GUARDIAN LIFE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Jamaican dollars unless otherwise indicated)

Guardian Life Limited
Index
Year ended 31 December 2010

	Page
Actuary's Report	
Independent Auditors' Report	
Financial Statements	
Consolidated income statement	1
Consolidated statement of comprehensive income	2
Consolidated statement of financial position	3 - 4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Income statement	7
Statement of comprehensive income	8
Statement of financial position	9-10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 95

GUARDIAN LIFE LIMITED
LOOKING AFTER LIFE
A MEMBER OF THE GUARDIAN HOLDINGS GROUP

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OPINION

Report of the Appointed Actuary

I have examined the financial condition and valued the policy benefit liabilities of Guardian Life Limited for its balance sheet as at 31 December 2010 and the corresponding change in the policy liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica.

In my opinion:

(i) the method and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;

(ii) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Financial Services Commission;

(iii) the valuation of actuarial and other policy liabilities has been made in accordance with the Caribbean Actuarial Association's Actuarial Standard of Practice APS2, the Prudential Supervision of Long-Term Insurance Business;

(iv) the methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the company and of the said policies and claims;

(v) the amount of the policy benefit liabilities represented in the balance sheet of Guardian Life Limited makes proper provision for the future payments under the company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;

(vi) a proper charge on account of these liabilities has been made in the statement of operations;

(vii) there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.

Catherine Allen, FSA	[signature]	March 10, 2011
Name of Appointed Actuary	Signature of Appointed Actuary	Date

ERNST & YOUNG
Chartered Accountants

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Kingston 8
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Guardian Life Limited

We have audited the accompanying financial statements of Guardian Life Limited and its subsidiaries ("the Group"), and Guardian Life Limited ("the Company") which comprise the consolidated and company statements of financial position as at 31 December 2010 and the consolidated and company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Guardian Life Limited (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2010, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

10 March 2011

Guardian Life Limited

Consolidated Income Statement

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Revenues			
Gross insurance premium	5(a)	7,510,109	6,439,148
Insurance premium ceded to re-insurers	5(b)	(239,733)	(256,619)
Net insurance premium		7,270,376	6,182,529
Investment income	6	3,201,362	4,271,552
Interest on repurchase agreements		(7,514)	(104,138)
Investment expense		(98,674)	(207,296)
Net investment income		3,095,174	3,960,118
Fees and commission income	7	270,651	186,338
Net fair value gains	8	442,458	393,787
Realized gains on financial assets		23,618	4,186
Foreign exchange (losses)/gains		(99,102)	182,071
Share of results of associated company	20	4,600	(193,655)
Other		51,390	51,073
		11,059,165	10,766,447
Policyholders' Benefits			
Gross benefits and claims paid		3,678,977	3,302,512
Claims ceded to reinsurers		(52,993)	(50,217)
Net benefits and claims	9	3,625,984	3,252,295
Increase in reserves for changes in contract liabilities	28	2,800,956	2,626,393
Interest on approved deposit administration funds		821,557	1,110,475
		7,248,497	6,989,163
Commissions and Sales Expenses	10	1,099,385	1,106,423
Management and Other Operating Expenses	11	1,661,128	1,515,574
		10,009,010	9,611,160
Profit Before Tax		1,050,155	1,155,287
Taxation	13	(264,921)	(532,786)
Net Profit Attributable to Equity Holders of the Parent		785,234	622,501

Guardian Life Limited

Consolidated Statement of Comprehensive Income

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Net Profit for The Year		785,234	622,501
Other Comprehensive Income:			
Exchange differences on translating foreign operations		(49,364)	173,439
Net gain/(loss) on property revaluation		32,850	(7,416)
Net gain on available-for-sale securities		80,211	26,102
Income tax relating to components of other comprehensive income	13	(10,294)	8,696
Other Comprehensive Income For The Year, Net of Tax		53,403	200,821
Total Comprehensive Income For The Year Attributable to Equity Holders of The Parent		838,637	823,322

Guardian Life Limited

Consolidated Statement of Financial Position

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
ASSETS			
Cash and Bank		542,922	424,451
Investments			
Short term deposits	14	1,221,793	230,339
Securities purchased under reverse repurchase agreements	15	1,388,996	2,424,504
Financial instruments	16	26,038,559	23,453,830
Policyholders' loans	17	292,473	307,535
Investment properties	18	464,401	415,848
Investment in associated company	20	441,447	455,966
		29,847,669	27,288,022
Taxation Recoverable		1,740,503	1,544,807
Other Assets	21	737,627	716,466
Property and Equipment	22	1,461,157	1,171,758
Intangible Assets	23	27,755	28,551
Segregated Funds' Assets	24	6,236,423	5,735,963
		40,594,056	36,910,018

Guardian Life Limited

Consolidated Statement of Financial Position (Continued)

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' Funds			
Share capital	25	126,525	126,525
Stock option reserve	26	97,326	93,988
Special investment reserve	27	345,648	191,977
Currency translation reserve		337,112	402,730
Property revaluation reserve		555,015	524,850
Retained earnings		3,380,512	3,183,030
		4,842,138	4,523,100
Policyholders' Funds			
Insurance contracts liabilities	28	16,686,480	13,896,893
Investment contracts liabilities	29	10,871,343	10,719,350
Other policy liabilities	30	927,982	841,959
Segregated funds' liabilities		6,236,423	5,735,963
		34,722,228	31,194,165
Repurchase Agreements		-	257,093
Income Tax Payable		129,247	240,923
Deferred Tax Liabilities	31	246,950	243,813
Other Liabilities	32	653,493	450,924
		40,594,056	36,910,018

Approved for issue by the Board of Directors on 10 March 2011 and signed on its behalf by:

David Henriques Director

Eric Hosin Director

Guardian Life Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Stock Option Reserve	Special Investment Reserve	Currency Translation Reserve	Property Revaluation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2009	126,525	80,025	272,644	229,291	531,180	2,760,741	4,000,406
Profit for the year	-	-	-	-	-	622,501	622,501
Other comprehensive income	-	-	33,702	173,439	(6,330)	10	200,821
Total comprehensive income			33,702	173,439	(6,330)	622,511	823,322
Stock option scheme – Value of services provided	-	13,963	-	-	-	-	13,963
Net transfer to retained earnings	-	-	(114,369)	-	-	114,369	-
Dividends paid ($2.49 per share)	-	-	-	-	-	(314,591)	(314,591)
Balance at 31 December 2009	126,525	93,988	191,977	402,730	524,850	3,183,030	4,523,100
Profit for the year						785,234	785,234
Other comprehensive income	-	-	72,595	(49,364)	30,165	7	53,403
Total comprehensive income	-	-	72,595	(49,364)	30,165	785,241	838,637
Stock option scheme – Value of services provided	-	3,338	-	-	-	-	3,338
Net transfer from retained earnings	-	-	81,076	(16,254)	-	(64,822)	-
Dividends paid ($4.13 per share)	-	-	-	-	-	(522,937)	(522,937)
Balance at 31 December 2010	126,525	97,326	345,648	337,112	555,015	3,380,512	4,842,138

Guardian Life Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	34	3,622,333	2,871,043
Cash Flows from Investing Activities			
Purchase of property and equipment	22	(359,091)	(117,598)
Proceeds from sale of property and equipment		3,568	7,150
Purchase of intangible assets	23	(22,130)	(10,359)
Purchase of investment properties		(41,380)	(6,825)
Repurchase agreements		(257,093)	(411,882)
Short term deposits not considered cash equivalent		(2,930)	146,576
Reverse repurchase agreements not considered cash equivalent		(355,000)	20,112
Net decrease in policyholders' loans		15,062	41,895
Purchase of other investments		(4,420,159)	(6,293,328)
Proceeds from sale of other investments		2,088,285	4,094,189
Net cash used in investing activities		(3,350,868)	(2,530,070)
Cash Flows from Financing Activity			
Dividends paid		(522,937)	(314,591)
Net cash used in financing activity		(522,937)	(314,591)
Effect of exchange rate changes on cash and cash equivalents		(26,499)	105,392
Net (decrease)/increase in cash and cash equivalents		(277,971)	131,774
Cash and cash equivalents at beginning of year		2,971,678	2,839,904
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,693,707	2,971,678
Comprising:			
Cash and bank balances		542,922	424,451
Short term deposits	14	1,128,470	139,551
Securities purchased under reverse repurchase agreements	15	1,022,315	2,407,676
		2,693,707	2,971,678

Guardian Life Limited

Income Statement

Year ended 31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Revenues			
Gross Insurance premium	5(a)	7,510,109	6,439,148
Insurance premium ceded to re-insurers	5(b)	(239,733)	(256,619)
Net insurance premium		7,270,376	6,182,529
Investment income	6	3,187,299	4,258,367
Interest on repurchase agreements		(7,514)	(104,138)
Investment expense		(98,674)	(264,962)
Net investment income		3,081,111	3,889,267
Fees and commission income	7	270,628	186,281
Net fair value gains	8	442,458	393,787
Realized gains on financial assets		23,618	4,186
Foreign exchange (losses)/gains		(99,102)	182,071
Other		51,390	51,073
		11,040,479	10,889,194
Policyholders' Benefits			
Gross benefits and claims paid		3,678,977	3,302,512
Claims ceded to reinsurers		(52,993)	(50,217)
Net benefits and claims	9	3,625,984	3,252,295
Increase in reserves for changes in contract liabilities		2,800,956	2,626,393
Interest on approved deposit administration funds		821,557	1,110,475
		7,248,497	6,989,163
Commissions and Sales Expenses	10	1,099,360	1,106,375
Management and Other Operating Expenses	11	1,647,067	1,482,302
		9,994,924	9,577,840
Profit Before Tax		1,045,555	1,311,354
Taxation	13	(264,921)	(532,786)
Net Profit Attributable to Equity Holders of the Parent		780,634	778,568

Guardian Life Limited

Statement of Comprehensive Income

Year ended 31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Net Profit for The Year		780,634	778,568
Other Comprehensive Income:			
Exchange differences on translating foreign operations		(30,245)	108,623
Net gain/(loss) on property revaluation		32,850	(7,416)
Net gain on available-for-sale securities		80,211	26,102
Income tax relating to components of other comprehensive income	13	(10,294)	8,696
Other Comprehensive Income for The Year, Net of Tax		72,522	136,005
Total Comprehensive Income for The Year Attributable to Equity Holders of The Parent		853,156	914,573

Guardian Life Limited

Statement of Financial Position

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
ASSETS			
Cash and Bank		536,898	419,363
Investments			
Short term deposits	14	1,221,793	230,339
Securities purchased under reverse repurchase agreements	15	1,388,996	2,424,504
Financial Instruments	16	26,038,559	23,453,830
Policyholders' loans	17	292,473	307,535
Investment properties	18	464,401	415,848
Investment in subsidiary	19	20	20
Investment in associated company	20	86,556	86,556
		29,492,798	26,918,632
Taxation Recoverable		1,740,503	1,544,807
Other Assets	21	740,485	718,108
Property and Equipment	22	1,461,157	1,171,758
Intangible Assets	23	27,755	28,551
Segregated Funds' Assets	24	6,236,423	5,735,963
		40,236,019	36,537,182

Guardian Life Limited
Statement of Financial Position (Continued)
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' Funds			
Share capital	25	126,525	126,525
Stock option reserve	26	97,326	93,988
Special investment reserve	27	345,648	191,977
Currency translation reserve		137,165	183,665
Property revaluation reserve		555,015	524,850
Retained earnings		3,266,997	3,074,115
		4,528,676	4,195,120
Policyholders' Funds			
Insurance contracts liabilities	28	16,686,480	13,896,893
Investment contracts liabilities	29	10,871,343	10,719,350
Other policy liabilities	30	927,982	841,959
Segregated funds' liabilities		6,236,423	5,735,963
		34,722,228	31,194,165
Repurchase Agreements		-	257,093
Income Tax Payable		129,247	240,923
Deferred Tax Liabilities	31	246,950	243,813
Other Liabilities	32	608,918	406,068
		40,236,019	36,537,182

Approved for issue by the Board of Directors on 10 March 2011 and signed on its behalf by:

David Henriques Director   Eric Hosin Director

Guardian Life Limited

Statement of Changes in Equity

Year ended 31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Stock Option Reserve	Special Investment Reserve	Currency Translation Reserve	Property Revaluation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2009	126,525	80,025	72,548	75,042	531,180	2,695,855	3,581,175
Profit for the year	-	-	-	-	-	778,568	778,568
Other comprehensive income	-	-	33,702	108,623	(6,330)	10	136,005
Total comprehensive income	-	-	33,702	108,623	(6,330)	778,578	914,573
Stock option scheme – Value of services provided	-	13,963	-	-	-	-	13,963
Net transfer to retained earnings	-	-	85,727	-	-	(85,727)	-
Dividends paid ($2.49 per share)	-	-	-	-	-	(314,591)	(314,591)
Balance at 31 December 2009	126,525	93,988	191,977	183,665	524,850	3,074,115	4,195,120
Profit for the year	-	-	-	-	-	780,634	780,634
Other comprehensive income	-	-	72,595	(30,245)	30,165	7	72,522
Total comprehensive income	-	-	72,595	(30,245)	30,165	780,641	853,156
Stock option scheme – Value of services provided	-	3,338	-	-	-	-	3,338
Net transfer from retained earnings	-	-	81,076	(16,255)	-	(64,821)	-
Dividends paid ($4.13 per share)	-	-	-	-	-	(522,937)	(522,937)
Balance at 31 December 2010	126,525	97,326	345,648	137,165	555,015	3,266,998	4,528,677

Guardian Life Limited

Statement of Cash Flows

Year ended 31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010	2009
		$'000	$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	34	3,621,398	2,868,065
Cash Flows from Investing Activities			
Purchase of property and equipment	22	(359,091)	(117,598)
Proceeds from sale of property and equipment		3,568	7,150
Purchase of intangible assets	23	(22,130)	(10,359)
Purchase of investment properties		(41,380)	(6,825)
Reverse repurchase agreements		(257,093)	(411,882)
Short term deposits not considered cash equivalent		(2,930)	146,576
Reverse repurchase agreements not considered cash equivalent		(355,000)	20,112
Net decrease in policyholders' loans		15,062	41,895
Purchase of other investments		(4,420,159)	(6,293,328)
Proceeds from sale of other investments		2,088,285	4,094,189
Net cash used in investing activities		(3,350,868)	(2,530,070)
Cash Flows from Financing Activity			
Dividends paid		(522,937)	(314,591)
Net cash used in financing activity		(522,937)	(314,591)
Effect of exchange rate changes on cash and cash equivalents		(26,499)	105,392
Net (decrease)/increase in cash and cash equivalents		(278,906)	128,796
Cash and cash equivalents at beginning of year		2,966,589	2,837,793
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,687,683	2,966,589
Comprising:			
Cash and bank balances		536,898	419,362
Short term deposits	14	1,128,470	139,551
Securities purchased under reverse repurchase agreements	15	1,022,315	2,407,676
		2,687,683	2,966,589

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

1. Incorporation and Principal Activities

(a) Guardian Life Limited ("The company") was incorporated in Jamaica on 7 July 1999 and operates under the provisions of the Insurance Act 2001. The main activities of the company are the provision of ordinary life insurance, group life and health insurance and group pension administration. The company's registered office is located at 12 Trafalgar Road, Kingston 5, Jamaica. The company also operates in Barbados, Belize, and Turks & Caicos Islands. The company operated in the Cayman Islands until 2 February 2009 when the operations were sold to Sagicor Life of the Cayman Islands Limited.

The company is a wholly-owned subsidiary of Guardian Insurance Limited, which in turn is a wholly-owned subsidiary of Guardian Holdings Limited, both of which are incorporated in the Republic of Trinidad and Tobago.

(b) The company's subsidiaries and its associated company, which together with the company are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Percentage Ownership	
		2010	**2009**
Guardian Life Pension Funds Limited	Non trading	100	100
Guardian Life Properties Limited	Property management	100	100
MedeCus Health Insurance Agency Limited	Non trading	100	100

Associated Company	Principal Activity	Percentage Ownership	
		2010	**2009**
Ocho Rios Beach Limited	Hospitality industry	24	24

The company's subsidiaries and its associated company are incorporated and domiciled in Jamaica.

Guardian Life Pension Funds Limited had no trading activity during the year and MedeCus Health Insurance Agency Limited has no trading activity since 2006. Both companies are in the process of being wound up.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention except for investment properties and those financial instruments and financial liabilities that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act.

(c) Consolidation

The consolidated financial statements include the financial statements of the company, its subsidiaries and its associated company.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

All intercompany transactions and balances are eliminated on consolidation.

2. Summary of Significant Accounting Policies (Continued)

(c) Consolidation (continued)

(ii) Associated company
An Associated company is any entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. On consolidation, the investment in associate is accounted for by the equity method of accounting and is initially recognized at cost. In the separate books of the company, the investment in the associated company is carried at historical cost less impairment.

The Group's share of its associate's post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The Group's investment in associated company is carried on the statement of financial position at an amount that reflects its share of the net assets of the associate.

(d) Changes in accounting standards and interpretations

Current year changes

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended IFRSs and IFRICs (International Financial Reporting Interpretations Committees) Interpretations as of 1 January 2010:

- IFRS 2 (Revised), Share-based Payment: Group Cash-settled Share-based Payment Transactions
- IFRS 3 (Revised), Business Combinations
- IFRS 7 (Amended), Financial Instruments: Disclosures (Amendments)
- IAS 1 (Revised), Presentation of Financial Statements
- IAS 27 (Amended), Consolidated and Separate Financial Statements
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 17, Distributions of Non-cash Assets to Owners

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

Additionally, the "Improvements to IFRSs", issued by the IASB in April 2009, as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs became effective for annual periods beginning on or after 1 January 2010. These amendments did not have a significant impact on the Group's operations or financial position.

2. Summary of Significant Accounting Policies (Continued)

(d) Changes in accounting standard and interpretations (continued)

Future changes

The Group has not early adopted any new or revised IFRSs and IFRICs that have been issued but are not yet effective. The following have been issued but are either not relevant to or not likely to have a material impact on the Group's operations:

- IAS 24 (Amended), Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
- IAS 32 (Amended), Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)
- IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 14 (Amended), Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011 with retrospective application)
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

Additionally, in May 2010, the IASB issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily will become effective for annual periods beginning on or after either 1 July 2010 or 1 January 2011. These amendments are not likely to have a significant impact on the Group's operations or financial position.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Jamaican dollars, which is the Group's presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are converted at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Non-monetary items denominated in a foreign currency, which are carried at historical cost, are translated at historical rates. Exchange gains and losses, including recognized gains and losses relating to investment transactions and those arising from the translation of investments denominated in foreign currencies are dealt with in the income statement.

Foreign operations

Income statements of foreign operations and Group companies with functional currencies other than Jamaican dollars are translated into Jamaican dollars at average exchange rates for the year and statement of financial position is translated at the exchange rates ruling at year-end. The resulting translation differences are recorded directly in the currency translation reserve in the statement of comprehensive income. When a foreign operation is sold, the cumulative translation differences are recognized in the income statement as part of the gain or loss on sale.

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Insurance and investment contracts – Classification

The Group issues contracts that transfer insurance risk or financial risk or both.
Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

(g) Insurance contracts and investment contracts – Recognition and measurement

Insurance and investment contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are principally group life and health insurance contracts.

Group life contracts protect the Group's members from the consequences of events, such as critical illness or disability, that would affect the ability of the insured to maintain his/her current level of income and minimizes the impact of death on the financial security of the insured's dependants.

Health insurance contracts provide for preventative medical treatment, treatment for unexpected medical conditions and drugs. On these contracts, the benefits paid on occurrence of the specified insured event are either fixed or linked to the extent of the economic loss suffered by the policyholder. The Group's liability is limited to the extent of the lifetime maximum on each contract. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Premiums received in advance represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the statement of financial position date.

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to policyholders. They arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF

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

2. Summary of Significant Accounting Policies (Continued)

(g) Insurance contracts and investment contracts – Recognition and measurement (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is actuarially determined considering the present value of estimated amounts for future claims and benefits, projected net investment income on assets supporting policyholders' liabilities, future expected premiums and projected policy maintenance expenses. The liability is also based on key assumptions made with respect to variables such as mortality, persistency, investment returns and the rate of inflation. A margin for adverse deviations is included in the assumptions.

Policyholders' liabilities are recalculated at each statement of financial position date using the Policy Premium Method as required under the Insurance Act 2001. The change in the liability is recorded as an expense in the income statement.

Unit linked and interest sensitive insurance contracts

These contracts insure human life events (for example death or survival) over a long duration. The premiums paid for these contracts contain an element that covers the insured event and another which is used to accumulate cash values available for withdrawal at the option of the policyholder. These cash values earn interest.

Unit linked insurance contracts

For the unit linked contracts, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates a cash value for the policyholder is recorded as a liability and is credited to the account of the policyholder in the respective segregated fund (Note 2(n)) to which the contract is linked.

The liabilities arising from the unit linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insurance risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value and is determined by reference to the fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds' liability balance. The Group bears no risk in relation to segregated funds' liability.

The change in the liability arising from the insurance risk is recorded as an expense in the income statement.

Interest sensitive contracts

For the interest sensitive policies, the entire premium is recorded as premium income and there is no unbundling of the premium receipt between the insurance and investment components. The liability for the interest sensitive policies is determined as the sum of the liability for the insured risk as determined above for the unit linked policies and the liability for the accumulated cash values. The entire liability for the interest sensitive policies is recorded in policyholders' liability.

The change in the overall liability for the interest sensitive policies is recorded as an expense in the income statement.

For unit linked policies, revenue also comprises management and policy administration fees as well as surrender charges. For interest sensitive policies, interest credited to the account of the respective policies is charged as an expense in the income statement.

2. Summary of Significant Accounting Policies (Continued)

(g) Insurance contracts and investment contracts – Recognition and measurement (continued)

(iii) Long-term insurance contracts with fixed and guaranteed terms and with DPF

Contracts participating in company profits (Par Contracts/Contracts with DPF)
A number of insurance contracts (participating policies) contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the Group; and
- that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realised and/or unrealised investment returns on a specified pool of assets held by the Group or the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders.

In addition to death or life benefits, these contracts entitle the holders to a bonus or dividend declared by the company from time to time. Any bonus declared and not credited to individual contract holders is treated as a liability for the benefit of all contract holders until credited to them individually in future periods.

The discretionary elements of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities and any changes in the total benefits due are reflected as charges in the income statement and form part of increases in reserves for future benefits of policyholders.

Investment contracts
The company issues investment contracts to groups of employers through the approved deposit administration schemes. (Note 2(w)).

Outstanding claims
Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year.

Policyholders' benefits
Policyholders' benefits include maturities, surrenders, payment of living benefits and settlement of health, disability and death claims. Maturities and payment of living benefits are accounted for when due. Health, death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

(h) Derivatives embedded in insurance contracts
The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate) as they (the options) are insurance contracts and are closely related to the host insurance contract.

2. Summary of Significant Accounting Policies (Continued)

(i) Policy acquisition costs
Under the Policy Premium Method of actuarial valuation, the cost of acquiring new insurance business, consisting primarily of commissions and underwriting expenses is implicitly recognised as a reduction in actuarial liabilities.

(j) Liability adequacy test
At each statement of financial position date, the Group assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognized in the income statement and the amount of the relevant insurance liabilities is increased.

(k) Reinsurance contracts held
Contracts entered into by the Group with re-insurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in (Note 2 (f)) are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from re-insurers, as well longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to re-insurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognized that impairment loss in the income statement. The Group gathers objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the reinsurance receivable that can be reliably estimated. Objective evidence that a re-insurance asset is impaired includes:

(i) Significant financial difficulty of the re-insurer;
(ii) A breach of contract, such as a default or delinquency in payments;
(iii) It becoming probable that the re-insurer will enter bankruptcy or other financial reorganisation; and
(iv) Deterioration of the rating of the re-insurer.

(l) Receivables and payables related to insurance contracts
Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

2. Summary of Significant Accounting Policies (Continued)

(m) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is recognized as follows:

Premium income

Premiums, including those in respect of single premium life contracts, are recognized as earned when due and are stated net of reinsurance premiums in the income statement.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Rental income

Rental income is recognized in the income statement on an accruals basis.

Fee income

Fees are earned from the management of the assets of the segregated and deposit administration funds and from general policy administration and surrenders. Fees are recognised in the period in which these services are rendered.

(n) Segregated funds

Segregated funds' represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The returns earned by the investments of the fund inclusive of realized and unrealized gains and losses accrue directly to the policyholders.

The assets of each fund are segregated and are not subject to claims that arise out of any other business of the Group. The asset and liabilities are carried at fair values. Deposits, withdrawals, net investment income together with the increase or decrease in the market value of investments related to segregated policies are charged or credited to the segregated funds liabilities.

Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

The Group earns fees for the management of the funds' assets, policy administration, as well as for effecting the encashment of units.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(o) Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The entire portfolio of financial assets at fair value through profit or loss were so designated by management. For investments designated as at fair value through profit or loss, the following criteria must be met:

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

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

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and recognized gain and loss are recognized in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate. Receivables arising from insurance contracts (for example policyholders' loans) are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held to maturity financial assets are measured at amortised cost, using the effective interest rate method, less impairment. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. Where the Group is required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

2. Summary of Significant Accounting Policies (Continued)

(o) Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity instruments, available-for-sale financial assets are recognised at the trade date – the date on which the trade occurs. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. For financial assets carried at fair value through profit or loss, transaction costs are charged as an expense in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Financial assets carried at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in the statement of comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in the statement of comprehensive income are included in the income statement.

(p) Sale and repurchase agreements and lending of securities

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under resale agreements (reverse repurchase agreements) are treated as collateralised financing transactions. These are carried at amortised cost with the difference between the sale/purchase and repurchase/resale price being treated as interest and accrued over the life of the agreements using the effective yield method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

The Group reviews the carrying value of its financial assets on a regular basis. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Such loss events include:

Significant financial difficulty of the issuer or obligor;
A breach of contract, such as a default or delinquency in interest or principal payments;
The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower, a concession that the lender would not otherwise consider; it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and the disappearance of an active market for that financial asset because of financial difficulties.

2. Summary of Significant Accounting Policies (Continued)

(p) Sale and repurchase agreements and lending of securities (continued)

The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

(q) Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by professional external valuators. Changes in fair values are recorded in the income statement. Investment properties are not subject to depreciation. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(r) Special investment reserve

The special investment reserve is a regulatory reserve established to manage the extent to which unrealised gains recognised in the income statement are available for distribution. Consistent with the regulatory requirements, the unrealised gains on investment properties and quoted equities classified as fair value through profit or loss are transferred to and from this reserve as follows:

Net unrealised gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at the following rates:

Quoted equities	-	25%
Investment properties	-	10%

Net unrealised gains earned during the year are transferred from retained earnings to the investment reserve at the following rates:

Quoted equities	-	75%
Investment properties	-	90%

2. Summary of Significant Accounting Policies (Continued)

(s) Property and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Other items of property and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the property revaluation reserve. Decreases that offset previous increases of the same asset are charged against the property revaluation reserve; all other decreases are charged to the income statement.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of assets held at the beginning of the year over their estimated useful lives. The following rates are used:

Freehold property	-	2% per annum
Office furniture and equipment	-	10% per annum
Computer equipment	-	14% - 25% per annum
Motor vehicles	-	20% per annum

Land is not depreciated.

Gains and losses arising on the disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Repair and maintenance expenditure is charged to the income statement. Improvement expenditure is included in the cost of the related asset.

(t) Intangible assets

Computer software and website development costs

Acquired computer software licences and website development costs are recognized on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are also recognized as intangible assets. These costs are amortised over their estimated useful lives which range between 3 and 5 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

(u) Prepaid commissions

Prepaid commissions are written off over the first year of each policy. Where policies have lapsed during the period, commissions are recovered from the agents and are included in the income statement at the time of recovery.

2. Summary of Significant Accounting Policies (Continued)

(v) Claims payable

Claims payable represent the gross cost of all claims notified but not settled on the statement of financial position date. Any reinsurance recoverable is shown as a receivable from the re-insurer.

(w) Approved deposit administration funds

Deposit administration funds represent liabilities under investment contracts issued by the company to approved schemes, for the provision of pension benefits to their employees. The assets backing these liabilities are managed by the company but are not legally separated from the company's general operations. The assets and liabilities of these funds are included in these financial statements.

The returns on these funds are guaranteed by the Group by stated rates of interest which are revised at least annually. Liabilities under deposit administration fund contracts are carried at amortised cost.

The company earns administration and investment fees on the management of these funds and incurs interest expense on the funds. Management and investment fees and interest expense are recorded in the income statement.

(x) Policyholders' liabilities

The liability for future benefits payable by the Group is calculated by the actuary using the Policy Premium Method, based on contracts for life assurance business in force at the end of the accounting period.

These benefits represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. Allowance is made for interest, mortality and other assumptions considered to be appropriate for inclusion in the liabilities of the Group under the terms of its policy contracts in force. The process of calculating policyholders' liabilities necessarily involves the use of estimates; consequently, policyholders' liabilities include reasonable provisions for adverse deviations from those estimates.

An actuarial valuation is prepared annually.

2. Summary of Significant Accounting Policies (Continued)

(y) Taxation

The Group provides for current tax expense according to the tax laws of each jurisdiction in which it operates. Taxation is accounted for under the taxes payable method whereby income taxes are provided on taxable profit rather than on accounting profit.

Taxation on Jamaican life assurance business is charged on investment income less expenses allowable in earning that income at the rate of 15%, and on taxable premium income at 3%. Taxation on other operations within the Group is at the rate of 33 1/3% based on profit adjusted for taxation purposes..

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be recognized or the liability will be settled based on enacted rates.

Deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Current and deferred taxes are recognized as income tax expense or benefit in the income statement except, where they relate to items recorded in the statement of comprehensive income, they are also charged or credited to the statement of comprehensive income.

(z) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the consolidated and company statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of 90 days or less, and bank overdrafts.

(aa) Impairment of long lived assets

Property and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

(ab) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, they relate to reclassification of amounts disclosed in the fair value hierarchy for financial instruments.

2. Summary of Significant Accounting Policies (Continued)

(ac) Employee benefits

(i) Annual leave

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(ii) Pension plans

The company operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. Employees are required to contribute 5% of pensionable salary while the company contributes an additional 5%.

(iii) Share-based compensation

The Group participates in an equity-settled share-based compensation plan operated by the holding company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At the statement of financial position date, the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to the statement of comprehensive income over the remaining vesting period. When the options are exercised, the proceeds received net of any transaction costs are credited to the Share Option Reserve.

(iv) Profit sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimate

Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. Estimations of the mortality rate determine the value of the benefit payments. The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Critical accounting estimate (continued)

Estimate of future benefit payments and premiums arising from long-term insurance contracts (contined)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Under certain contracts, the Group has offered guaranteed annuity options. In determining the value of these options, management has assumed that 100% of the annuity options are exercised. There is no reinsurance protection held in respect of these contracts that would reduce these amounts.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The average estimated rate of investment return is 6.44% for the next fifteen years and 5% beyond (2009 – 8.8% for the next ten years and 8% beyond). Should the average future investment returns decrease/increase by 2% (2009: 2%) from management's estimates, the value of the assets available to meet the insurance liability would increase/decrease by $4,801,775,660/$3,069,771,845 (2009 – $3,182,210,000/$2,017,783,000).

Judgement in applying accounting policies

Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact that current and deferred income tax provisions in the period in which such determination is made.

Property and equipment and intangible assets

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Group to enable the value to be treated as a capital expense or intangible asset. Further judgement is applied in the annual review of the useful lives of all categories of property and equipment and intangible assets and the resulting depreciation/amortisation determined thereon.

Impairment losses on loans and receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans and receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans and receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant loans and receivables with similar characteristics, such as credit risks.

Held-to-maturity investments

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors, pursuant to the Insurance Act, appoints the actuary. The actuary's responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders pursuant to the Companies Act appoint the external auditors. The auditors' responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed actuary and the actuary's report on the policyholders' liabilities.

5. Net Insurance Premium

(a) Gross insurance premium

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
By line of business –		
Ordinary Life – first year	612,314	612,141
Ordinary Life – renewal	2,720,320	2,462,524
Annuities	1,239,490	937,134
Group life	431,334	380,893
Health	2,506,651	2,046,456
	7,510,109	6,439,148
By insurance contract type –		
Long-term insurance contracts with fixed and guaranteed terms	4,572,124	4,011,798
Short-term insurance contracts	2,937,985	2,427,350
	7,510,109	6,439,148

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

5. Net Insurance Premium (Continued)

(b) Insurance premium ceded to re-insurers

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Ordinary Life	146,140	161,535
Group Life	41,127	53,256
Health	52,466	41,828
	239,733	256,619

6. Investment Income

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Rental income	32,448	24,713	18,385	11,528
Interest on investment securities	3,064,960	4,140,089	3,064,960	4,140,089
Interest on policy loans	44,418	44,558	44,418	44,558
Dividends	59,536	62,192	59,536	62,192
	3,201,362	4,271,552	3,187,299	4,258,367

7. Fee and Commission Income

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Management fees – Pension and Segregated Funds	248,246	174,090	248,223	174,033
Service charges – Insurance and Investment Contracts	22,405	12,248	22,405	12,248
	270,651	186,338	270,628	186,281

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

8. Net Fair Value Gains/(Losses)

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Unrealised gains and losses –		
Financial assets at fair value through profit or loss		
Equity securities	136,659	104,237
Fixed income securities	298,626	295,637
Investment properties (Note 18)	7,173	(6,087)
	442,458	393,787

9. Current Policyholders' Benefits

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
By insurance benefit type –		
Death claims	493,365	500,055
Maturities	60,327	46,896
Surrendered policies and bonus additions	451,797	480,219
Annuities	510,625	446,529
Health	2,034,443	1,715,970
Disability claims	19,056	23,554
Living benefits	56,371	39,072
	3,625,984	3,252,295
By insurance contract type –		
Long-term insurance contracts with fixed and guaranteed terms	1,381,271	1,359,118
Short-term insurance contracts	2,244,713	1,893,177
	3,625,984	3,252,295

Guardian Life Limited

Notes to the Financial Statements

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

10. Commissions and Sales Expenses

The following have been charged to the income statement:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Sales staff (Note 12)	896,197	909,309	896,197	909,309
Agents expenses	62,875	44,443	62,875	44,443
Advertising, promotion & sponsorship	62,866	80,634	62,866	80,634
Other expenses	77,447	72,037	77,422	71,989
	1,099,385	1,106,423	1,099,360	1,106,375

11. Management and Other Operating Expenses

The following have been charged to the income statement:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Administrative staff costs (Note 12)	987,093	861,972	986,441	861,380
Depreciation and amortisation	121,427	138,924	121,427	118,845
Professional fees	161,809	128,201	161,713	128,102
Auditors' remuneration	23,003	17,237	22,860	17,085
Property expenses	184,255	177,987	171,100	165,639
Office and general expenses	120,199	123,848	120,186	123,848
Other	63,342	67,405	63,340	67,403
	1,661,128	1,515,574	1,647,067	1,482,302

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

12. Staff Costs

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Administrative staff (included in management and other operating expenses) –				
Salaries, wages and bonus	768,211	664,094	767,559	663,502
Payroll taxes	60,626	67,214	60,626	67,214
Pension costs	26,258	25,176	26,258	25,176
Stock option expenses (Note 26)	3,338	13,963	3,338	13,963
Other	128,660	91,525	128,660	91,525
	987,093	861,972	986,441	861,380
Sales staff (included in commissions and sales expenses) –				
Commissions and bonus	805,279	816,471	805,279	816,471
Payroll taxes	49,752	51,627	49,752	51,627
Pension costs	22,343	22,464	22,343	22,464
Other	18,823	18,747	18,823	18,747
	896,197	909,309	896,197	909,309
	1,883,290	1,771,281	1,882,638	1,770,689

13. Taxation

(a) The taxation charge for the year is comprised of:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Premium income tax at 3% –		
Current tax	124,444	151,115
Investment income tax at 15% –		
Current tax	147,624	252,341
Deferred tax (credit)/charge (Note 31)	(7,147)	129,330
	140,477	381,671
	264,921	532,786

13. Taxation (Continued)

(b) Tax recorded in other comprehensive income:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Current tax	-	-
Deferred tax	(10,294)	8,696
	(10,294)	8,696

(c) Reconciliation of applicable tax charge to effective tax charge for premium income:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Gross premiums	7,510,109	6,439,148
Tax calculated at 3%	225,303	193,174
Tax on segregated funds' deposits calculated at 3%	30,727	48,118
Premiums not subject to tax	(37,184)	(28,114)
Health insurance premium subject to investment tax	(75,199)	(61,394)
Net effect of other charges and allowances	(19,203)	(669)
Premium income tax expense	124,444	151,115

The charge includes tax on deposits relating to the segregated funds totalling $1,024,000,000 (2009 – $1,604,000,000). The income from these funds is not included in the financial statements of the company. The company recovers these charges through premium income charged to the funds for the provision of life insurance coverage.

Guardian Life Limited

13. Taxation (Continued)

(d) Reconciliation of applicable tax charge to effective tax charge for investment income:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Net investment and other income	2,962,631	3,667,098
Tax calculated at 15%	444,394	550,065
Income not subject to tax	(287,510)	(209,701)
Deductible management expenses	(549,329)	(355,443)
Investment tax suffered on health premiums	368,128	300,694
Net effect of other charges and allowances	164,794	96,056
Investment income tax expense	140,477	381,671

14. Short Term Deposits

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Original maturity of 90 days or less	1,128,470	139,551
Original maturity of greater than 90 days	93,323	90,788
	1,221,793	230,339

Included in short term deposits are:

a) J$10.2 million or BZ$238,358 (2009 – J$10.6 million or BZ$237,924) held by the Belize Supervisor of Insurance and
b) J$4.28 million or BBD$100,000 (2009 – J$4.46 million or BBD$100,000) held by the Supervisor of Insurance of Barbados.

15. Securities Purchased under Resale Agreements

The Group and the company enter into collateralized resale agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

Included in securities purchased under resale agreements are the amounts of:

(a) $1,022,315,000 (2009 – $2,407,676,000) regarded as cash equivalents for the purposes of the statement of cash flows.

(b) $ Nil (2009 – $1,418,169,000) held with a fellow subsidiary at year end.

(c) Interest receivable of $11,681,000 (2009 – $16,829,000).

Guardian Life Limited

Notes to the Financial Statements

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

16. Financial Instruments

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Loans and receivables – at amortised cost		
Debt securities -		
Foreign government	553,436	518,518
Other	25,000	10,000
	578,436	528,518
Held-to-maturity securities – at amortised cost		
Debt securities -		
Government of Jamaica	14,995,067	7,783,697
Available-for-sale securities – at fair value		
Debt securities -		
Foreign government	196,929	122,911
Financial assets at fair value through profit or loss		
Debt securities -		
Government of Jamaica	7,266,704	12,050,880
Foreign government	836,384	677,541
Equity securities	1,113,303	1,036,262
Unit trusts	92,234	112,090
	9,308,625	13,876,773
Interest receivable	959,502	1,141,931
Total	26,038,559	23,453,830

Included in investment securities are:

(a) Government of Jamaica local registered stock with a face value of $929 million, of which $90 million (2009 – $100 million), has been pledged with the Financial Services Commission, in accordance with Section 8 (1) (a) of the Insurance Regulations 2001.

(b) Government of Barbados debenture with a face of J$4.283 million or BD$100,000 (2009 – J$4.46 million or BD$100,000), which has been pledged with the Supervisor of Insurance of Barbados.

(c) Government securities with a face value of J$270 million or BZ$6.3 million (2009 – J$273 million or BZ$6.1 million), which have been pledged with the Supervisor of Insurance of Belize.

(d) Government of Jamaica securities with a face of $Nil (2009 – $315,669,000) pledged as security with a fellow subsidiary in respect of a repurchase agreement.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

16. Financial Instruments (Continued)

Fair Value Hierarchy

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show an analysis of financial instruments recorded at fair value by level of fair value hierarchy:

	2010			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Equity securities	1,113,303	-	-	1,113,303
Debt securities	8,300,015	-	-	8,300,015
Other financial assets	92,234	-	-	92,234
	9,505,552	-	-	9,505,552

	2009			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Equity securities	1,036,262	-	-	1,036,262
Debt securities	1,768,018	11,083,314	-	12,851,332
Other financial assets	112,090	-	-	112,090
	2,916,370	11,083,314	-	13,999,684

Guardian Life Limited

17. Policyholders' Loans

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Cash loans on policies	203,835	203,268
Automatic premium loans	136,668	144,873
	340,503	348,141
Less: Provision for excess over cash surrender values	(48,030)	(40,606)
Net	292,473	307,535

The movement in the provision for excess of loans over cash surrender values was as follows:

	2010	**2009**
	$'000	**$'000**
Balance at start of year	40,606	39,427
Increase in provision	7,424	1,179
Balance at end of year	48,030	40,606

18. Investment Properties

Investment properties consist of investments in residential, commercial and mixed-use properties primarily located in Jamaica.

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Carrying value at beginning of year	415,848	415,110
Acquisitions	41,380	6,825
Fair value gains/(losses) (Note 8)	7,173	(6,087)
Carrying value at end of year	464,401	415,848

At 31 December 2010, the Group's and the company's investment properties were professionally valued, at open market value, by Allison Pitter & Company Limited. The surplus arising on the revaluation has been credited to net fair value gains in the income statement.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

19. Investment in Subsidiary

	The Company	
	2010	**2009**
	$'000	**$'000**
Guardian Life Properties Limited –		
20,000 ordinary shares at cost	20	20

20. Investment in Associated Company

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	455,965	584,804	86,556	86,556
Share of results	4,600	(193,655)	-	-
Increase in translation reserves	(19,118)	64,817	-	-
Balance at the end of the year	441,447	455,966	86,556	86,556
Represented by –				
Shareholding at cost	86,556	86,556	86,556	86,556
Share of results	154,944	150,344	-	-
Translation gains	199,947	219,066	-	-
	441,447	455,966	86,556	86,556

Under the terms of a Shareholders' Agreement dated 30 October 2000, the company invested US$2 million in the associated company, Ocho Rios Beach Limited, representing the cost of 25,000 shares at US$1.00 each, issued at a premium of US$79.00 each.

The associated company commenced operations in March 2002 and is unlisted. The consolidated income statement includes the Group's share of the results of the associated company.

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

20. Investment in Associated Company (Continued)

In December 2007, the company disposed of 1% of the associated company's shareholding thereby reducing its holding to 24,000 shares. At 31 December 2010, the Group has a 24% interest in Ocho Rios Beach Limited.

The assets and liabilities of the associated company at 31 December and revenue and profit/(loss) for the year then ended were as follows:

	2010	2009
	US$'000	US$'000
Assets	6,239	6,256
Liabilities	1,082	1,152
Revenue	21	163
Profit/(loss)	53	(2,168)

21. Other Assets

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Receivables from insurance and reinsurance contracts –				
Outstanding premiums	391,914	227,060	391,914	227,060
Advances to agents	13,207	13,029	13,207	13,029
Commissions paid in advance	105,589	113,323	105,589	113,323
Due from reinsurers	74,486	67,030	74,486	67,030
	585,196	420,442	585,196	420,442
Deposits on fixed assets	55,447	160,502	55,447	160,502
Due from fellow subsidiaries	6,381	185	6,381	185
Due from holding company	-	67,963	-	67,963
Due from subsidiaries	-	-	13,389	17,553
Other receivables	90,603	67,374	80,072	51,463
	737,627	716,466	740,485	718,108

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

22. Property and Equipment

	The Group and The Company				
	Freehold Properties $'000	Office Furniture and Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Total $'000
			2010		
At Cost or Valuation -					
At 1 January	966,336	277,483	362,338	64,752	1,670,909
Additions	162,503	102,113	59,390	35,085	359,091
Revaluation surplus	(9,238)	-	-	-	(9,238)
Conversion difference	(703)	(389)	(123)	-	(1,215)
Disposals	(1,666)	(2,777)	(2,068)	(20,540)	(27,051)
At 31 December	1,117,232	376,430	419,537	79,297	1,992,496
Accumulated Depreciation -					
At 1 January	33,479	152,229	279,335	34,108	499,151
Charge for the year	17,284	27,241	40,698	13,283	98,506
Revaluation adjustment	(42,129)	-	-	-	(42,129)
On disposals	(1,665)	(2,370)	(1,292)	(18,487)	(23,814)
Conversion difference	(55)	(197)	(123)	-	(375)
At 31 December	6,914	176,903	318,618	28,904	531,339
Net Book Value at 31 December	1,110,318	199,527	100,919	50,393	1,461,157
			2009		
At Cost or Valuation -					
At 1 January	944,177	263,655	317,952	66,168	1,591,952
Additions	29,654	18,560	50,058	19,326	117,598
Revaluation surplus	(9,476)	-	-	-	(9,476)
Conversion difference	1,981	994	314	-	3,289
Disposals	-	(5,726)	(5,986)	(20,742)	(32,454)
At 31 December	966,336	277,483	362,338	64,752	1,670,909
Accumulated Depreciation -					
At 1 January	19,751	130,716	246,326	34,784	431,577
Charge for the year	15,432	26,628	37,678	12,438	92,176
Revaluation adjustment	(2,060)	-	-	-	(2,060)
On disposals	-	(5,510)	(5,420)	(13,114)	(24,044)
Conversion difference	356	395	751	-	1,502
At 31 December	33,479	152,229	279,335	34,108	499,151
Net Book Value at 31 December	932,857	125,254	83,003	30,644	1,171,758

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

22. Property and Equipment (Continued)

At 31 December 2010, freehold properties were professionally valued, at open market value, by Allison Pitter & Company. The surplus arising on the property revaluations has been credited, net of deferred tax, to the property revaluation reserve.

If freehold properties were stated on the historical cost basis, the amounts shown for the Group and the company would be as follows:

	2010	2009
	$'000	$'000
Cost	613,434	452,597
Accumulated depreciation	(84,678)	(69,060)
Net book value	528,756	383,537

23. Intangible Assets

	The Group & The Company			
	Brand	Computer Software	Website Development Costs	Total
	$'000	$'000	$'000	$'000
At 31 December 2010				
Cost	-	196,318	-	196,318
Accumulated amortisation	-	(168,563)	-	(168,563)
Net book value	-	27,755	-	27,755
Year ended 31 December 2010				
Opening net book value	-	28,551	-	28,551
Additions	-	22,130	-	22,130
Amortisation	-	(22,921)	-	(22,921)
Conversion difference	-	(5)	-	(5)
Closing net book value	-	27,755	-	27,755
At 31 December 2009				
Cost	100,393	174,193	-	273,368
Accumulated amortisation	(70,275)	(145,642)	-	(214,699)
Impairment	(30,118)	-	-	(30,118)
Net book value	-	28,551	-	28,551
Year ended 31 December 2009				
Opening net book value	50,197	44,873	-	95,070
Additions	-	10,359	-	10,359
Amortisation	(20,079)	(26,681)	-	(46,760)
Impairment	(30,118)	-	-	(30,118)
Closing net book value	-	28,551	-	28,551

24. Segregated Funds

Assets of the segregated funds

The assets listed below, included in the financial statements in aggregate on one line, are managed by the Group on behalf of certain life insurance policyholders under the Blue Chip Fund, Eagle Growth Fund, Mutual Growth Fund, Shelter Plus Fund, Horizon Equity Fund, The Guardian Equity Fund, The Guardian Money Market Fund, The Guardian Long-term Growth Fund, The Guardian Stabilisation Fund and The Guardian Foreign Currency Indexed Fund. The policyholders share all the rewards and risks of the performance of the funds and the assets have been segregated for determining the policyholders' interest in the funds.

	The Group and The Company	
	2010	2009
	$'000	$'000
Investments –		
Government of Jamaica securities	4,397,320	3,507,432
Equity securities and unit trust	998,090	861,186
Securities purchased under reverse repurchase agreements	194,005	731,066
Investment property	36,000	44,150
	5,625,415	5,143,834
Other assets	611,008	592,129
	6,236,423	5,735,963

Income from segregated funds' investments

	The Group and The Company	
	2010	2009
	$'000	$'000
Government of Jamaica securities	686,534	723,574
Equity securities and unit trust	159,155	114,286
Securities purchased under reverse repurchase agreements	29,021	108,101
Investment properties	(8,150)	-
	866,560	945,961

25. Share Capital

	2010 $'000	2009 $'000
Authorised –		
126,575,000 ordinary shares		
Issued and fully paid –		
126,525,000 ordinary shares of no par value	126,525	126,525

26. Stock Option Reserve

The Group operates a Stock Option Plan for its Executives. A total of 17,031,252 shares have been allocated to the plan since inception, inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meetings of the holding company in 1999 and 2004.

The movement in the number of stock options outstanding for the year was as follows:

	2010		2009	
	Average exercise price TT$	Options '000	Average exercise price TT$	Options '000
At beginning of year	28.62	946	28.62	946
Granted	-	-	-	-
Lapsed	-	-	-	-
At end of the year	28.62	946	28.62	946

The exercise price of the granted options is equal to the average market price of the shares on the three dealing days preceding the date of the grant. The vesting period is 2 years. Options are exercisable starting two years from the grant date up to the twelfth anniversary of the date of the grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

26. Stock Option Reserve (Continued)

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price TT$	2010 '000	2009 '000
14 September 2015	21.40	108	108
31 March 2016	33.17	194	194
3 April 2017	43.33	144	144
28 May 2018	27.73	134	134
2 April 2019	19.99	133	133
31 March 2020	24.51	233	233
		946	946

There were no options granted during the year.

27. Special Investment Reserve

This represents a non-distributable reserve established under the provisions of the Insurance Regulations, 2001.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

28. Insurance Contracts Liabilities

Composition

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
By line of business –		
Ordinary Life	7,981,518	7,376,390
Annuities	8,586,775	6,406,812
Group Life, Health and Personal Accident	118,187	113,691
	16,686,480	13,896,893
By insurance contract type –		
Long term insurance contracts –		
With fixed and guaranteed terms and without DPF	15,652,546	12,824,019
With fixed and guaranteed terms and with DPF	915,747	959,184
Short term insurance contracts	118,187	113,690
	16,686,480	13,896,893

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

28. Insurance Contracts Liabilities (Continued)

Movement in insurance liabilities
By line of business –

	Ordinary Life $'000	Annuities $'000	Group Life, Health & Personal Accident $'000	Total $'000
		2010		
Balance at beginning of year	7,376,390	6,406,812	113,691	13,896,893
Increase in reserves for future policy benefits	612,634	2,183,826	4,496	2,800,956
Translation differences	(7,506)	(3,863)	-	(11,369)
Balance at end of year	7,981,518	8,586,775	118,187	16,686,480
		2009		
Balance at beginning of year	6,541,617	4,766,336	72,154	11,380,107
Increase in reserves for future policy benefits	954,184	1,630,672	41,537	2,626,393
Reserves released on disposal of portfolio	(133,456)	-	-	(133,456)
Translation differences	14,045	9,804	-	23,849
Balance at end of year	7,376,390	6,406,812	113,691	13,896,893

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

28. Insurance Contracts Liabilities (Continued)

Movement in insurance liabilities (continued)
By insurance contract type –

	With Fixed and Guaranteed Terms and without DPF $'000	With Fixed and Guaranteed Terms and with DPF $'000	Short-term $'000	Total $'000
		2010		
Opening reserves	12,824,019	959,184	113,690	13,896,893
Refinements and corrections	11,067	-	-	11,067
Change in interest rates	2,791,697	22,102	-	2,813,799
Change in expenses	(2,595,483)	(39,274)	-	(2,634,757)
Changes due to the issuance of new policies	(51,081)	(505)	4,497	(47,089)
Foreign currency translation	(15,799)	-	-	(15,799)
Normal increase due to the passage of time	2,688,126	(25,760)	-	2,662,366
Closing reserves	15,652,546	915,747	118,187	16,686,480
	2009			
Opening reserves	10,215,205	1,092,748	72,154	11,380,107
Refinements and corrections	10,625	25	-	10,650
Change in lapse rates	(14,674)	-	-	(14,674)
Change interest rates	568,153	(5,273)	-	562,880
Change in expenses	(224,123)	(6,189)	-	(230,312)
Changes due to the issuance of new policies	548,261	(731)	90,902	638,432
Foreign currency translation	9,295	14,554	-	23,849
Normal increase due to the passage of time	1,711,277	(135,950)	(49,366)	1,525,961
Closing reserves	12,824,019	959,184	113,690	13,896,893

29. Investment Contracts Liabilities

These represent funds managed by the company on behalf of pension schemes. Contributors are paid a fixed annual rate of return in the first policy year, with the rate being revised on the anniversary date of the pension scheme thereafter. The company may alter credited interest rates, management fees and pension purchase rates on giving at least sixty (60) days notice in writing to the Trustees. At the end of the year, there were 178 (2009 – 193) contributors to the fund.

The movement in the fund balance was as follows:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Balance at beginning of year	10,719,350	10,190,029
Interest credited during the period	821,557	1,118,565
Deposits, withdrawals and other movements during the year	(612,498)	(721,475)
Translation differences	(57,066)	132,231
Balance at end of year	10,871,343	10,719,350

Included in approved deposit administration funds are:
(a) $761 million (2009 – $651 million) in respect of the company's pension scheme; and
(b) $123 million (2009 – $121 million) in respect of the pension scheme of fellow subsidiaries.

30. Other Policy Liabilities

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Claims payable	688,390	607,980
Deposits on premiums and premiums received in advance	229,602	195,779
Dividends on deposit	9,990	38,200
	927,982	841,959

Guardian Life Limited

Notes to the Financial Statements

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

31. Deferred Tax Liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using tax rates of 3% and 15% for the company and 33⅓% for the company's subsidiary.

The movement in the deferred tax balance is as follows:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Net liability at beginning of year	243,813	123,171
Deferred tax (credit)/charge (Note 13)	(7,147)	129,330
Deferred tax charged to shareholders' funds	10,294	(8,696)
Exchange difference	(10)	8
Net liability at end of year	246,950	243,813

Deferred income tax liabilities are due to the following items:

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Property and equipment	82,997	73,060
Investment properties	16,251	12,102
Interest receivable	91,938	144,575
Unrealised fair value gains/(losses) on investments classified as financial assets at fair value through profit or loss	124	(45,827)
Unrealised foreign exchange gains	55,640	59,903
	246,950	243,813

Deferred income tax liabilities include $91,938,000 (2009 – $144,575,000) to be settled within 12 months.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

32. Other Liabilities

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Accrued vacation leave	4,239	15,979	4,239	15,979
Bonus	136,567	63,855	136,567	63,855
Due to fellow subsidiaries	4,129	61,773	4,129	61,773
Due to holding company	2,987	-	2,987	-
Due to re-insurers	86,853	57,094	86,853	57,094
Other payables	418,718	252,223	374,143	207,367
	653,493	450,924	608,918	406,068

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

33. Related Party Transactions and Balances

(a) The income statement includes the following related party transactions:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Interest earned from –				
Holding company	3,287	10,694	3,287	10,694
Subsidiaries	-	-	5	358
Fellow subsidiaries	38	57	38	57
Segregated funds	1,309	1,135	1,309	1,135
Interest paid to				
Fellow subsidiaries-				
Repurchase agreements	(7,514)	(104,138)	(7,514)	(104,138)
Other	(185)	(2,040)	(185)	(2,040)
Segregated funds	(3,105)	(5,888)	(3,105)	(5,888)
Management fees earned from –				
Segregated funds	165,854	101,950	165,854	101,950
Subsidiary	-	-	1,758	1,648
Management fees paid to fellow subsidiary	(36,167)	(58,036)	(36,167)	(58,036)
Approved deposit administration funds of fellow subsidiary –				
Contributions	14,513	17,120	14,513	17,120
Refunds	(22,649)	(6,899)	(22,649)	(6,899)
Interest charged	(10,508)	(12,303)	(10,508)	(12,303)
Management fees earned	313	380	313	380

These transactions are negotiated at arm's length.

Key management compensation

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Salaries and other short-term employee benefits	115,089	127,851
Stock option expenses	3,338	13,963
Termination benefits	1,367	13,569
Pension costs	3,785	3,643
	123,579	159,026

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

33. Related Party Transactions and Balances (Continued)

(a) The income statement includes the following related party transactions (continued):

Directors' emoluments

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Fees	6,085	6,714	5,805	6,395
Management remuneration	23,627	47,872	23,627	47,872

(b) The statement of financial position includes the following related party balances:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Securities purchased under reverse repurchase agreement -				
Fellow subsidiaries	-	1,418,168	-	1,418,168
Repurchase agreement -				
Fellow subsidiary	-	(257,093)	-	(257,093)
Approved deposit administration funds -				
Fellow subsidiaries	-	(120,946)	-	(120,946)
Other assets -				
Fellow subsidiaries	6,381	185	6,381	185
Holding company	-	67,963	-	67,963
Subsidiaries	-	-	13,389	17,553
Other liabilities -				
Fellow subsidiaries	(4,129)	(61,773)	(4,129)	(61,773)
Holding company	(2,987)	-	(2,987)	-

Securities purchased under reverse repurchase agreements, repurchase agreement and approved deposit administration funds are negotiated at market terms. Other assets and liabilities are interest-free and have no set repayment terms.

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

34. Cash Flows from Operating Activities

	The Group	
	2010	**2009**
	$'000	**$'000**
Net profit	785,234	622,501
Adjustments for items not involving the movement of cash:		
Depreciation (Note 22)	98,506	92,176
Amortisation of intangible assets	22,921	46,760
Share of results of associated company	(4,600)	193,655
Increase in reserves for policyholders' benefits	2,800,957	2,626,393
Interest credited to deposit administration funds	821,557	1,110,475
Net decrease in deposit administration funds	(669,564)	(581,153)
Stock option expense	3,338	13,963
Interest income	(3,168,914)	(4,246,838)
Interest on related party balances	9,138	105,543
Current tax expense	272,068	403,456
Deferred tax (income)/expense	(7,147)	129,330
Fair value gains on fair value through profit or loss securities	(435,285)	(399,874)
Fair value (gains)/losses on investment property	(7,173)	6,087
Foreign exchange gains	99,102	(182,071)
Impairment of intangible asset	-	30,118
(Gain)/loss on sale of property and equipment	(330)	1,260
Gain on sale of other investments	(23,618)	(4,186)
	596,189	(32,405)
Changes in operating assets and liabilities:		
(Gain)/loss on translation of foreign operations	(30,245)	108,622
Increase in other assets	(570,024)	(920,862)
Increase in other liabilities	277,223	(20,654)
	(323,046)	(865,299)
Interest received	3,356,885	3,840,392
Interest paid	(7,695)	(104,050)
Net cash provided by operating activities	3,622,333	2,871,043

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

34. Cash Flows from Operating Activities (Continued)

	The Company	
	2010	**2009**
	$'000	**$'000**
Net profit	780,634	778,568
Adjustments for items not involving the movement of cash:		
Depreciation (Note 22)	98,506	92,176
Amortization of intangible assets	22,921	26,681
Profit in subsidiary	-	311,786
Increase in reserves for policyholders' benefits	2,800,957	2,626,393
Interest credited to deposit administration funds	821,557	1,110,475
Net i decrease in deposit administration funds	(669,564)	(581,153)
Interest income	(3,168,914)	(4,246,838)
Stock option expense	3,338	13,963
Interest on related party balances	9,138	105,543
Current tax expense	272,086	403,456
Deferred tax (income)/expense	(7,147)	129,330
Fair value (gains)/losses on fair value through profit or loss securities	(435,285)	(399,874)
Fair value (gains)/losses on investment property	(7,173)	6,087
Foreign exchange losses/(gains)	99,102	(182,071)
(Gain)/loss on sale of property and equipment	(330)	1,260
Gain on sale of other investments	(23,620)	(4,186)
	596,206	191,596
Changes in operating assets and liabilities:		
(Gain)/loss on translation of foreign operations	(30,245)	108,622
Decrease in other assets	(571,255)	(920,049)
Decrease in other liabilities	277,502	(248,446)
	323,998	(868,277)
Interest received	3,356,885	3,840,392
Interest paid	(7,695)	(104,050)
Net cash provided by operating activities	3,621,398	2,868,065

35. Management of Insurance and Financial Risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(a) Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty that the Group will have sufficient assets to satisfy the benefits payable under the contract. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

Long-term insurance contracts

(i) Frequency and severity of claims

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

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

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with discretionary participation features (“DPF”), the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group charges for mortality risk on a monthly basis for all insurance contracts. For long term contracts without fixed and guaranteed terms, it has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

35. Management of Insurance and Financial Risks (Continued)

(a) Insurance risks (continued)

Long-term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Group balances death risk and survival risk across its portfolio. Medical selection is also included in the Group's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Group has a group-wide retention limit of $4,000,000 on any single life insured. The Group reinsures the excess of the insured benefit over $4,000,000 for standard risks (from a medical point of view) under an excess of loss reinsurance arrangement. The Group does not have in place any reinsurance for contracts that insure survival risk.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the lower value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in this note.)

	2010			
	Total benefits insured			
Benefits assured per life $'000	**Before reinsurance $'000**	**%**	**After reinsurance $'000**	**%**
1,000 – 5,000	153,481	88	150,741	95
5,001 – 10,000	12,622	7	6,342	4
10,001 – 15,000	2,870	2	853	1
15,001 – 20,000	1,713	1	351	-
20,001 and over	3,985	2	486	-
Total	174,671	100	158,773	100

	2009			
1,000 – 5,000	144,918	88	142,205	95
5,001 – 10,000	11,822	7	5,934	4
10,001 – 15,000	2,500	1	743	1
15,001 – 20,000	1,506	1	312	-
20,001 and over	4,180	3	505	-
Total	164,926	100	149,699	100

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(a) Insurance risks (continued)

Long-term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The following table for annuity insurance contracts illustrates the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Annuity payable per annum per life	**Total annuities payable per annum**			
	2010		**2009**	
$	**$'000**	**%**	**$'000**	**%**
0 – 200,000	440,400	31	545,626	33
200,001 – 300,000	202,438	14	172,336	11
300,001 – 400,000	110,445	8	133,953	8
400,001 – 500,000	89,185	6	97,849	6
More than 500,000	575,365	41	691,746	42
Total	1,417,833	100	1,641,510	100

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. The Group has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

35. Management of Insurance and Financial Risks (Continued)

(a) Insurance risks (continued)

Long-term insurance contracts (continued)

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(iii) Process used in deriving assumptions

The assumptions for long-term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year. However, changes in assumptions for expense rates, lapse rates and investment returns have increased the insurance liability by $256,000,000 (2009 – decreased by $196,000,000) (Note 28).

For long-term insurance contracts, estimates are made in two stages. At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. If the liabilities are not adequate, the assumptions are altered to reflect the latest current estimates, together with the provision for adverse deviation.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%.

35. Management of Insurance and Financial Risks (Continued)

(a) Insurance risks (continued)

Long-term insurance contracts (continued)

(iii) Process used in deriving assumptions (continued)

The nature and method of determining the significant assumptions made by the company in the computation of policyholders' liabilities are described in the following paragraphs. In all cases, the assumptions are supplemented by the use of margins for adverse deviation.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Policy claims and benefits

Estimates of the amounts and timings of future claims and benefit payments are based on both company and industry experience over extended periods. Although the pattern of claims and benefit payments may be close to that indicated by past experience some deviation in that pattern is probable.

Investment income

The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to the projection of interest rates and the magnitude of credit losses from asset defaults. The company accounts for such uncertainties by incorporating provisions for credit losses into projections of investment income in addition to the allowances for depreciation in the carrying values of invested assets.

Policy maintenance expenses

Amounts are included in policyholders' liabilities to provide for the costs of administering policies in force and include the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. The process of forecasting expenses requires estimates to be made of such factors as the rate of salary increases, productivity changes, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on the company's experience.

Policyholder dividends

Policyholders' liabilities include the present value of estimated amounts of future policyholder dividends based on current dividend scales and expected future income attributable to participating policies.

Margin for adverse deviation

In calculating the policyholders' liabilities, a margin of 20% for acquired business and 25% for the company's policies, consistent with the prior year, has been applied to the policy lapse rate assumptions as a margin for adverse deviation. For lapse-supported policies, a decrease in ultimate lapse rates would increase policyholders' liabilities and for non lapse-supported policies an increase in ultimate lapse rates would increase policyholders' liabilities.

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(a) Insurance risks (continued)

Long-term insurance contracts (continued)

(v) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Long term insurance contracts with fixed and guaranteed terms:

	Change in variable	**Change in liability**	
Variable	**%**	**2010 $'000**	**2009 $'000**
Worsening of mortality	10	635,404	458,570
Improvement of annuitant mortality	1	-	127,687
Lowering of investment returns	-1	4,762,410	3,154,007
Worsening of base renewal expense level	5	415,565	309,923
Worsening of renewal expense inflation rate	1	1,386,435	911,308

Long term insurance contracts with discretionary participation features:

	Change in variable	**Change in liability**	
Variable	**%**	**2010 $'000**	**2009 $'000**
Worsening of mortality	10	2,887	3,093
Lowering of investment returns	-1	39,366	28,203
Worsening of base renewal expense level	5	10,794	9,735
Worsening of expense inflation	1	17,648	13,765

Sensitivity analysis for financial risks is presented in Note 35(b), together with the assets backing the associated liabilities of the contracts.

(vi) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders who will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Group under the annuities issued.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Financial and Insurance Risk (Continued)

(a) Insurance risks (continued)

Long-term insurance contracts (continued)
(vi) Guaranteed annuity options (continued)
The following table indicates the likely changes in the carrying amount of the liability at year-end in response to changes in interest and mortality rates. The additional carrying amount is calculated on the assumption that every contract holder exercises his option at the earliest date possible.

Interest rate	Current less 1%	Current less 1%	Current plus 2%	Current plus 2%
Mortality rate	Current	Current less 10%	Current	Current less 10%
Additional Insurance liability ($'000)	572,022	773,339	(899,053)	(697,737)

Short-duration life insurance contracts
(i) Frequency and severity of claims
Short-duration life insurance contracts are contracts which are typically of a short tenure with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Group attempts to manage this risk through its underwriting and claims handling. Additionally there is re-insurance on short-duration life insurance contracts. There is also a concentration of risk in the services sector.

The following table, which analyses at the year-end the aggregated insured benefits for short-duration life insurance contracts by industry sector, indicates the insurance risk concentration by industry for these contracts. The concentration is substantially unchanged from prior year.

	2010		2009	
Industry sector	**Mortality Risk $'000**	**Risk %**	**Mortality Risk $'000**	**Risk %**
Employees of varying industries	288,175	88	71,748	82
Debtors of banks, trust companies, finance companies, credit unions etc.	35,622	11	12,930	15
Members of unions, associations etc.	2,937	1	3,080	3
Total	326,734	100	87,758	100

(ii) Sources of uncertainty in the estimation of future claim payments
There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by re-insurers are used as well as the actual experience of the Group. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

35. Management of Financial and Insurance Risk (Continued)

(a) Insurance risks (continued)

Short-duration life insurance contracts (continued)

(iii) Process used in deriving assumptions

The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts. For disability income claims the Group uses similar statistical methods used for casualty risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Factor and the Bornhuetter-Ferguson methods for Group Life and Health contracts, respectively.

The Factor method is generally used for reserves which are estimated due to a short lag or run off period. The reserves are often estimated as a percentage of premiums. The normal percentage for group life insurance may fall between 7% to 10% of the annual premium in force at the valuation date.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for individual accident years or groups of accident years.

(iv) Sensitivity analysis

The analysis in the following table is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in lapses and future mortality.

	Change in variable	Change in liability	
Variable	**%**	**2010 $'000**	**2009 $'000**
Worsening of mortality	10	2,646	2,457

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks

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

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

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For the segregated fund liabilities, a separate portfolio of assets is maintained and the company bears no risk with respect to these liabilities. For the insurance contracts and the other investment contracts, no separate portfolio of investments is maintained. The Group has not substantially changed the processes used to manage its risks from previous periods.

Guardian Life Limited

Notes to the Financial Statements

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

The following tables reconcile the consolidated statement of financial position to the classes and portfolios used in the ALM framework:

	2010							
	Long Term Insurance Contracts With Fixed and Guaranteed Terms			Investment Contracts				
	without DPF $'000	with DPF $'000	Short Term Insurance Contracts $'000	Unit Linked Contracts $'000	Deposit Administration Funds $'000	Corporate $'000	Other $'000	Total $'000
ASSETS								
Cash and other current assets	1,576,077	46,524	-	-	1,019,360	275,725	396,928	3,314,614
Short term deposits	288,508	-	69,663	-	-	124,088	733,412	1,215,671
Securities purchased under reverse repurchase agreements	286,125	38,679	48,524	-	317,134	631,032	-	1,321,494
Interest-bearing investment securities	13,141,806	491,718	-	-	9,074,740	1,165,274	-	23,873,538
Equity securities and unit trust	131,660	155,677	-	-	460,109	460,011	-	1,207,457
Policyholders' loans	228,370	64,103	-	-	-		-	292,473
Investment properties	-	119,047	-	-	-	345,354	-	464,401
Segregated funds' assets	-	-	-	6,236,423	-	-	-	6,236,423
Other	-	-	-	-	-	1,840,654	827,332	2,667,986
	15,652,546	915,747	118,187	6,236,423	10,871,343	4,842,138	1,957,672	40,594,056

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

Financial risks (continued)

	2009							
	Long Term Insurance Contracts With Fixed and Guaranteed Terms			Investment Contracts				
	without DPF $'000	with DPF $'000	Short Term Insurance Contracts $'000	Unit Linked Contracts $'000	Deposit Administration Funds $'000	Corporate $'000	Other $'000	Total $'000
ASSETS								
Cash and other current assets	475,171	-	-	-	-	1,593,218	1,779,062	3,847,451
Short term deposits	162,807	-	-	-	64,565	-	-	227,372
Securities purchased under reverse repurchase agreements	257,968	-	113,690	-	1,572,270	208,097	255,650	2,407,675
Interest-bearing investment securities	11,426,121	660,265	-	-	8,011,651	1,065,510	-	21,163,547
Equity securities and unit trust	250,969	137,341	-	-	760,042	-	-	1,148,352
Policyholders' loans	250,983	56,552	-	-	-	-	-	307,535
Investment properties	-	105,026	-	-	310,822	-	-	415,848
Segregated funds' assets	-	-	-	5,735,963	-	-	-	5,735,963
Other	-	-	-	-	-	1,656,275	-	1,656,275
	12,824,019	959,184	113,690	5,735,963	10,719,350	4,523,100	2,034,712	36,910,018

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF

Long term insurance contracts with fixed and guaranteed terms and without DPF contain financial components which are an amalgamation of segregated and non segregated assets. The supplemental benefits payable to holders of segregated funds contracts are based on historic and current rates of return on the fixed income securities in which the fund is invested, as well as the Group's expectations of future investment returns. The benefit on the non segregated assets is usually a guaranteed fixed interest rate. This rate may apply to maturity and/or death benefits.

All these contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. For all these contracts, the Group is not required to measure this embedded derivative at fair value. This surrender value is always lower than the carrying amount of the contract liabilities as a result of the application of surrender penalties set out in the contracts. The range of such penalties is between 0% and 6% of the carrying amount of equity contracts, and between J$150 and 50% of the Basic Annual Premiums of insurance contracts. These penalties mitigate the expense incurred from derecognising the associated DAC assets.

The impact on the Group's current year results if all the contracts with this option were surrendered at the financial year-end, net of surrender penalty charges and DAC write-off, would have been a loss of $13B (2009 – $12B) attributable to the equity and cash surrender value components.

The measurement of the liabilities under long-term insurance contracts and investment contracts with DPF is similar to that of insurance contracts with guaranteed and fixed terms without DPF. The Group only bears financial risk in relation to the guaranteed benefits payable under the non segregated contracts and the investment portion of the segregated contracts.

The following tables indicate the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework. They summarise the Group's exposure to interest rate risks for these assets and liabilities. When debt securities mature, the proceeds not needed to meet liability cash flows will be re-invested in floating rate securities, and the interest rate swaps are used to secure fixed interest rate cash flows. The reinvestment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms without DPF (continued)

	2010						
	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Cash & other current assets	1,576,077	-	1,576,077	-	-	-	1,576,077
Short term deposits	288,508	-	293,917	-	-	-	293,917
Securities purchased under reverse repurchase agreements	386,125	-	291,490	-	-	-	291,490
Interest-bearing investment securities	13,141,805	-	154,419	5,555,913	18,515,100	-	24,225,432
Equity securities and unit trusts	131,660	-	-	-	-	131,660	131,660
Policyholders' loans	228,371	-	-	-	-	228,371	228,371
Total assets	15,652,546	-	2,315,903	5,555,913	18,515,100	360,031	26,746,947
Liabilities		Expected cash flows					
Long term insurance contracts with fixed and guaranteed terms	15,652,546	-	81,762	10,514	1,398,672	14,161,598	15,652,546
Net Liquidity Gap		-	2,234,141	5,545,399	17,116,428	(13,801,567)	11,094,401
Cumulative Liquidity Gap		-	2,234,141	7,779,540	24,895,968	11,094,401	

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms without DPF (continued)

	2009						
	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Short term deposits	162,807	-	168,912	-	-	-	168,912
Cash & other current assets	475,171	-	475,171	-	-	-	475,171
Securities purchased under reverse repurchase agreements	257,968	-	261,035	-	-	-	261,035
Interest-bearing investment securities	11,426,121	-	2,638,386	8,024,635	15,898,402	-	26,561,423
Equity securities and unit trusts	250,969	-	-	-	-	250,969	250,969
Policyholders' loans	250,983	-	-	-	-	250,983	250,983
Total assets	12,824,019	-	3,543,504	8,024,635	15,898,402	501,952	27,968,493
Liabilities		Expected cash flows					
Long term insurance contracts with fixed and guaranteed terms	12,824,019	-	68,983	74,353	1,522,997	11,157,686	12,824,019
Net Liquidity Gap		-	3,474,521	7,950,282	14,375,405	(10,655,734)	15,144,474
Cumulative Liquidity Gap		-	3,474,521	11,424,803	25,800,208	15,144,474	

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms without DPF (continued)

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rates will not cause a change to the amount of the liability. Investment contracts with fixed and guaranteed terms and debt securities held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2009 – 200) basis points in interest yields would result in a loss for the period of $3,042,949,000 (2009 – $232,674,000). A similar decrease in interest yields would result in a profit for the period of $4,762,410,000 (2009 – $232,674,000).

Sensitivity analysis – equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group’s equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $13,166,000 (2009 – $25,097,000). A similar decrease in the key stock markets indices would result in a loss for the period of $13,166,000 (2009 – $25,097,000).

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

The Group issues insurance contracts which participate in the profits earned via the payment of dividends. The declaration of these dividends is at the discretion of the Group and the Group therefore bears no financial risk on this portion of the liability.

The Group manages the exposure to interest rate risks by using natural hedges that match interest sensitive assets with liabilities of a similar nature. The interest rate risk gap analysis above shows the matching of these assets and liabilities according to the earlier of contractual re-pricing or maturity.

Some of the long-term insurance contracts with fixed and guaranteed terms can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. The Group is not required to, and does not, measure this embedded derivative at fair value. This surrender value is always lower than the carrying amount of the insurance and investment liabilities as a result of the application of surrender penalties set out in the contracts.

The measurement of the liabilities under long-term insurance contracts and investment contracts with DPF is similar to that of insurance contracts with guaranteed and fixed terms without DPF. However, the impact of interest rate risk is different due to the presence of the DPF. The Group only bears financial risk in relation to the guaranteed benefits payable under these contracts. These guaranteed benefits increase as supplemental benefits are declared and distributed to contract holders. While the Group recognises as a liability 90% of the excess of the carrying value of the underlying assets over the carrying value of the guaranteed liabilities, the Group does not bear any interest rate risk in relation to this DPF component liability.

Financial assets backing the guaranteed element of investment and insurance contracts with DPF amount to $915,747,000 (2009 – $959,184,000). These assets are included in the table below to match expected undiscounted cash flows from the guaranteed components of insurance and investment contract liabilities. Similarly to the approach used for the fixed and guaranteed portfolio, when debt securities mature, the proceeds not needed to meet liability cash flows will be re-invested in floating rate securities, and the interest rate swaps are used to secure fixed interest rate cash flows. The re-investment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

	2010						
	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Cash and other current assets	46,525	11,762	34,763	-	-	-	46,525
Securities purchased under resale agreements	38,679	-	40,854	-	-	-	40,854
Interest bearing investment securities	491,717	-	-	255,197	746,831	-	1,002,028
Equity securities and Unit Trust	155,677	-	-	-	-	155,677	155,677
Policy loans	64,102	-	-	-	-	64,102	64,102
Investment properties	119,047	-	-	-	-	119,047	119,047
	915,747	11,762	75,617	255,197	746,831	338,826	1,428,233
Liabilities							
Long term insurance contracts with fixed and guaranteed terms and with DPF	915,747	-	-	178,007	119,078	618,662	915,747
Net Liquidity Gap		11,762	75,617	77,190	627,753	(279,836)	512,486
Cumulative Liquidity Gap		11,762	87,379	164,569	792,322	512,486	

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

	2009						
	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Interest bearing investment securities	660,265	-	97,906	549,259	779,767	-	1,426,932
Equity securities and Unit Trust	137,341	-	-	-	-	137,341	137,341
Policy loans	56,552	-	-	-	-	56,552	56,552
Investment Properties	105,026	-	-	-	-	105,026	105,026
	959,184	-	97,906	549,259	779,767	298,919	1,725,851
Liabilities							
Long term insurance contracts with fixed and guaranteed terms and with DPF	959,184	-	4,767	216,037	283,434	454,946	959,184
Net Liquidity Gap		-	93,139	333,222	496,333	(156,027)	766,667
Cumulative Liquidity Gap		-	93,139	426,361	922,694	766,667	

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

For the guaranteed element liabilities under long term insurance and investment contracts with DPF, changes in interest rate will not cause a change to the amount of the liability because their carrying amounts are not affected by the level of market interest rates. However, the DPF element liabilities are directly affected by changes in the level of interest rates to the extent that they affect the carrying amount of the assets held in the DPF funds. An increase in the value of the assets would require, all other assumptions being equal, an increase in the DPF liability and vice versa.

Management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2009 – 200) basis points in interest yields would result in a loss for the period of $26,823,000 (2009 – $3,689,000). A similar decrease in interest yields would result in a profit for the period of $39,366,000 (2009 – $3,689,000).

Sensitivity analysis – equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $15,678,000 (2009 – $13,734,000). A similar decrease in the key stock markets indices would result in a loss for the period of $15,678,000 (2009 –$13,734,000).

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(iii) Short-term insurance contracts
The following table indicates the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework:

2010

	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Securities purchased under reverse repurchase agreements	48,524	-	51,250	-	-	-	51,250
Short term deposits	69,663	-	73,552	-	-	-	73,552
		-	124,802	-	-	-	124,802
Liabilities		Expected cash flows					
Short term insurance contracts	118,187	-	118,187	-	-	-	118,187
Net Liquidity Gap		-	6,615	-	-	-	6,615

2009

	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Securities purchased under reverse repurchase agreements	113,690	-	114,282	-	-	-	114,282
Liabilities		Expected cash flows					
Short term insurance contracts	113,690	-	113,690	-	-	-	113,690
Net Liquidity Gap		-	592	-	-	-	592

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(iii) Short-term insurance contracts (continued)

Sensitivity analysis – interest rate risk

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

(iv) Unit linked contracts (Segregated funds)

Segregated funds' assets are maintained to meet specific investment objectives of policyholders who bear all investment risks. The following tables indicate the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework.

2010

	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets – contractual cash flows	6,236,423	17,369	1,138,091	1,288,369	2,794,504	998,090	6,236,423
Liabilities – estimated cash flows	6,236,423	-	1,231	9,465	1,477	6,224,250	6,236,423
Net Liquidity Gap		17,369	1,136,860	1,278,904	2,793,027	(5,226,160)	-
Cumulative Liquidity Gap		17,369	1,154,229	2,433,133	5,226,160	-	

2009

	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets – contractual cash flows	5,735,963	10,040	2,146,474	1,229,698	1,488,565	861,186	5,735,963
Liabilities – estimated cash flows	5,735,963	-	1,190	9,276	37,249	5,688,248	5,735,963
Net Liquidity Gap		10,040	2,145,284	1,220,422	1,451,316	(4,827,062)	-
Cumulative Liquidity Gap		10,040	2,155,324	3,375,746	4,827,062	-	

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(iv) Unit linked contracts (Segregated funds)

The Group's primary exposure to financial risk from segregated funds is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees by $12,140,000 per annum (2009 – $10,944,000).

(v) Approved deposit administration funds

The Group guarantees returns on these funds at stated rates of interest, and earns administration and investment fees.

Guaranteed interest rates are revised at least annually, which limits the impact of interest rate risk and equity risk on the spread between investment earnings and interest payments.

Management's process for monitoring the sensitivity of reported interest rate movements and movements of financial assets and equity price risk movements is similar to the process used for other assets described in this note.

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(v) Approved deposit administration funds

The following tables indicate the estimated amount and timing of undiscounted contractual cash flows arising from the liabilities in this category of the Group's ALM framework:

	2010						
	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Cash and other current assets	1,019,360	30,295	989,065	-	-	-	1,019,360
Securities purchased under reverse repurchase agreements	317,134	-	334,973	-	-	-	334,973
Interest-bearing investment securities	9,074,740	-	-	4,487,855	8,057,260	-	12,545,115
Equity securities and unit trusts	460,109	-	-	-	-	460,109	460,109
Investment properties	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total assets	10,871,343	30,295	1,324,038	4,487,855	8,057,260	460,109	14,359,557
Liabilities		Estimated cash flows					
Approved deposit administration funds	10,871,343	-	301,766	-	-	10,569,577	10,871,343
Net Liquidity Gap		30,295	1,022,272	4,487,855	8,057,260	(10,109,468)	3,488,214
Cumulative Liquidity Gap		30,295	1,052,567	5,540,422	13,597,682	3,488,214	-

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(v) Approved deposit administration funds (continued)

	2009						
	Carrying Value	Undiscounted Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets		Contractual cash flows					
Cash and other current assets	-	-	-	-	-	-	-
Short term deposits	64,565	64,565	-	-	-	-	64,565
Securities purchased under reverse repurchase agreements	1,572,270	-	1,593,927	-	-	-	1,593,927
Interest-bearing investment securities	8,011,651	-	2,265,073	6,576,768	3,636,370	-	12,478,211
Equity securities and unit trusts	760,042	-	-	-	-	760,042	760,042
Investment properties	310,822	-	-	-	310,822	-	310,822
Total assets	10,719,350	64,565	3,859,000	6,576,768	3,947,192	760,042	15,207,567
Liabilities		Estimated cash flows					
Approved deposit administration funds	10,719,350	-	1,047,408	-	-	9,671,942	10,719,350
Net Liquidity Gap		64,565	2,811,592	6,576,768	3,947,192	(8,911,900)	4,488,217
Cumulative Liquidity Gap		64,565	2,876,157	9,452,925	13,400,117	4,488,217	

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(v) Approved deposit administration funds (continued)

Sensitivity analysis – interest rate risk
The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2009 -200) basis points in interest yields would result in a loss for the period of $176,735,000 (2009 – $155,224,000). A similar decrease in interest yields would result in a profit for the period of $176,735,000 (2009 – $155,224,000).

Sensitivity analysis – equity risk
The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $46,011,000 (2009 – $76,004,000). A similar decrease in the key stock markets indices would result in a loss for the period of $46,011,000 (2009 – $76,004,000).

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(vi) Other assets and liabilities

The following tables indicate the estimated amount and timing of undiscounted contractual cash flows arising from the assets and liabilities in the Group's ALM framework that are allocated to the Group's other liabilities:

	2010						
	Carrying Value	Undiscounted Contractual Cash Flows					
		On Demand or Subject to Notice	Less than 1 Year	1 to 5 Years	Over 5 Years	No Maturity Date	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and other current assets	1,224,260	459,598	764,662	-	-	-	1,224,260
Short term deposits	733,412	-	755,695	-	-	-	755,695
Total assets	1,957,672	459,598	1,520,357				1,979,955
Liabilities							
Other	1,957,672	-	1,957,672	-	-	-	1,957,672
Total liabilities	1,957,672	-	1,957,672	-	-	-	1,957,672
Net Liquidity Gap		459,598	(437,315)	-	-	-	22,283
Cumulative Liquidity Gap		459,598	22,283	22,283	22,283	22,283	

Guardian Life Limited

Notes to the Financial Statements

31 December 2010

(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(vi) Other assets and liabilities (continued)

	2009						
	Carrying Value	**Undiscounted Contractual Cash Flows**					
		On Demand or Subject to Notice	**Less than 1 Year**	**1 to 5 Years**	**Over 5 Years**	**No Maturity Date**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and other current assets	1,779,062	-	1,779,062	-	-	-	1,779,062
Securities purchased under reverse repurchase agreements	255,650	-	257,021	-	-	-	257,021
Total assets	2,034,712	-	2,036,083	-	-	-	2,036,083
Liabilities							
Repurchase agreements	255,650	-	257,016	-	-	-	257,016
Other	1,779,062	-	1,779,062	-	-	-	1,779,062
Total liabilities	2,034,712	-	2,036,078	-	-	-	2,036,078
Net Liquidity Gap		-	5	-	-	-	5
Cumulative Liquidity Gap		-	5	5	5	5	

These assets and liabilities are not particularly sensitive to market risks as they have a short period to maturity and, with the exception of repurchase agreements, are non-interest bearing.

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(vii) Credit risk

Credit risk is the risk that one party to a financial instrument or financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

Amounts due from issuers of investment securities held;
Amounts due from institutions holding short term cash and deposits;
Re-insurers' share of insurance liabilities;
Amounts due from re-insurers in respect of claims already paid;
Amounts due from insurance contract holders; and
Amounts due from insurance intermediaries.

Investment and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group has no significant concentrations of credit risk as the Group has a large and diverse policyholder base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities.

The Group has underwriting policies in place to ensure that sales of products and services are made to potential policyholders with an appropriate credit history and financial standing to meet the premium payments when due.

Reinsurance is also used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Group's reinsurers are rated superior by A. M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(vii) Credit risk (continued)

The assets of the Group bearing credit risks are as follows:

	2010 $'000	2009 $'000
Cash and bank	542,922	424,451
Short term deposits	1,221,793	230,339
Securities purchased under reverse repurchase agreements	1,388,996	2,424,504
Investment securities	26,038,559	23,453,830
Policy loans	292,473	307,535
Receivables from insurance and reinsurance contracts	585,196	420,442
	30,069,939	27,261,101

(viii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations in the Caribbean and has exposure risks with respect to the US, Belize, Barbados and Euro dollars and the UK pound. The Group's strategy for dealing with foreign exchange risk is to as far as possible offset foreign currency liabilities with assets denominated in the same currency.

Sensitivity analysis – currency risk

The items on the Group's statement of financial position that are significantly impacted by changes in currency rates are investment securities and cash and cash equivalents. The effect of 3% devaluation in the Jamaican dollar relative to the United States dollar at the statement of financial position date is as follows:

	2010		2009	
	Effect on profit and loss $'000	Effect on equity $'000	Effect on profit and loss $'000	Effect on equity $'000
Investment securities	56,430	5,908	121,924	3,687
Cash and cash equivalents	11,162	-	17,654	-

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(viii) Currency risk (continued)
The following tables summarise the Group's assets and liabilities at carrying amounts categorised by currency.

	The Group						
	2010						
	JA $	US$	GBP	BD$	BZ$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Assets							
Cash and bank balances	423,232	22,933	12,863	57,807	26,087	-	542,922
Short term deposits	999,945	93,716	10,369	4,711	109,697	783	1,219,221
Securities purchased under reverse repurchase agreements	1,091,855	285,459	-	-	-	-	1,377,314
Investment securities	21,147,778	2,150,068	54,314	1,364,731	158,471	203,695	25,079,057
Policyholders' loans	274,523	-	1,924	109	15,917	-	292,473
Investment properties	464,401	-	-	-	-	-	464,401
Investment in associated company	-	441,448	-	-	-	-	441,448
Accrued income	714,738	29,553	-	212,223	13,665	3,576	973,755
Taxation recoverable	1,635,526	101,393	-	3,584	-	-	1,740,503
Other assets	714,873	-	7	13,340	9,407	-	737,627
Property and equipment	1,427,427	-	-	-	33,730	-	1,461,157
Intangible assets	27,755	-	-	-	-	-	27,755
Segregated funds' assets	6,236,423	-	-	-	-	-	6,236,423
Total assets	35,158,476	3,124,570	79,477	1,656,505	366,974	208,054	40,594,056
Liabilities							
Policyholders' liabilities	16,419,800	-	7,564	5,752	253,364	-	16,686,480
Segregated funds' liabilities	6,236,423	-	-	-	-	-	6,236,423
Approved deposit administration funds	9,388,540	-	-	1,436,010	46,793	-	10,871,343
Income tax payable	129,198	-	-	49	-	-	129,247
Deferred tax liability	246,337	-	-	-	613	-	246,950
Other policy liabilities	895,511	791	5,880	7	25,793	-	927,982
Other liabilities	643,237	-	-	601	9,655	-	653,493
Total liabilities	33,959,046	791	13,444	1,442,419	336,218	-	35,751,918
Net position	1,199,430	3,123,779	66,033	214,086	30,756	208,054	4,842,138

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(viii) Currency risk (continued)

	The Group						
	2009						
	JA $	US$	GBP	BD$	BZ$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Assets							
Cash and bank balances	351,909	-	12,686	11,285	48,571	-	424,451
Short term deposits	8,130	20,784	17,505	64,032	116,897	24	227,372
Securities purchased under reverse repurchase agreements	2,176,264	231,412	-	-	-	-	2,407,676
Investment securities	19,115,557	1,615,497	74,239	1,207,075	93,765	205,766	22,311,899
Policyholders' loans	286,033	-	3,416	113	17,973	-	307,535
Investment properties	415,848	-	-	-	-	-	415,848
Investment in associated company	-	455,966	-	-	-	-	455,966
Accrued income	931,862	29,553	-	185,226	11,509	3,576	1,161,726
Taxation recoverable	1,439,830	101,393	-	3,584	-	-	1,544,807
Other assets	707,115	-	10	510	8,831	-	716,466
Property and equipment	1,151,461	-	-	-	20,297	-	1,171,758
Intangible assets	28,551	-	-	-	-	-	28,551
Segregated funds' assets	5,735,963	-	-	-	-	-	5,735,963
Total assets	32,348,523	2,454,605	107,856	1,471,825	317,843	209,366	36,910,018
Liabilities							
Policyholders' liabilities	13,630,123	-	9,545	5,948	251,277	-	13,896,893
Segregated funds' liabilities	5,735,963	-	-	-	-	-	5,735,963
Approved deposit administration funds	9,414,787	-	-	1,265,155	39,408	-	10,719,350
Repurchase agreements	257,093	-	-	-	-	-	257,093
Income tax payable	240,891	-	-	32	-	-	240,923
Deferred tax liability	243,801	-	-	-	12	-	243,813
Other policy liabilities	810,624	773	6,466	21	24,075	-	841,959
Other liabilities	419,759	-	-	23,769	7,396	-	450,924
Total liabilities	30,753,041	773	16,011	1,294,925	322,168	-	32,386,918
Net position	1,595,482	2,453,832	91,845	176,900	(4,325)	209,366	4,523,100

Guardian Life Limited

Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(viii) Currency Risk (continued)

	JA $	US$	GBP	BD$	BZ$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Assets							
Cash and bank balances	417,208	22,933	12,863	57,807	26,087	-	536,898
Short term deposits	999,945	93,716	10,369	4,711	109,697	783	1,219,221
Securities purchased under reverse repurchase agreements	1,091,855	285,459	-	-	-	-	1,377,314
Investment securities	21,147,778	2,150,068	54,314	1,364,731	158,471	203,695	25,079,057
Policyholders' loans	274,523	-	1,924	109	15,917	-	292,473
Investment properties	464,401	-	-	-	-	-	464,401
Investment in subsidiaries	20	-	-	-	-	-	20
Investment in associated company	-	86,556	-	-	-	-	86,556
Accrued income	714,739	29,553	-	212,223	13,665	3,576	973,756
Taxation recoverable	1,635,526	101,393	-	3,584	-	-	1,740,503
Other assets	717,731	-	7	13,340	9,407	-	740,485
Property and equipment	1,427,427	-	-	-	33,730	-	1,461,157
Intangible assets	27,755	-	-	-	-	-	27,755
Segregated funds' assets	6,236,423	-	-	-	-	-	6,236,423
Total assets	35,155,331	2,769,678	79,477	1,656,505	366,974	208,054	40,236,019
Liabilities							
Policyholders' liabilities	16,419,800	-	7,564	5,752	253,364	-	16,686,480
Segregated funds' liabilities	6,236,423	-	-	-	-	-	6,236,423
Approved deposit administration funds	9,388,540	-	-	1,436,010	46,793	-	10,871,343
Income tax payable	129,198	-	-	49	-	-	129,247
Deferred tax liability	246,337	-	-	-	613	-	246,950
Other policy liabilities	895,512	791	5,880	7	25,793	-	927,982
Other liabilities	598,661	-	-	601	9,655	-	608,918
Total liabilities	33,914,471	791	13,444	1,442,419	336,218	-	35,707,343
Net position	1,240,860	2,768,887	66,033	214,086	30,756	208,054	4,528,676

Guardian Life Limited
Notes to the Financial Statements
31 December 2010
(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(viii) Currency Risk (continued)

	The Company							
	2009							
	JA $	US$	GBP	BD$	BZ$	KYD$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Assets								
Cash and bank balances	346,820	12,686	11,285	48,572	-	-	-	419,363
Short term deposits	8,130	20,784	17,505	64,032	116,897	-	24	227,372
Securities purchased under reverse repurchase agreements	2,176,264	231,412	-	-	-	-	-	2,407,676
Investment securities	19,115,557	1,615,497	74,239	1,207,075	93,765	-	205,766	22,311,899
Policyholders' loans	286,033	-	3,416	113	17,973	-	-	307,535
Investment properties	415,848	-	-	-	-	-	-	415,848
Investment in subsidiaries	20	-	-	-	-	-	-	20
Investment in associated company	-	86,556	-	-	-	-	-	86,556
Accrued income	931,862	29,553	-	185,226	11,509	-	3,576	1,161,726
Taxation recoverable	1,439,830	101,393	-	3,584	-	-	-	1,544,807
Other assets	708,758	-	10	510	8,830	-	-	718,108
Property and equipment	1,151,461	-	-	-	20,297	-	-	1,171,758
Intangible assets	28,551	-	-	-	-	-	-	28,551
Segregated funds' assets	5,735,963	-	-	-	-	-	-	5,735,963
Total assets	32,345,097	2,097,881	106,455	1,509,112	269,271	-	209,366	36,537,182
Liabilities								
Policyholders' liabilities	13,630,123	-	9,545	5,948	251,277	-	-	13,896,893
Segregated funds' liabilities	5,735,963	-	-	-	-	-	-	5,735,963
Approved deposit administration funds	9,414,787	-	-	1,265,155	39,408	-	-	10,719,350
Repurchase agreements	257,093	-	-	-	-	-	-	257,093
Income tax payable	240,891	-	-	32	-	-	-	240,923
Deferred tax liability	243,801	-	-	-	12	-	-	243,813
Other policy liabilities	810,624	773	6,466	21	24,075	-	-	841,959
Other liabilities	374,903	-	-	23,769	7,396	-	-	406,068
Total liabilities	30,708,185	773	16,011	1,294,925	322,168	-	-	32,342,062
Net position	1,636,912	2,097,108	90,444	214,187	(52,897)	-	209,366	4,195,120

(Expressed in Jamaican dollars unless otherwise indicated)

35. Management of Insurance and Financial Risks (Continued)

(b) Financial risks (continued)

(ix) Capital management

The Group's capital management objectives are:

- to comply with the insurance capital requirements established by the insurance regulatory authorities in the markets where the Group operates. Management considers the quantitative threshold sufficient to maximise shareholders' return and to support the capital required to write each of its businesses in the countries where the Group operates;

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Group is subject to insurance solvency regulations in Jamaica in which it issues insurance and investment contracts and has embedded in its ALM Framework the necessary tests to ensure continuous and full compliance with such regulations. The Group has branch operations in Belize. However, there are no capital adequacy requirements for life insurance entities beyond the need for assets to cover liabilities at the statement of financial position date.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio, determined in accordance with the Insurance Regulations, 2001. The table below compares the MCCSR ratio for the Group as at 31 December 2010 and 2009 with the minimum ratio required by the Insurance Regulations, 2001:

2010		2009	
MCCSR ratio	Minimum ratio required	MCCSR ratio	Minimum ratio required
161%	150%	176%	135%

Guardian Life Limited

35. Management of Insurance and Financial Risk (Continued)

(c) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities classified as fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(iii)The fair values and the carrying values of policyholders' funds are assumed to be the same based on the results of the actuarial valuation.

35. Management of Insurance and Financial Risk (Continued)

(e) Fair value of financial assets not carried at fair value

The following tables present the fair value of financial instruments for the Group and the company which are not reflected in the financial statements at their fair value:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
Financial Assets				
Investment securities -				
Loans and receivables	578,436	578,436	528,518	528,518
Held-to-maturity	14,995,068	16,662,687	7,783,697	7,536,443
Policyholders' loans	292,473	292,473	307,535	307,535

The fair value of policyholders' loans is assumed to be their carrying values which are the values payable on demand.

36. Litigation and Contingent Liabilities

The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

(a) A claim for wrongful dismissal has been brought by a former sales representative and branch manager of the company. His services as both a sales representative and branch manager were terminated effective November 2004 due to his failure to meet the required standards of performance under his sales representative contract. Suit was filed in June 2007 but particulars of the claim were not filed until January 2008. He seeks damages for wrongful dismissal and loss of earnings amounting to $26,520,000. Upon the defendant's application, automatic referral to mediation was dispensed with in November 2008 and the case management conference was set for 15 April 2009. Case Management Conference Pre-Trial Review was set for 18 December 2009 and trial was set for two (2) days: 23-24 March 2010. The Group's external attorneys were of the view that the company will not be found liable as the dismissal was in accordance with his contract of employment and all payments due to him were made. A Joint Notice Discontinuance was filed dated 21 January 2011 bringing this matter to an end.

(b) On 6 April 2004, claims were filed by the respective trustees of Carnaudmetalbox Factory Staff Pension Plan and Carnaudmetalbox Administrative Staff Pension Plan for the payment of outstanding interest of $8,092,645 and $10,422,830, respectively, plus interest at 19% per annum from 5 November 2003 until payment and costs. The claims are in connection with an alleged undertaking given to the trustees by the company to pay a higher rate of return on their funds than that paid by the company for the approved deposit administered funds. The trial of the matter has been adjourned on a few occasions due to various reasons. The new trial dates are now scheduled for 16 June and 17 June 2011. The Group's external attorneys believe that the defense in this matter is a strong one as it indicates that the company acted in accordance with the terms of the agreement made between its predecessors as managers of the claimants, trust funds, and the claimants.

No provision has been made in these financial statements for the matters noted above.

37. Pension Scheme

The company operates a defined contribution pension scheme for all permanent administrative and sales staff. The scheme commenced on 1 March 2000 and its assets and liabilities are held separately from those of the company in a trust fund, which is included in the company's approved deposit administration funds (Note 29). Employees are required to contribute a minimum of 5% of pensionable salary; the contribution rate by the employer is 5% of pensionable salary.

39. Jamaica Debt Exchange

In February 2010, the company participated in the Jamaica Debt Exchange (JDX) transaction. The JDX involved a par for par exchange of domestic debt instruments (“Old Notes”) issued by the Government of Jamaica for new debt instruments (“New Notes”) having lower interest rates and longer maturities. While the Old Notes were all callable by the Government of Jamaica, a majority of New Notes will be non-callable. Participation in the JDX was voluntary. Interest accrued on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date) was paid in cash, net of applicable withholding taxes.

On 22 January 2010, the Board of Directors of the company formally accepted the government’s debt exchange offer. Under this offer, GOJ local debt instruments totaling J$17.5B and US$3M held by the company as at 31 December 2009 were exchanged.

At the final settlement date there was no material impact on the Group’s financial position.