** | **100%** | |

The maturity profile of investments with specific maturities at 31 December 2009 was as follows:

| | Within 1 year $ | 2 to 3 years $ | 4 to 5 years $ | Over 5 years $ | Total $ | Effective interest rate ranges |
|---|---|---|---|---|---|---|
| Bonds | 41,696,962 | 32,044,123 | 32,668,960 | 53,085,517 | 159,495,562 | 1.1%-9.1% |
| Mortgages | 56,997 | 464,773 | 1,555,004 | 83,437,378 | 85,514,152 | 6.5%-9.0% |
| Corporate loans | - | 2,769,546 | - | - | 2,769,546 | 6.0%-9.7% |
| | 41,753,959 | 35,278,442 | 34,223,964 | 136,522,895 | 247,779,260 | |
| **PERCENT OF TOTAL** | 17% | 14% | 14% | 55% | 100% | |

The maturity profiles of the Company's significant insurance and financial liabilities are summarized in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates.

The maturity profile of liabilities with specific maturities at 31 December 2010 is as follows:

| | **Within 1 year $** | **2 to 3 years $** | **4 to 5 years $** | **Over 5 years $** | **Total $** |
|---|---|---|---|---|---|
| Claims payable | **7,033,016** | **-** | **-** | **-** | **7,033,016** |
| Insurance balances payable | **15,762,192** | **-** | **-** | **-** | **15,762,192** |
| Accounts payable and other | **27,472,650** | **-** | **-** | **-** | **27,472,650** |
| Loans payable | **664,404** | **1,339,414** | **1,525,191** | **850,319** | **4,379,328** |
| | **50,932,262** | **1,339,414** | **1,525,191** | **850,319** | **54,647,186** |

The maturity profile of liabilities with specific maturities at 31 December 2009 was as follows:

| | Within 1 year | 2 to 3 years | 4 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Claims payable | 2,595,062 | - | - | - | 2,595,062 |
| Insurance balances payable | 6,637,200 | - | - | - | 6,637,200 |
| Accounts payable and other | 31,541,993 | - | - | - | 31,541,993 |
| Loans payable | 620,412 | 1,307,433 | 1,398,483 | 1,673,400 | 4,999,728 |
| | 41,394,667 | 1,307,433 | 1,398,483 | 1,673,400 | 45,773,983 |

### (C) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors.

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not significantly exposed to foreign exchange risk because of the following:

- The majority of the Company's assets, liabilities, and earnings are denominated in Bermuda, Barbados or United States dollars.
- The Bermuda and United States dollar are at par.
- The exchange rate between Bermudian and Barbadian dollars has essentially remained unchanged since the acquisition of the Barbadian entity.
- The Company's Canadian operation is fully integrated.

#### (ii) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Company manages these risks through:

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

The impact of interest rate risk for the Company's actuarial liabilities and the assets supporting those liabilities is included in Note 9(c).

#### (iii) Equity risk

Equity risk is the uncertainly associated with the valuation of assets arising from changes in equity markets. To mitigate price risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits.

Equities generally do not support actuarial liabilities. Changes in fair value of held for trading equities are recorded to the Consolidated Statement of Earnings. For the Company's held for trading equities, an immediate 10% increase or decrease in stock prices at 31 December would result in an increase or decrease to net earnings of $1,004,871. Changes in fair value of available for sale assets are recorded to OCI. A 10% increase or decrease in stock prices at 31 December 2010 would result in an increase or decrease to OCI of $493,010.

### (D) CAPITAL MANAGEMENT

The Company's policy is to maintain a strong consolidated capital base. The Company manages its capital to ensure its continued ability to provide an adequate return to shareholders, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Company.

The Company's capital base consists of share capital, contributed surplus, share premium, accumulated other comprehensive income, and retained earnings as disclosed within Shareholders' equity on the Consolidated Balance Sheet.

Management monitors the adequacy of the Company and its operating subsidiaries' capital from the perspective of both the Bermuda and Barbados Insurance Act and Companies Act. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. In addition, while not a regulatory requirement, BF&M Life and Bermuda International follow the capital adequacy measurement established by the Office of the Superintendent of Financial Institutions Canada known as the Minimum Continuing Capital and Surplus Requirements.

The Company's investment policies emphasize the preservation of capital, prudent risk-controlled growth, maintenance of cashflow and liquidity, and where appropriate, asset and liability duration matching, which together serve to minimize the risk that investment activities pose to the Company's capital.

The Company maintained capital levels above the minimum local regulatory requirements as at both 31 December 2010 and 2009. Restrictions on distributions from capital are detailed in Note 21.

## 6. DEFERRED POLICY ACQUISITION COSTS

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

| | **2010** | 2009 |
|---|---|---|
| At 1 January | **1,790,786** | 1,437,435 |
| Recognized deferred acquisition costs | **4,076,897** | 3,871,888 |
| Amortization charge through income | **(3,899,293)** | (3,518,537) |
| At 31 December | **1,968,390** | 1,790,786 |

## 7. UNEARNED PREMIUMS

An analysis of the movement in the provision for unearned premium written and earned is as follows:

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurance** | **Net** | Gross | Reinsurance | Net |
| | **$** | **$** | **$** | $ | $ | $ |
| **At 1 January** | | | | | | |
| Balance at beginning of year | **40,028,070** | **17,515,285** | **22,512,785** | 40,953,053 | 17,648,461 | 23,304,593 |
| Premium written during the year | **104,399,524** | **55,817,665** | **48,581,859** | 102,197,678 | 54,113,163 | 48,084,515 |
| Premium earned during the year | **(103,401,060)** | **(54,473,965)** | **(48,927,095)** | (103,122,611) | (54,246,339) | (48,876,322) |
| Balance at 31 December | **41,026,534** | **18,858,985** | **22,167,549** | 40,028,070 | 17,515,285 | 22,512,785 |
| Movement during the year | **(998,464)** | **1,343,700** | **345,236** | 924,983 | (133,176) | 791,808 |

## 8. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment comprise:

| | | | **2010** | 2009 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | **Net** | Net |
| | $ | $ | **$** | $ |
| Land and buildings | 13,637,293 | (1,966,144) | **11,671,149** | 11,533,642 |
| Furniture, equipment and leasehold improvements | 8,334,541 | (6,551,892) | **1,782,649** | 2,317,104 |
| Computer hardware and software | 6,611,275 | (5,368,334) | **1,242,941** | 1,558,019 |
| Investment properties | 50,100,356 | (8,407,320) | **41,693,036** | 39,564,447 |
| | 78,683,465 | (22,293,690) | **56,389,775** | 54,973,212 |

Investment properties consist of the Aon House (formerly ACE Tempest Re Building) owned by Scarborough, a 60% owned subsidiary, and Argo House (formerly PXRE House), owned by Barr's Bay, a 60% owned subsidiary. The minority shareholder of Barr's Bay holds an equitable mortgage as security for its loan to Barr's Bay, see note 12. Additional investment properties include land being used for car parking facilities and two buildings being used for rental. These properties are owned by a 51.6% owned subsidiary.

At 31 December 2010, land and buildings and investment properties with a net book value of $53,364,185 (2009 - $51,098,089) were estimated to be valued at $ 94,435,955 (2009 - $96,567,241) on the basis of their estimated open market value for existing use. This value is based on the most recent formal appraisal which was performed in 2010 for the Bermuda based properties, ICBL's headquarters, and the Barbados based investment properties.

## 9. PROVISION FOR CLAIMS AND ADJUSTMENT EXPENSES

The reconciliation of provision for claims and adjustment expenses for the years ended 31 December 2010 and 2009 is as follows:

| | | **2010** | | | 2009 | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurers' Share** | **Net** | Gross | Reinsurers' Share | Net |
| | **$** | **$** | **$** | $ | $ | $ |
| **At 1 January** | | | | | | |
| Claims payable | **70,276** | **-** | **70,276** | 9,994 | - | 9,994 |
| Provision for claims and adjustment expenses | **66,791,447** | **(18,135,428)** | **48,656,019** | 67,998,345 | (17,894,725) | 50,103,620 |
| Total at 1 January | **66,861,723** | **(18,135,428)** | **48,726,295** | 68,008,339 | (17,894,725) | 50,113,614 |
| Cash paid for claims settled in the year | **(30,476,006)** | **7,503,397** | **(22,972,609)** | (25,129,779) | 5,108,861 | (20,083,918) |
| Increase in Liabilities | | | | | | |
| - Arising from current year claims | **34,868,964** | **(6,471,216)** | **28,397,748** | 29,069,332 | (3,928,920) | 25,140,412 |
| - Arising from prior year claims | **(3,440,491)** | **(2,297,147)** | **(5,737,638)** | (5,023,169) | (1,420,644) | (6,443,813) |
| Total at 31 December | **67,814,190** | **(19,400,394)** | **48,413,796** | 66,861,723 | (18,135,428) | 48,726,295 |
| Claims Payable | **83,993** | **-** | **83,993** | 70,276 | - | 70,276 |
| Provision for Claims and Adjustment Expenses | **67,730,197** | **(19,400,394)** | **48,329,803** | 66,791,447 | (18,135,428) | 48,656,019 |
| Total at 31 December | **67,814,190** | **(19,400,394)** | **48,413,796** | 66,861,723 | (18,135,428) | 48,726,295 |

The fair value of the net provision for claims and adjustment expenses of $48,413,796 (2009 - $48,726,295) is $37,779,921 (2009 - $43,678,900). The fair value is calculated by the Company's actuary and represents the discounted value of the net provision.

ICBL records its claim reserves on a discounted basis. The Company records the reserves on an undiscounted basis. The difference between the claims reserves on an undiscounted basis and discounted basis on the date of acquisition of ICBL by BF&M was approximately $5,000,000. BF&M has amortized $1,000,000 through earnings to reflect this difference in each of years 2006 through 2010 inclusive.

### (A) ACTUARIAL ASSUMPTIONS

Estimates are made as to the value of claims incurred but not yet reported, a value which may take some months or years to finally determine. The provision is based on an actuarial analysis of the Company's underwriting year development experience. The provision is determined using generally accepted actuarial practices.

The valuation of insurance liabilities is sensitive to the underlying assumptions used, including changes in claims reporting patterns, judicial decisions, legislation and economic conditions. Key assumptions include the selection of expected frequencies, severities and pure premiums, as well as loss development and trend factors. The overall results are potentially sensitive to any of these and reasonable alternative selections could change the results in either direction.

### (B) REINSURANCE RECOVERIES

The Company has guidelines and a review process in place to ascertain the creditworthiness of the companies to which it cedes. All major reinsurers are rated A- or better by A.M. Best. Currently there are no material disputed or overdue balances with any reinsurers. In 2010 and 2009 the Company had no write-offs. No information has come to the Company's attention indicating weakness or failure of any of its current reinsurers, therefore no provision has been made in the accounts for doubtful collection.

While reinsurance arrangements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to the policyholders.

## 10. PROVISION FOR FUTURE POLICY BENEFITS

### (A) COMPOSITION OF ACTUARIAL LIABILITIES AND RELATED SUPPORTING ASSETS

**(i)** The composition of the actuarial liabilities is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Participating | | |
| Individual life | **29,939,051** | 27,565,424 |
| Non-participating | | |
| Individual life | **10,970,393** | 7,795,641 |
| Universal life | **5,747,006** | 5,235,539 |
| Annuities | **65,640,586** | 55,466,294 |
| Group life | **10,789,689** | 7,354,992 |
| Health and accident | **14,382,516** | 17,401,440 |
| | **137,469,241** | 120,819,330 |

**(ii)** The composition of the assets supporting liabilities is as follows:

| | 2010 | | | |
|---|---|---|---|---|
| | **Bonds** | **Mortgages and loans** | **Cash** | **Total** |
| | **$** | **$** | **$** | **$** |
| Participating | | | | |
| Individual life | **22,555,063** | **5,447,821** | **1,936,167** | **29,939,051** |
| Non-participating | | | | |
| Individual life | **8,963,935** | **2,006,368** | **-** | **10,970,303** |
| Universal life | **5,747,006** | **-** | **-** | **5,747,006** |
| Annuities | **35,369,765** | **25,481,967** | **4,788,854** | **65,640,586** |
| Group life | **4,570,403** | **6,219,376** | **-** | **10,789,779** |
| Health and accident | **14,382,516** | **-** | **-** | **14,382,516** |
| | **91,588,688** | **39,155,532** | **6,725,021** | **137,469,241** |

| | 2009 | | | |
|---|---|---|---|---|
| | Bonds | Mortgages and loans | Cash | Total |
| | $ | $ | $ | $ |
| Participating | 23,528,543 | 2,122,619 | 1,914,262 | 27,565,424 |
| Individual life | | | | |
| Non-participating | | | | |
| Individual life | 6,327,655 | 1,467,986 | - | 7,795,641 |
| Universal life | 5,235,539 | - | - | 5,235,539 |
| Annuities | 29,926,147 | 24,394,599 | 1,145,548 | 55,466,294 |
| Group life | 1,560,586 | 5,794,406 | - | 7,354,992 |
| Health and accident | 17,401,440 | - | - | 17,401,440 |
| | 83,979,910 | 33,779,610 | 3,059,810 | 120,819,330 |

## (B) CHANGES IN ACTUARIAL LIABILITIES

The changes in the actuarial liabilities for insurance and annuity benefits are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Balance – beginning of year | **120,819,330** | 115,665,149 |
| Aging and changes in inforce | **22,471,360** | 6,562,118 |
| Interest rate assumption | **10,471,919** | 3,331,903 |
| Mortality assumption | **(323,143)** | (376,197) |
| Changes in other actuarial assumptions | **(2,880,922)** | (3,113,868) |
| Transfer from segregated accounts | **(12,889,363)** | (1,002,889) |
| Other changes | **(199,940)** | (246,886) |
| Balance – end of year | **137,469,241** | 120,819,330 |

## (C) ACTUARIAL ASSUMPTIONS AND MEASUREMENT UNCERTAINTY

**Mortality**

Mortality refers to the rates at which death occurs for defined groups of people. The Company's portfolio of business is too small to form the basis for any company produced mortality table. The Company's mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future expected improvement. On annuities, where lower mortality rates result in an increase in liabilities, assumed future mortality rates are adjusted to reflect estimated future improvements in the rates.

For life products where higher mortality would be financially adverse to the Company, a 1% increase in the best estimate assumption would increase the actuarial liabilities by $103,000. For annuity products where lower mortality would be financially adverse to the Company, a 1% decrease in the best estimate assumption would increase the actuarial liabilities by $187,000.

**Morbidity**

Morbidity refers to both the rates of accident or sickness and the rates of recovery there from. The Company's long term disability and medical expense insurance is marketed mostly on a group basis. The most significant morbidity risk relates to the group and individual medical business. A 1% increase in medical claims net of reinsurance would increase the actuarial liabilities by $774,000.

**Investment returns**

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

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

The effect of an immediate 1% increase in interest rates would be to decrease the present value of these net projected cash flows by approximately $2,817,000.

The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by approximately $3,463,000.

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

**Expenses**

Actuarial liabilities provide for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM. A 10% increase in the best estimate maintenance unit expense assumption would increase the actuarial liabilities by approximately $1,249,000.

**Policy termination**

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry experience. Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. A 10% adverse change in the best estimate policy termination assumption would increase the actuarial liabilities by $983,000.

**Policyholder dividends**

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that future policyholder dividends will change to reflect the experience of the respective participating accounts consistent with the participating policyholder dividend policies. Changes in the best estimate assumptions for the participating business would, in our expectation, correspond to changes in policyholder dividend scales that would not result in a material net change in actuarial liabilities for participating business.

## (D) RISK MANAGEMENT

### Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company is exposed to this risk when cash flows from assets that support the liabilities are significantly mismatched, resulting in the need to either sell assets to meet policyholder obligations and expenses or to reinvest excess asset cash flows under unfavourable interest rate environments.

To manage this risk, an investment policy statement was established to match portfolio investments with insurance liability cash flows that are reasonably predictable under a cash-matched program. A separate investment policy statement was established to manage the remaining liabilities and surplus of the Company based upon a total return approach. No derivative instruments are permitted under either investment policy.

### Credit risk

Credit risk is managed through an emphasis on the asset quality, mix and single issuer exposure of the asset portfolio.

Projected investment returns are reduced to provide for future credit losses on assets. The net effective yield rate reduction averaged 0.25% (0.50% in 2009). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

The following outlines the future credit losses on assets provided for in the actuarial liabilities. These amounts are in addition to the allowance for asset losses included within the assets:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Participating | **1,327,000** | 136,000 |
| Non-participating | **3,464,000** | 1,240,000 |
| | **4,791,000** | 1,376,000 |

### Reinsurance risk

Maximum benefit amount limits per insured life, which vary by line of business, are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company.

As a result of reinsurance, the actuarial liabilities have been decreased or increased by the following amounts:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Participating | **881,000** | 916,000 |
| Non-participating | **(1,963,000)** | 161,000 |
| | **(1,082,000)** | 1,077,000 |

**Liquidity risk**

Liquidity risk is the risk that the Company will have difficulty raising funds in order to meet commitments. The liquidity needs of the Company are managed through cash flow matching of assets and liabilities and forecasting earned and required yields to ensure consistency between policyholder requirements and the yield of assets purchased. Approximately 64% of policy liabilities are non-cashable prior to maturity or are subject to market value adjustments.

### (E) FAIR VALUE OF FUTURE POLICY BENEFITS

The fair value of future policy benefits is determined by reference to the fair value of the assets supporting those liabilities. As assets supporting future policy benefits are reported at fair value on the Consolidated Balance Sheet, the change in the value of those assets would be largely offset by a change in the value of liabilities, resulting in limited changes to surplus.

## 11. INTANGIBLE ASSETS & GOODWILL

The carrying value of intangible assets and goodwill and changes in the carrying value of intangible assets are as follows:

| | Finite life | | | Indefinite life | | |
|---|---|---|---|---|---|---|
| | Customer lists $ | ICBL customer relationships and contracts $ | Software development costs $ | ICBL brand $ | Goodwill $ | Total $ |
| **AT 1 JANUARY 2009** | | | | | | |
| Cost | 6,836,359 | 5,086,472 | 14,107,681 | 696,629 | 2,628,848 | 29,355,989 |
| Accumulated amortization & impairment | 2,633,264 | 1,525,942 | 358,493 | - | - | 4,517,699 |
| Net book value | 4,203,095 | 3,560,530 | 13,749,188 | 696,629 | 2,628,848 | 24,838,290 |
| **YEAR ENDED 31 DECEMBER 2009** | | | | | | |
| Opening net book value | 4,203,095 | 3,560,530 | 13,749,188 | 696,629 | 2,628,848 | 24,838,290 |
| Additions | - | - | 2,256,606 | - | - | 2,256,606 |
| Amortization | (737,933) | (508,647) | (175,352) | - | - | (1,421,932) |
| Impairment | - | - | (4,594,539) | - | - | (4,594,539) |
| Closing net book value | 3,465,162 | 3,051,883 | 11,235,903 | 696,629 | 2,628,848 | 21,078,425 |
| **AT 31 DECEMBER 2009** | | | | | | |
| Cost | 6,836,359 | 5,086,472 | 11,769,748 | 696,629 | 2,628,848 | 27,018,056 |
| Accumulated amortization & impairment | 3,371,197 | 2,034,589 | 533,845 | - | - | 5,939,631 |
| Net book value | 3,465,162 | 3,051,883 | 11,235,903 | 696,629 | 2,628,848 | 21,078,425 |
| **YEAR ENDED 31 DECEMBER 2010** | | | | | | |
| Opening net book value | 3,465,162 | 3,051,883 | 11,235,903 | 696,629 | 2,628,848 | 21,078,425 |
| Additions | - | - | 6,399,130 | - | - | 6,399,130 |
| Amortization | (737,932) | (508,647) | (865,150) | - | - | (2,111,729) |
| Closing net book value | 2,727,230 | 2,543,236 | 16,769,883 | 696,629 | 2,628,848 | 25,365,826 |
| **AT 31 DECEMBER 2010** | | | | | | |
| Cost | 6,836,359 | 5,086,472 | 18,168,878 | 696,629 | 2,628,848 | 33,417,186 |
| Accumulated amortization | 4,109,129 | 2,543,236 | 1,398,995 | - | - | 8,051,360 |
| Net book value | 2,727,230 | 2,543,236 | 16,769,883 | 696,629 | 2,628,848 | 25,365,826 |

*Customer lists*

During 2004 and 2007, the Company purchased rights to certain customer lists totalling $6,836,359. These costs are amortized over 10 years from the date of purchase, being the expected life of the business assumed.

*Software development costs*

The Company is engaged with significant development of its new core information systems. Effective 1 January 2006 all costs associated with the development of the system were deferred. Effective 1 January 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets. The effect is to transfer internally developed software costs from property, plant & equipment to intangible assets subject to amortization.

During 2009, the Company examined the continuing future benefits of internally developed software costs, and decided to write off in 2009 $4,594,539 million of impaired development costs. This writedown was shared equally between the health, life, annuity and pension segment and the property and casualty segment.

Software development costs are amortized over periods ranging from 5 to 10 years, depending on the expected useful life of the asset. Amortization of accumulated software development costs commences when the software is put into live production.

*ICBL Brand, Customer Relationships and Contracts*

In 2005, the Company acquired intangible assets arising from the ICBL acquisition including the ICBL brand, customer relationships, and pension contracts totalling $5,783,101. Of the total intangible assets acquired, $5,086,472 was identified as the value of intangible assets that have finite lives and will be amortized over 10 years, being the estimated expected lives of the existing relationships. The remaining balance of $696,629 relates to the ICBL brand and was determined to have an indefinite life.

Impairment of these intangibles is assessed on an annual basis.

**Goodwill**

Goodwill with an indefinite life was recorded with the purchase of the Company's interest in Insurance Corporation of Barbados in 2005.

Impairment of goodwill is assessed on an annual basis.

## 12. LOANS PAYABLE

In prior years, the Company borrowed from an affiliated company of the minority shareholder of Barr's Bay, $6,933,906 against the $7,000,000 in promissory notes available to finance the construction of Argo House (formerly PXRE House).

Interest on the variable rate loan is adjusted quarterly at the lower of 7% or 2% less than the average of the prevailing per annum First Mortgage rates of banks in Bermuda. Interest accrues on the date of each drawdown and is payable on the last day of each calendar quarter commencing one year after completion of the building but only to the extent that Barr's Bay has cash surplus to its needs arising from income in excess of all operating expenses (including payments of interest). Accrued interest on the loan at 31 December 2010 was $45,530 (2009 - $48,327). Repayment of accrued interest is made separately, and began in the year 2006. Repayment of loan principal commenced in the 2005 year and it is anticipated that the loan will be fully repaid by 30 June 2017 (contract maturity - January 2026).

During the year $620,400 (2009 - $533,834) of the principal balance was repaid. Estimated principal repayments on the loan balance of $4,379,328 (2009 - $4,999,728) for the next five years are as follows:

| | $ |
|---|---|
| 2011 | 664,404 |
| 2012 | 656,381 |
| 2013 | 683,033 |
| 2014 | 705,767 |
| 2015 | 819,424 |
| Thereafter | 850,319 |
| | 4,379,328 |

The fair value of the Barr's Bay loan with a minority shareholder does not approximate its fair value as it pays an interest rate of 2% below the average of the prevailing First Mortgage rates of banks in Bermuda. To estimate fair value, the expected cash flows of the loan have been discounted using a market interest rate. The fair value of the loan, recorded in the Company's Consolidated Balance Sheet at $4,379,328 (2009 - $4,999,728) is $4,164,740 (2009 - $4,669,598).

## 13. POLICYHOLDER DIVIDENDS AND LOANS

Accounts payable include policyholder dividends of $5,652,697 (2009 - $5,527,804) representing dividends and interest left to accumulate by the participating policyholders. Accounts receivable include policyholder loans of $4,421,618(2009 - $3,824,183).

## 14. SHARE CAPITAL

### (A) SHARE CAPITAL COMPRISES:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Authorized -10,000,000 (2009 - 10,000,000) common shares of a par value of $1 each | 10,000,000 | 10,000,000 |
| Issued and fully paid - 8,370,294 (2009 - 8,339,970) common shares of a par value of $1 each | 8,370,294 | 8,339,970 |

**(i) Employee share purchase plan**

During the year 12,320 (2009 - 9,492) shares were issued under the employee share purchase plan. The fair value of the shares amounted to $154,911 (2009 - $151,680) which was credited to share capital and share premium. The discount of $23,247 (2009 - $22,762) was charged to compensation expense.

**(ii) Shares held by the Company's defined benefit pension scheme**

As at 31 December 2010, 55,992 (2009 - 55,992) shares of the Company were owned within the investment portfolio of the Company's defined benefit pension scheme.

## (B) EQUITY INCENTIVE PLAN

### (i) Stock options

The stock options granted have a ten-year term and vest to the grantees over a three-year period.

The following table summarizes the stock options issued under the Company's Equity Incentive Plan:

| | **# of options** | **2010 Weighted average exercise price** | # of options | 2009 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at beginning of year | **199,166** | **17.06** | 227,963 | 17.13 |
| Exercised | **-** | **-** | (3,285) | 5.76 |
| Forfeited | **(14,209)** | **18.31** | (25,512) | 19.24 |
| Outstanding at end of year | **184,957** | **16.82** | 199,166 | 17.06 |
| Exercisable at 1 January 2011 and 2010 | **184,957** | **16.82** | 180,500 | 16.55 |

The following table summarizes information about stock options outstanding at year-end:

| Stock options expiring 1st January | # of options outstanding | # of options exercisable as at 1st January, 2011 | Exercise price |
|---|---|---|---|
| 2012 | 7,381 | 7,381 | 6.76 |
| 2013 | 7,381 | 7,381 | 8.97 |
| 2014 | 16,473 | 16,473 | 10.50 |
| 2015 | - | - | 13.43 |
| 2016 | 51,122 | 51,122 | 16.19 |
| 2017 | 50,600 | 50,600 | 16.82 |
| 2018 | 52,000 | 52,000 | 22.00 |
| | 184,957 | 184,957 | |

The fair value of stock options granted in the year ended 31 December was $0 (2009 -$0) per share.
The amount charged to compensation expense in the current year in respect of stock options granted in 2008 and prior years is $72,271 (2009 - $110,239).

### (ii) Stock grants

During the year 23,754 (2009 - nil) common shares were issued to certain key employees in respect of restricted share awards. These shares are held by the Company and are restricted from sale or use by the employees for three years from the grant date. The amount of the benefit to these key employees totalled $333,744 (2009 - $0) and will be amortized through earnings over a three year period. The amount charged to compensation expense in the current year totalled $184,616 (2009 - $317,729).

The following table summarizes information about the outstanding stock grants:

| Restricted shares vesting | # of shares |
|---|---|
| 1st January, 2011 | 22,550 |
| 1st January, 2012 | - |
| 1st January, 2013 | 23,754 |
| | 46,304 |

### (C) EARNINGS PER SHARE

The following sets forth the computation of basic and diluted earnings per share for the years ended 31 December 2010 and 2009.

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Income (numerator)** | **Average weighted shares (denominator)** | **Per share amount** | Income (numerator) | Average weighted shares (denominator) | Per share amount |
| Net earnings | **$17,277,889** | | | $19,648,220 | | |
| Basic earnings per share | | | | | | |
| Income available to common shares | **17,277,889** | **8,348,744** | **$2.07** | 19,648,220 | 8,349,694 | $2.35 |
| Effect of dilutive securities | | | | | | |
| Stock options | | **9,156** | | | 12,679 | |
| Diluted earnings per share | | | | | | |
| Income available to common | | | | | | |
| shareholders and assumed conversions | **$17,277,889** | **8,357,900** | **$2.07** | $19,648,220 | 8,362,373 | $2.35 |

The weighted average number of shares used in the calculation of diluted earnings per share for 2010 excludes 61,879 (2009 - 35,510) share options granted to employees of the Company, as these would have been anti-dilutive.

## 15. INCOME TAXES

Income tax is calculated and payable on the profit of ICBL and BF&M Canada.

### (A) TAX RECOVERABLE AND DEFERRED TAXES

Accounts receivable include tax recoverable of $2,192,230 (2009 - $1,016,585) representing income tax on the current year profit less tax instalments paid and available credits.

Accounts payable include deferred taxes of $350,985 (2009 - $365,647) relating to the following items:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Accelerated tax depreciation | **439,445** | 650,553 |
| Pension plan | **964,496** | 812,034 |
| | **1,403,941** | 1,462,587 |
| Deferred tax liability at depreciation tax rate of 25% | **350,985** | 365,647 |

### (B) INCOME TAX

The income tax expense comprises:

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| Current tax | **1,690,646** | 2,701,080 |
| Deferred tax | **(14,662)** | 46,320 |
| Taxation charge | **1,675,984** | 2,747,400 |

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

| | **2010** | 2009 |
|---|---|---|
| | **$** | $ |
| ICBL and BF&M Canada's income before corporation tax | **8,188,879** | 14,600,281 |
| Tax calculated at effective rates of 25% & 35% respectively | **2,469,708** | 3,236,613 |
| Effect of different tax rates on taxable income | **276,751** | (250,216) |
| Income not subject to tax | **(134,449)** | (175,317) |
| Tax effect of other amounts allowed | **(875,031)** | (108,678) |
| Expenses not deductible for tax | **62,250** | 39,244 |
| Tax effect of reduction in tax rate | **(123,245)** | 5,754 |
| | **1,675,984** | 2,747,400 |

ICBL's life business is subject to tax at a rate of 5% of gross investment income. All other investment income of ICBL is subject to tax at a rate of 12.5%. BF&M Canada's tax rate is 35%.

### (C) HAMILTON FINANCIAL

Hamilton Financial operates in a jurisdiction with corporate tax requirements. For the years ended 31 December 2010 and 2009, there was no corporate tax liability for Hamilton Financial.

## 16. EMPLOYEE FUTURE BENEFITS

The Company sponsors a defined benefit pension plan for BF&M Bermuda employees who were hired before 1 January 1999, and for ICBL employees who were hired before 1 June 2004. The pension amount at retirement is based on an employee's final average earnings. Post-retirement indexing has been provided on an ad-hoc basis.

The Company sponsors a defined contribution pension plan for BF&M Bermuda employees who were hired after 1 January 1999 and for those who elected to convert from the defined benefit plan as of 1 January 1999 and for ICBL employees who were hired after 1 June 2004 and for those who elected to convert from the defined benefit plan as of 1 June 2004. The cost of the defined contribution pension plan is not reflected in the tables below. Contributions of $1,135,150 (2009 - $1,158,979) equating to the service cost for the year for these employees were made to this plan. The employer portion was $564,275 (2009 - $575,732).

The Company also sponsors a post-retirement benefit plan for its employees. The main benefit provided is for health care.

The total cash payments made by the Company during 2010 were $3,577,000 (2009 - $1,096,000). The cash payments consisted of contributions required to fund the pension plan and premiums paid for the other post-retirement benefit plan.

The Company measures the fair value of assets and the accrued benefit obligations as at 31 December. The most recent actuarial valuation of the pension plan for funding and accounting purposes was as at 31 December 2010.

The following table provides summaries of the defined benefit pension and post-retirement plans' estimated financial position at 31 December 2010 and 2009:

| | **Pension benefit plans 2010 $'000** | Pension benefit plans 2009 $'000 | **Other benefit plans 2010 $'000** | Other benefit plans 2009 $'000 |
|---|---|---|---|---|
| **ACCRUED BENEFIT OBLIGATION** | | | | |
| Balance – beginning of year | **47,233** | 39,628 | **12,314** | 9,900 |
| Current service cost | **944** | 1,044 | **1,146** | 900 |
| Interest cost | **2,954** | 2,810 | **776** | 720 |
| Benefits and expenses paid | **(1,591)** | (1,514) | **(267)** | (254) |
| Actuarial loss | **(2,505)** | 5,265 | **598** | 1,048 |
| **BALANCE – END OF YEAR** | **47,035** | 47,233 | **14,567** | 12,314 |
| **PLAN ASSETS** | | | | |
| Fair value – beginning of year | **36,960** | 39,260 | **-** | - |
| Actual return on plan assets | **300** | (1,631) | **-** | - |
| Contributions | **3,310** | 845 | **267** | 251 |
| Benefits and expenses paid | **(1,591)** | (1,514) | **(267)** | (251) |
| **FAIR VALUE – END OF YEAR** | **38,979** | 36,960 | **-** | - |
| Funded Status – plan deficit | **(8,056)** | (10,273) | **(14,567)** | (12,314) |
| Unamortized net actuarial loss | **15,269** | 16,298 | **1,525** | 1,020 |
| Unamortized transitional (asset) obligation | **(2,279)** | (2,532) | **1,340** | 1,490 |
| **ACCRUED BENEFIT ASSET (LIABILITY)** | **4,934** | 3,493 | **(11,702)** | (9,804) |

Plan assets consist of the following:

| | **2010 %** | 2009 % |
|---|---|---|
| Equities | 11 | 15 |
| Fixed income | 71 | 68 |
| Real estate | 7 | 9 |
| Other | 11 | 8 |
| Total | 100 | 100 |

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations vary depending on whether the obligation is the result of Bermuda or Barbados based operations. Those assumptions are as follows (weighted-average assumptions as of December 31, 2010 and 2009):

| | **Pension benefit plans 2010 %** | Pension benefit plans 2009 % | **Other benefit plans 2010 %** | Other benefit plans 2009 % |
|---|---|---|---|---|
| **BERMUDA** | | | | |
| **Benefit cost during the year** | | | | |
| Discount rate | **6.00** | 7.00 | **6.00** | 7.00 |
| Expected long-term rate of return on plan assets | **7.00** | 7.00 | | |
| Rate of compensation increase | **5.50** | 5.50 | | |
| **Accrued benefit obligation at end of year** | | | | |
| Discount rate | **5.25** | 6.00 | **5.25** | 6.00 |
| Compensation increase | **4.75** | 5.50 | | |
| Post-retirement indexation | **1.50** | 2.25 | | |

For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits was assumed to be 8.5% for years 2009 to 2013, 6.5% for years 2014 to 2018, and 4.5% thereafter.

| | **Pension benefit plans 2010 %** | Pension benefit plans 2009 % | **Other benefit plans 2010 %** | Other benefit plans 2009 % |
|---|---|---|---|---|
| **BARBADOS** | | | | |
| **Benefit cost during the year** | | | | |
| Discount rate | **7.75** | 7.00 | **7.75** | 7.00 |
| Expected long-term rate of return on plan assets | **6.50** | 6.50 | | |
| Rate of compensation increase | **6.00** | 6.00 | | |
| **Accrued benefit obligation at end of year** | | | | |
| Discount rate | **7.75** | 7.00 | **7.75** | 6.50 |
| Compensation increase | **6.00** | 6.00 | | |
| Post-retirement indexation | **2.50** | 2.50 | | |

Medical premium inflation in Barbados was assumed to be 5% (2009 - 5%).

The Company's net benefit plan expense is as follows:

| | **Pension benefit plans 2010 $'000** | Pension benefit plans 2009 $'000 | **Other benefit plans 2010 $'000** | Other benefit plans 2009 $'000 |
|---|---|---|---|---|
| Current service cost | **944** | 1,044 | **1,146** | 900 |
| Interest cost | **2,954** | 2,810 | **776** | 720 |
| Actual return on plan assets | **(300)** | 1,631 | **-** | - |
| Actuarial (gains) losses | **(2,505)** | 5,265 | **598** | 1,048 |
| **NET BENEFIT PLAN EXPENSE BEFORE ADJUSTMENTS** | **1,093** | 10,750 | **2,520** | 2,668 |
| **ADJUSTMENTS TO RECOGNIZE THE LONG-TERM NATURE OF EMPLOYEE FUTURE BENEFIT COSTS** | | | | |
| Difference between expected and actual return on plan assets | **(2,621)** | (4,611) | **-** | - |
| Difference between recognized and actual actuarial loss | **3,650** | (5,070) | **(505)** | (1,047) |
| Amortization of transitional(asset) obligation | **(253)** | (253) | **150** | 150 |
| **NET BENEFIT PLAN EXPENSE** | **1,869** | 816 | **2,165** | 1,771 |

Health care cost calculations are based on trend rate assumptions which may differ from actual results. Changes in trend rate assumptions by 1% in either direction will change the health care cost as follows:

| | **Increase 2010 $'000** | Increase 2009 $'000 | **Decrease 2010 $'000** | Decrease 2009 $'000 |
|---|---|---|---|---|
| Aggregate of current service cost and interest cost | **491** | 456 | **(373)** | (335) |
| Accrued benefit obligation | **2,936** | 3,426 | **(2,215)** | (2,519) |

## 17. SEGMENTED INFORMATION

The tables below present the segments of the business based on internal management reporting. The operating segments are as follows:

**Health, life, annuity and pension**

Insurance coverage includes group and individual health and accident, life, disability, annuity and pension business.

**Property and casualty**

Insurance coverage includes personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal autocycle, workmen's compensation and commercial vehicles.

**Real estate**

The Company currently owns and occupies one building and is a majority owner in two buildings that are leased principally to non-related parties.

**Barbados operations**

Insurance coverage includes motor, property, marine, miscellaneous accident, group health, group life, and pension business.

**Industry segments**

| | Health, life, annuity and pension 2010 $'000 | Property and casualty 2010 $'000 | Real Estate 2010 $'000 | Barbados operations 2010 $'000 | Corporate and other 2010 $'000 | Total 2010 $'000 |
|---|---|---|---|---|---|---|
| Income earned from external customers | **143,814** | **33,406** | **2,644** | **40,444** | **1,382** | **221,690** |
| Intersegment income | **458** | **620** | **1,144** | **106** | **3,494** | **5,822** |
| Segment amortization | **1,554** | **468** | **779** | **1,436** | **116** | **4,353** |
| Segment interest expense | **-** | **-** | **184** | **-** | **-** | **184** |
| Segment income tax expense | **-** | **-** | **-** | **1,570** | **106** | **1,676** |
| Segment earnings | **1,420** | **13,063** | **1,115** | **2,322** | **(642)** | **17,278** |
| Segment assets | **509,159** | **127,993** | **27,739** | **180,743** | **17,492** | **863,126** |
| Segment fixed asset & software expenditures | **3,327** | **3,239** | **276** | **2,947** | **48** | **9,837** |

| | Health, life, annuity and pension 2009 $'000 | Property and casualty 2009 $'000 | Real Estate 2009 $'000 | Barbados operations 2009 $'000 | Corporate and other 2009 $'000 | Total 2009 $'000 |
|---|---|---|---|---|---|---|
| Income earned from external customers | 128,577 | 34,111 | 3,669 | 39,523 | 676 | 206,556 |
| Intersegment income | 506 | 413 | 1,099 | - | 3,661 | 5,679 |
| Segment amortization | 3,572 | 2,530 | 739 | 1,399 | 126 | 8,366 |
| Segment interest expense | - | - | 200 | - | - | 200 |
| Segment income tax expense | - | - | - | 2,650 | 97 | 2,747 |
| Segment earnings | 4,142 | 10,109 | 1,801 | 3,920 | (324) | 19,648 |
| Segment assets | 446,075 | 114,532 | 29,435 | 184,199 | 17,833 | 792,074 |
| Segment fixed asset & software expenditures | 1,245 | 1,190 | 165 | 868 | 96 | 3,564 |

Figures included in the "corporate and other" column above represent the combined operations of two holding companies, a management company, a financial reinsurance company, and an investment management company.

The accounting policies of the segments are the same as those described in note 2. Intersegment income is recorded at management's estimate of current market prices. Reconciliation of segment income to total income, segment earnings to total earnings, and segment assets to total assets are listed as follows:

| | 2010 | 2009 |
|---|---|---|
| | **$'000** | $'000 |
| **INCOME** | | |
| Total income for reportable segments | **222,636** | 207,898 |
| Other income | **4,876** | 4,337 |
| Elimination of intersegment income | **(5,822)** | (5,679) |
| Total company income | **221,690** | 206,556 |
| **EARNINGS** | | |
| Total earnings for reportable segments | **17,921** | 19,972 |
| Other profit | **(643)** | (324) |
| Total company earnings | **17,278** | 19,648 |
| **ASSETS** | | |
| Total assets for reportable segments | **845,634** | 774,241 |
| Other assets | **17,492** | 17,833 |
| Elimination of intersegment assets | **(68,715)** | (60,537) |
| Total company assets | **794,411** | 731,537 |

## 18. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments comprise all assets and liabilities, except for the reinsurers' share of provision for unearned premiums, property, plant and equipment, intangible assets, goodwill, unearned premiums, deferred commission income, deferred policy acquisition costs and the non-controlling interest in subsidiaries.

The fair value of the Company's financial instruments, which are not classified as either held for trading or available for sale approximate the carrying values in the Consolidated Balance Sheet except for certain investments, the fair value of which is disclosed in note 4, and the Barr's Bay's loan with a minority shareholder which has an interest rate 2% below the average of the prevailing First Mortgage rates of banks in Bermuda which is disclosed in note 12.

## 19. DIRECTORS' AND OFFICERS' SHARE IN INTERESTS AND SERVICE CONTRACTS

Pursuant to Regulation 6.8 (3) of Section IIA of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and officers of the Company in the common shares of the Company at 31 December 2010 were 266,100 (2009 - 245,602) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer, other than those disclosed in note 14(b).

Directors' remuneration totalled $273,000 in 2010 (2009 - 309,000). There are no service contracts with directors.

Outstanding mortgages directly or beneficially held with directors and officers amounted to $3,990,234 at 31 December 2010 (2009 - $746,886).

## 20. MAINTENANCE OF NET WORTH AGREEMENT

On 17 March 2006 an agreement was signed between the Company and Bermuda International whereby the Company and Bermuda International desire to provide certain assurances to parties, who hold risk contracts with Bermuda International, with respect to the financial condition of Bermuda International. The Company will, in accordance with the terms of the agreement, ensure that Bermuda International has, at all times, sufficient net worth to meet any and all valid claims of the parties who hold risk contracts with Bermuda International. The

Company agrees that it shall ensure that Bermuda International has a net worth at least equal to required regulatory minimum capitalization under The Insurance Act 1978, amendments thereto, and related regulations. The minimum net worth amount is $250,000. If Bermuda International falls below the minimum net worth amount it will notify the Company and the Company will provide funds to Bermuda International within 10 business days.

## 21. INSURANCE AND OTHER COMPANY REGULATIONS

**CURRENT**

**Bermuda**

Under The Insurance Act 1978 (Bermuda), Amendments Thereto and Related Regulations (the "1978 Act"), the Company's Bermuda-based insurance subsidiaries are required to annually prepare and file statutory financial statements and a statutory financial return. The 1978 Act also requires the Company's insurance subsidiaries to meet minimum liquidity ratios and minimum capital and surplus requirements which vary depending on whether they are a Long-Term Insurer or not. Non Long-term insurance companies, which have a Class 3A insurance license, must maintain a minimum capital and surplus equal to the greater of $1.0 million, 20% of the first $6.0 million of net premiums written and 15% of the net premiums written in excess of $6.0 million or 15% of the loss and loss expense provisions. Long-Term insurance companies must maintain a minimum capital and surplus of $250,000. The total restricted statutory capital and surplus required to be held by the Company's insurance subsidiaries as at 31 December 2010 was $5,242,641 (2009 - $4,352,696). For all periods presented herein, the Company satisfied these requirements.

The 1978 Act limits the maximum amount of annual dividends and distributions that may be paid by the Company's insurance subsidiaries. These insurance companies shall not pay dividends in any year which would exceed 25% of its prior year statutory capital and surplus or reduce its prior year statutory capital by 15% or more, without the prior notification to, and in certain cases the approval of, the Bermuda Monetary Authority. In addition, The Bermuda Companies Act 1981 (the "Companies Act") limits the Company's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the company would be unable to pay its liabilities as they become due or if the realizable value of its assets would be less than the aggregate of its liabilities, issued share capital and share premium accounts.

**Barbados**

The Barbados Insurance (Catastrophe Reserve Fund) Regulations 1998 require the establishment of a catastrophe reserve fund. Annual amounts of up to 25% of net premium income from property insurance business are allocated to the fund and are accounted for as an appropriation of retained earnings in the financial statements of ICBL. Assets representing the fund in the amount of $3,673,375 (2009 - $3,218,478) are placed in trust in accordance with the regulations of the Insurance Act.

Section 152 of the Barbados Insurance Act requires the appropriation towards a surplus reserve of at least 25% of net income until such time as the surplus reserve of the ICBL equals or exceeds the liability in respect of unearned premiums. A surplus reserve of $15,170,635 as at 31 December 2010 (2009 - $14,157,405) is included in ICBL's shareholders' equity.

**FUTURE**

**Bermuda**

The Bermuda Monetary Authority during 2010 published several new legislative and regulatory initiatives, including an Insurance Code of Conduct, a revised solvency framework and licensing classifications for long term insurers, and the transition to an own risk and solvency framework for all classes of insurers and insurance groups. The Company expects that the minimum level of statutory capital and surplus for long term insurers will increase as a result of the revised solvency framework; however, the Company is unable to quantify the impact at this time.

## 22. COMPARATIVE FIGURES

Certain comparative figures have been restated to reflect the current year's financial statement presentation.

# DIRECTORS AND OFFICERS OF PRINCIPAL OPERATING SUBSIDIARIES

## BF&M GENERAL INSURANCE COMPANY LIMITED

| | |
|---|---|
| DIRECTORS | **Nancy L. Gosling,** B.Comm., C.G.A. LL.D, *Chairman*<br>**Peter N. Cooper,** *Deputy Chairman*<br>**Gavin R. Arton**<br>**Gregory D. Haycock,** FCA., J.P.<br>**L. Anthony Joaquin,** FCA<br>**R. John Wight,** C.A., CPCU<br>**David A. J. G. White**<br>**Glen Gibbons,** B.A., A.C.I.I., **Chartered Insurer** |
| OFFICERS | **R. John Wight,** C.A., CPCU, *President & Chief Executive Officer*<br>**Glen P. Gibbons,** B.A., A.C.I.I., **Chartered Insurer,** *Senior Vice President*<br>**Janet Carew,** C.A., *Chief Financial Officer*<br>**Goulbourne Alleyne,** FCII, ARe, ACIS, MBA, FLMI, *Vice President, Underwriting & Claims*<br>**Lynda A. Davidson Leader,** B.A., C.A., *Vice President, Corporate Services*<br>**Debby Graham,** P.H.R., *Vice President, Human Resources*<br>**Paul Matthews,** B.A., PMP, *Vice President, Information Technology*<br>**Patrick Neal,** B.A., CPCU, *Vice President, Bancassurance*<br>**Henry Sutton,** CPCU, ARe, *Vice President, Customer Relations*<br>**Michelle Webbe,** C.A., *Vice President and Group Controller*<br>**Jon Carey,** M.C.P., CCENT, *Assistant Vice President, Business Services*<br>**Andrew Hanwell,** *Assistant Vice President, Personal Insurance*<br>**Nicole Williams Smith,** B.A., *Assistant Vice President, Communications* |
| ACTUARIAL | **Mylene Labelle,** FCIA, FCAS, **(Eckler Partners Limited, Toronto),** *Consultant Actuary* |

## BF&M LIFE INSURANCE COMPANY LIMITED

| | |
|---|---|
| DIRECTORS | **Garry A. Madeiros,** FCA., J.P., *Chairman*<br>**Stephen W. Kempe,** *Deputy Chairman*<br>**Gavin R. Arton**<br>**Catherine S. Lord,** B.Sc., J.P.<br>**S. Caesar "Sy" Raboy,** CLU<br>**C.L.F. "Lee" Watchorn,** FCIA, FSA<br>**R. John Wight,** C.A., CPCU<br>**Susan M. Reed,** B.A., CLU, FLMI |
| OFFICERS | **R. John Wight,** C.A., CPCU, *President & Chief Executive Officer*<br>**Susan M. Reed,** B.A., CLU, FLMI, *Chief Operating Officer*<br>**Janet Carew,** C.A., *Chief Financial Officer*<br>**Lynda A. Davidson Leader,** B.A., C.A., *Vice President, Corporate Services*<br>**Holly Flook,** RN, BSN, *Vice President, Underwriting & Claims*<br>**Debby Graham,** P.H.R., *Vice President, Human Resources*<br>**Michael Lima,** *Vice President*<br>**Dennis Marinac,** F.S.A., F.C.I.A., *Vice President and Life Actuary*<br>**Paul Matthews,** B.A., PMP, *Vice President, Information Technology*<br>**Patrick Neal,** B.A., CPCU, *Vice President, Bancassurance*<br>**Alyson L. Nicol,** C.A., C.P.A., *Vice President, Pensions*<br>**Michelle Webbe,** C.A., *Vice President and Group Controller*<br>**Jon Carey,** M.C.P., CCENT, *Assistant Vice President, Business Services*<br>**Michael Rawlins,** *Assistant Vice President, Customer Relations & Sales*<br>**Nicole Williams Smith,** B.A., *Assistant Vice President, Communications* |
| ACTUARIAL | **Hélène Pouliot,** F.C.I.A., F.S.A., CERA,**(Towers Watson, Toronto),** *Consultant Actuary* |

# DIRECTORS AND OFFICERS OF PRINCIPAL OPERATING SUBSIDIARIES

## BERMUDA INTERNATIONAL INSURANCE SERVICES LIMITED

| | |
|---|---|
| DIRECTORS | **S. Caesar "Sy" Raboy,** CLU, *Chairman*<br>**Richard D. Spurling,** *Deputy Chairman*<br>**C.L.F. "Lee" Watchorn,** FCIA, FSA<br>**R. John Wight,** C.A., CPCU<br>**Michael Lima** |
| OFFICERS | **R. John Wight,** C.A., CPCU, *President & Chief Executive Officer*<br>**Michael Lima,** *Vice President & General Manager* |

## BERMUDA INTERNATIONAL REINSURANCE SERVICES LIMITED

| | |
|---|---|
| DIRECTORS | **S. Caesar "Sy" Raboy,** CLU, *Chairman*<br>**Richard D. Spurling,** *Deputy Chairman*<br>**C.L.F. "Lee" Watchorn,** FCIA, FSA<br>**R. John Wight,** C.A., CPCU |
| OFFICERS | **R. John Wight,** C.A., CPCU, *President & Chief Executive Officer* |

## BF&M INVESTMENT SERVICES LIMITED

| | |
|---|---|
| DIRECTORS | **Stephen W. Kempe,** *Chairman*<br>**Gavin R. Arton,** *Deputy Chairman*<br>**R. John Wight,** C.A., CPCU<br>**Lynda A. Davidson Leader,** B.A., C.A. |
| OFFICERS | **R. John Wight,** C.A., CPCU, *President & Chief Executive Officer*<br>**Miguel DaPonte,** C.F.A., M.B.A., *Vice President* |

## INSURANCE CORPORATION OF BARBADOS LIMITED

| | |
|---|---|
| DIRECTORS | **R. John Wight,** C.A., CPCU, *Chairman*<br>**Carlos Holder,** J.P., B.A.(Hons), M.A.(Econ), *Vice Chairman*<br>**Adrian D. Christie**<br>**Wismar Greaves,** B.A., A.C.I.I., **Chartered Insurer**<br>**Winston Beckles,** LL.B., LL.M.(Lond.)<br>**Francina Downey,** C.G.A., F.C.A.<br>**Barry L.V. Gale,** Q.C., LL.B.(Hons)<br>**Jennifer Hunte,** BSc., C.G.A.<br>**Toni M.D. Jones**<br>**Eric Smith**<br>**Juanita Thorington-Powlett,** BSc., M.B.A., F.C.I.S.<br>**Clyde Q. Williams,** B.A., CLU, FLMI, CPA |
| OFFICERS | **Wismar Greaves,** B.A., A.C.I.I., **Chartered Insurer,** *Managing Director & Chief Executive Officer*<br>**Valentina J.G.R. Blackman,** LL.B.(Hons), LL.M, *Secretary* |

## BF&M Employees

Newton **Adcock** • Goulbourne **Alleyne** • M. Chan **Aming** • Suzette **Albouy** • Catherine **Allen** • Judy **Bardgett** • Callan **Bassett** • Brenda **Bean** • Renee **Bean** • Jennifer **Bedell** • Stephen **Bellefontaine** • Robert **Blakesley** • Deborah **Botelho** • Jane **Bothello** • Gina **Bradshaw** • Jerome **Bradshaw** • Vanessa **Brown** • Mike **Bruneau** • Mark **Cabral** • Kim **Caisey** • William **Cann** • Judy **Card** • Janet **Carew** • Jon **Carey** • Terry **Chapman** • Caitlyn **Christie** • R. Che' **Clarke** • Pandora **Clemons** • Gina **Cook** • Sonia **Cox** • David **Coxall** • Andrew **Crawford** • Gregory **Crofton** • Clint **Cummings** • Miguel **Da Ponte** • Lynda **Davidson Leader** • Monika **Davis** • Alexander **de Campos Guerra** • Kenneth **Doctor** • Paula **DuBois-Philpott** • Daphne **Duke** • Keith **Dunmore** • Lionel **Edwards** • Raquel **Fagundo** • Carol **Faries** • Holly **Flook** • Crystal **Fox** • Wendi **Francis** • Delbert **Franklin** • Antoine **Furbert** • Sean **Gatien** • Glen **Gibbons** • Roy **Gibbons** • Charlene **Gilbert** • Denika **Gilbert** • Mona **Goater** • Lauren **Godwin** • Quilleta **Gomes** • Wilfred **Gonsalves** • Veronica **Goodchild** • Derrick **Goodyear** • Glenn **Gould** • Debby **Graham** • Charles **Grant** • Dorea **Grant** • Dorothea **Grant** • Marshall **Hamilton** • Andrew **Hanwell** • Stacey **Hayward**-**Tucker** • Sandra **Henderson** • Sandra **Hodgson** • Marcia **Johnson** • Michael **Jones** • Douglas **Joslyn** • Cameron **Kelly** • Andrea **Lassalle** • Bart **Lewis** • Mandy **Lewis** • Anthoni **Lightbourne** • Glen **Lima** • Michael **Lima** • Michael **Lindo** • Casey **Lopes** • David **Lovell** • Ralph **Lovell** • Jackie **Loving** • Colin **Lowe** • Karl **Lupson** • Wonder **Lynch** • Julian **Hubbard** • Stephen **MacIsaac** • Jennifer **MacKay** • Lori **MacPherson** • Holly **Mahoney** • Dennis **Marinac** • Catherine **Marshall** • Nika **Mason** • Paul **Matthews** • Barbara **McLauchlan** • Elicia **McPartlin** • Suzanna **Medeiros** • Brian **Mello** • Adam **Moore** • Clifford **Morris** • Andrea **Moss** • Stephen **Muso** • Patrick **Neal** • Rhonda **Neil** • Tiffany **Nelmes** • Kathy **Nesbitt** • Alyson **Nicol** • Eric **Nordquist** • Cindy **Ottley** • Gina **Outerbridge** • Lisa **Palmer Douglas** • Mariea **Pearman** • Sacha **Pedro** • Larry **Perinchief** • Larenzo **Ratteray** • Michael **Rawlins** • Susan **Reed** • Alfreda **Robinson** • Anthony **Rodrigues** • Tracy **Rodrigues** • Jayne **Rollin** • Kenzie **Royal** • Sevonne **Scott** • Cindy **Seaboyer** • Maria **Simas** • Joan **Simmons** • Julian **Simmons** • Yannick **Simmons** • Thomas **Simmons** • Kimberly **Simons** • Michael **Simons** • Tamara **Simons** • Miles **Simpson** • Kelly **Sims** • Cheryl **Smack** • Ayisha S**mith** • Jennifer **Smith** • Ryan **Smith** • Kristina **Soares** • Jonathan **Sousa** • Julia **Sousa** • Lisa **Spencer** • Ross **Spurling** • Pinky **Stoneham** • Gayle **Stowe** • Karen **Stroeder** • Henry **Sutton** • Sandra **Taggett** • Lynda **Talbot** • Thaaqib **Talbot** • Veritee **Tankard** • Deborah **Tucker** • Sharmaine **Tucker** • Tammy **Veinot** • Pamela **Wainwright** • Nicole **Waite** • Michelle **Webbe** • Andrew **White** • Daniel **Wicks** • John **Wight** • Nicole **Williams-Smith** • Mark **Wood**

**Head Office**
Insurance Building • 112 Pitts Bay Road • Pembroke HM 08 • Bermuda
P. O. Box HM 1007 • Hamilton HM DX • Bermuda
Telephone: 441-295-5566 • Fax: 441-292-8831 • www.bfm.bm

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