SUMMIT INSURANCE COMPANY LIMITED

Financial Statements
31 December 2008

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Summit Insurance Company Limited

We have audited the accompanying financial statements of Summit Insurance Company Limited (the Company), which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 auditors' 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 auditors consider 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.

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Auditors' Responsibility (continued)

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Nassau, Bahamas
21 May 2009

Summit Insurance Company Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Balance Sheet
As of 31 December 2008
(Amounts expressed in Bahamian dollars)

	Note	2008 $	2007 $
ASSETS			
Cash in hand and at banks	3	980,204	1,344,315
Term deposits	3	17,173,805	15,211,795
Due from reinsurers		1,265,144	2,181,831
Due from agents	14	7,256,857	7,363,794
Deferred commission expense		3,481,610	3,286,375
Prepayments and other assets	4	136,242	127,621
Investments in securities:	5		
Available-for-sale		4,854,168	5,126,931
Loans and receivables		836,650	1,119,203
Investment property	6	206,117	210,966
Plant and equipment	7	442,433	468,299
Total assets		**36,633,230**	**36,441,130**
LIABILITIES			
General insurance funds:			
Unearned premium reserve		9,885,921	10,108,362
Unearned commission income		2,375,820	1,859,273
Outstanding claims reserve	8	5,611,075	6,903,248
		17,872,816	18,870,883
Other liabilities:			
Due to reinsurers		2,419,842	2,570,274
Accounts payable and accrued expenses		386,818	406,231
Total liabilities		**20,679,476**	**21,847,388**

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

Summit Insurance Company Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Balance Sheet
As of 31 December 2008
(Continued)
(Amounts expressed in Bahamian dollars)

	Note	2008 $	2007 $
EQUITY			
Share capital:			
Authorized: 10,000,000 shares of $1 each			
Issued and fully paid: 5,000,000 shares of $1 each		5,000,000	5,000,000
Treasury shares	9	(910,000)	-
General reserve	10	1,000,000	1,000,000
Fair value reserve		1,120,007	1,450,070
Retained earnings		9,743,747	7,143,672
Total equity		**15,953,754**	**14,593,742**
Total liabilities and equity		**36,633,230**	**36,441,130**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director **Director**

21 May 2009

Date

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

Summit Insurance Company Limited

Income Statement
For the Year Ended 31 December 2008
(Amounts expressed in Bahamian dollars)

	Note	2008 $	2007 $
INCOME			
Gross premiums written	14	42,063,535	40,132,668
Premium tax (net)		(613,312)	(627,344)
Premiums ceded to reinsurers		(21,619,806)	(19,221,239)
Net premiums written		19,830,417	20,284,085
Decrease in unearned premium reserve		222,441	1,142,072
Portfolio transfer	11	(212,379)	(861,169)
Net premiums earned		19,840,479	20,564,988
DIRECT EXPENSES			
Net claims incurred	8	5,721,037	7,232,516
Net commissions incurred	12, 14	2,948,796	3,073,805
Catastrophe and excess of loss reinsurance		7,627,854	8,578,940
Total direct expenses		16,297,687	18,885,261
Underwriting gain		**3,542,792**	**1,679,727**
OTHER INCOME			
Interest income		999,102	937,355
Dividend income		160,507	131,859
Foreign exchange gains and other income		232,527	239,278
Total other income		**1,392,136**	**1,308,492**
OPERATING EXPENSES			
Personnel expenses	13, 14	761,669	694,936
Depreciation	6, 7	201,005	33,862
General and administrative expenses		532,179	482,006
Total operating expenses		**1,494,853**	**1,210,804**
Net income		**3,440,075**	**1,777,415**

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

Summit Insurance Company Limited

Statement of Changes in Equity
For the Year Ended 31 December 2008
(Amounts expressed in Bahamian dollars)

	Share Capital $	Treasury Shares $	General Reserve $	Fair Value Reserve $	Retained Earnings $	Total Equity $
Balance as of 1 January 2007	5,000,000	-	1,000,000	497,451	6,416,257	12,913,708
Net change in unrealized gains/losses on available-for-sale investments (Note 5)	-	-	-	952,619	-	952,619
Net income	-	-	-	-	1,777,415	1,777,415
Dividend	-	-	-	-	(1,050,000)	(1,050,000)
Balance as of 31 December 2007	**5,000,000**	**-**	**1,000,000**	**1,450,070**	**7,143,672**	**14,593,742**
Balance as of 1 January 2008	5,000,000	-	1,000,000	1,450,070	7,143,672	14,593,742
Net change in unrealized gains/losses on available-for-sale investments (Note 5)	-	-	-	(330,063)	-	(330,063)
Net income	-	-	-	-	3,440,075	3,440,075
Acquisition of Treasury Shares (Note 9)	-	(910,000)	-	-	-	(910,000)
Dividend	-	-	-	-	(840,000)	(840,000)
Balance as of 31 December 2008	**5,000,000**	**(910,000)**	**1,000,000**	**1,120,007**	**9,743,747**	**15,953,754**

Dividend per share: $0.16 (2007: $0.20)

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

Summit Insurance Company Limited

Cash Flow Statement
For the Year Ended 31 December 2008
(Amounts expressed in Bahamian dollars)

	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	3,440,075	1,777,415
Adjustments for:		
Interest income	(999,102)	(937,355)
Dividend income	(160,507)	(131,859)
Depreciation	201,005	33,862
	2,481,471	742,063
(Increase)/Decrease in operating assets:		
Due from reinsurers	916,687	(355,216)
Due from agents	106,937	(593,547)
Deferred commission expense	(195,235)	(119,569)
Prepayments and other assets	(20,328)	(39,246)
Increase/(Decrease) in operating liabilities:		
Unearned premium reserve	(222,441)	(1,142,072)
Unearned commission income	516,547	464,497
Outstanding claims reserve	(1,292,173)	1,038,599
Due to reinsurers	(150,432)	(830,272)
Accounts payable and accrued expenses	(19,413)	62,691
Net cash from/(used in) operating activities	**2,121,620**	**(772,072)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	872,878	966,900
Dividends received	172,214	129,417
(Increase)/Decrease in term deposits with maturities greater than three months	(2,819,597)	1,450,048
Purchase of investments in securities	(61,800)	(7,399)
Redemption of investments in securities	270,000	-
Purchase of plant and equipment	(170,290)	(141,010)
Net cash (used in)/from investing activities	**(1,736,595)**	**2,397,956**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(840,000)	(1,050,000)
Acquisition of Treasury shares	(910,000)	-
Net cash used in financing activities	**(1,750,000)**	**(1,050,000)**
Net (decrease)/increase in cash and cash equivalents	**(1,364,975)**	**575,884**
Cash and cash equivalents as of the beginning of the year	4,694,545	4,118,661
Cash and cash equivalents as of the end of the year (Note 3)	**3,329,570**	**4,694,545**

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

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008

1. General Information

Summit Insurance Company Limited (the Company) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas and is licensed to operate as a property and casualty insurance company in The Bahamas under the Insurance Act, 1969.

The Company's registered office is situated at the offices of Messrs. Graham, Thompson & Co., Sassoon House, Shirley Street & Victoria Avenue, Nassau, Bahamas.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying the Company's accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 2(e), 2(h), and 2(i).

Interpretations to existing standards that became effective for fiscal periods beginning on or after 1 January 2008 were not relevant to the Company's operations and accordingly did not impact the Company's accounting policies or financial statements.

With the exception of the amendments to IAS 1 *Presentation of Financial Statements* that become effective for fiscal periods beginning on or after 1 January 2009, the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or financial statements in the period of initial application. Upon adoption, the amendments to IAS 1 will require non-owner changes in equity to be presented separately from owner changes in equity, resulting in a statement of comprehensive income. Additionally, when the Company restates corresponding information, the amendments to IAS 1 will require the presentation of a restated balance sheet as of the beginning of the corresponding period.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(b) Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year end exchange rates are recognized in the income statement.

(c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at banks and term deposits with banks with original contractual maturities of three months or less.

(d) Financial assets

The Company classifies its investments in securities into the following categories: available-for-sale (investments in equity securities) and loans and receivables (investments in debt securities and preference shares). Management determines the appropriate classification of its financial assets at the time of purchase and re-evaluates this at each reporting date.

Available-for-sale investments are financial assets intended to be held for an indefinite period of time, which may be sold in response to the needs for liquidity or changes in market conditions (interest rates, exchange rates or equity prices). Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Regular-way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the assets. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from them have expired or when they have been transferred and the Company has also transferred substantially all risk and rewards of ownership.

Available-for-sale investments are subsequently carried at fair value, based on quoted prices for quoted investments or valuation techniques, including recent arm's length transactions and discounted cash flow analysis, for unquoted securities. Changes in the fair value of available-for-sale investments are recognized in equity in "fair value reserve".

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

Realized gains and losses arising from sales and other than temporary impairment of available-for-sale investments previously recognized in equity are recognized in the income statement.

Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any provision for impairment.

(e) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only 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.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. By comparison, the amount of loss on available-for-sale investments is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of interest for a similar financial asset.

(f) Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property. Investment property comprises residential property, and is carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate cost over an estimated useful life of 50 years.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(f) Investment property (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

(g) Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate costs (net of residual values) over the following estimated useful lives:

Computer software	3 - 5 years
Leasehold improvements	Lesser of lease term and 20 years
Furniture and equipment	3 years
Motor vehicles	3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

(h) General insurance funds

General insurance funds comprise deferred commission expense, unearned premium reserve, unearned commission income and outstanding claims reserve.

Deferred commission expense consists of commissions paid to the Company's agents related to the production of new and renewal business. These costs are deferred and amortized over the terms of the policies to which they relate.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(h) General insurance funds (continued)

Unearned premiums represent the proportion of the net premiums written that relate to periods of insurance coverage subsequent to the balance sheet date and are recognized over the terms of the policies.

Unearned commission income consists of commissions received from insurers and reinsurers based on premiums written and premiums ceded to reinsurers, respectively. This income is deferred and amortized over the term of the policies to which they relate.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company, and statistical analyses for claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors. The Company does not discount its liabilities for unpaid claims.

(i) Income and expense recognition

Premiums are recognized as income over the periods covered by the related policies after allowing for premiums ceded. Commission expense incurred on gross written premiums and commission income received on premiums written and ceded are recognized in the same manner as premiums.

The Company's net share of claims and loss adjustment expenses are recognized as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date regardless of whether or not they have been reported.

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method. Profit and loyalty commission income and expense, and dividend income are recognized when the Company's right to receive, or obligation to make, payment has been established.

Other income and expenses are recognized on the accrual basis.

(j) Premium tax

Premium tax is incurred at a rate of 3% of gross premiums written in the Commonwealth of The Bahamas, less the proportion that is recoverable from reinsurers for premiums ceded.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(k) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(l) Employee benefits

The Company's employees are members of the Insurance Management (Bahamas) Limited and Summit Insurance Limited Pension Plan, a privately administered defined contribution pension plan covering all eligible employees. The Company has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their basic salary and the Company contributes an equal amount.

The Company's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate.

(m) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation adopted in the current year.

3. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	2008 $	2007 $
Cash in hand and at banks	980,204	1,344,315
Term deposits with banks	17,173,805	15,211,795
	18,154,009	16,556,110
Term deposits with original contractual maturities greater than three months	(14,488,766)	(11,669,169)
Accrued interest	(335,673)	(192,396)
	3,329,570	**4,694,545**

As of 31 December 2008, interest rates on term deposits range from 4.63% to 7.00% (2007: 5.00% to 7.00%) per annum.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

4. Prepayments and Other Assets

	2008 $	2007 $
Prepayments	43,363	42,841
Dividends receivable	33,692	45,399
Other receivables	59,187	39,381
	136,242	**127,621**

5. Investments in Securities

Available-for-Sale

Available-for-sale investments comprise marketable equity securities, which are listed on The Bahamas International Securities Exchange and an unlisted equity investment, and are stated at fair value. Movements during the year comprise:

	2008 $	2007 $
As of beginning of year	5,126,931	4,168,913
Additions	57,300	5,399
Net change in unrealized gains/losses	(330,063)	952,619
As of end of year	**4,854,168**	**5,126,931**

As of 31 December 2008, the cost of available-for-sale investments totals $3,734,161 (2007: $3,676,861).

Loans and Receivables

Included in amortized cost of loans and receivables is accrued interest totaling $8,850 (2007: $5,903), with such investments comprising:

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

5. Investments in Securities (Continued)

Loans and Receivables (continued)

	Interest Rate	Maturity	2008 $	2007 $
Debt securities:				
Bahamas Government registered stocks	Prime + 0.250% to Prime + 0.875%	14/06/2011 to 22/09/2024	176,900	172,400
Bridge Authority - bonds	Prime + 1.500%	24/03/2029	11,600	11,600
Clifton Heritage Authority - bonds	Prime + 0.500% to Prime + 0.750%	20/05/2025	232,300	232,300
Consolidated Water (Bahamas) Limited - Series 'A' bonds	7.500%	07/01/2015	203,750	200,000
FirstCaribbean International Bank (Bahamas) Limited - notes	Prime + 0.750%	31/12/2011	-	250,000
Bank of The Bahamas Limited - bonds	7.250%	07/01/2022	2,000	2,000
Preference shares:				
Freeport Oil Holdings Co. Ltd. – Class A	8.000%	11/08/2016	15,000	15,003
Caribbean Crossings Ltd. – Series A	8.000%	30/06/2010	41,600	82,400
Caribbean Crossings Ltd. – Series B	7.000%	30/06/2016	50,000	50,000
Cable Bahamas Limited	7.500%	30/06/2010	103,500	103,500
			836,650	**1,119,203**

6. Investment Property

The Company owns property located on Abaco Island that it classifies as investment property. Movement in investment property is summarized as follows:

	2008 $	2007 $
Net book value as of beginning of year	210,966	215,815
Depreciation expense	(4,849)	(4,849)
Net book value as of end of year	**206,117**	**210,966**
Cost	242,450	242,450
Accumulated depreciation	(36,333)	(31,484)
Net book value	**206,117**	**210,966**

During the year, the Company did not perform an independent appraisal of the investment property. As of 31 December 2007, the fair value of investment property was $300,000, based on an independent appraisal.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

7. Plant and Equipment

	Computer Software $	Leasehold Improvements $	Furniture & Equipment $	Motor Vehicles $	Total $
Year ended 31 December 2008					
Opening net book value	404,128	8,981	43,523	11,667	468,299
Additions	149,690	-	12,165	8,435	170,290
Disposals	-	-	-	-	-
Depreciation charge	(165,249)	(4,990)	(6,518)	(19,399)	(196,156)
Closing net book value	**388,569**	**3,991**	**49,170**	**703**	**442,433**
As of 31 December 2008					
Cost	553,818	61,919	235,827	43,435	894,999
Accumulated depreciation	(165,249)	(57,928)	(186,657)	(42,732)	(452,566)
Net book value	**388,569**	**3,991**	**49,170**	**703**	**442,433**
As of 31 December 2007					
Cost	404,128	61,919	223,662	35,000	724,709
Accumulated depreciation	-	(52,938)	(180,139)	(23,333)	(256,410)
Net book value	**404,128**	**8,981**	**43,523**	**11,667**	**468,299**

8. Outstanding Claims Reserve and Net Claims Incurred

	2008 $	2007 $
Outstanding claims		
Gross outstanding claims	7,302,989	9,016,460
Amounts recoverable from reinsurers	(2,112,549)	(2,514,539)
Provision for reported claims	5,190,440	6,501,921
Provision for incurred but not reported claims	420,635	401,327
	5,611,075	**6,903,248**
Net claims incurred		
Gross claims incurred	7,843,014	9,547,961
Amounts recoverable from reinsurers	(2,121,977)	(2,315,445)
	5,721,037	**7,232,516**

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

8. Outstanding Claims Reserve and Net Claims Incurred (Continued)

Insurance claims - Gross

Movements in gross outstanding claims, based on the year to which claims relate, can be analysed as follows:

Accident year	2004 $	2005 $	2006 $	2007 $	2008 $	Total $
Estimate of ultimate claims cost:						
At end of accident year	56,458,326	13,658,706	3,917,892	6,110,905	5,161,318	85,307,147
One year later	63,173,229	17,810,096	7,083,392	8,709,927	-	
Two years later	63,094,886	17,212,772	7,138,965	-	-	
Three years later	62,887,098	17,230,716	-	-	-	
Four years later	62,866,334	-	-	-	-	
Current estimate of cumulative claim	62,866,334	17,230,716	7,138,965	8,709,927	5,161,318	101,107,260
Cumulative payments to date	(62,509,134)	(16,726,516)	(6,566,685)	(7,131,012)	(2,278,950)	(95,212,297)
Liability included in gross claims	**357,200**	**504,200**	**572,280**	**1,578,915**	**2,882,368**	**5,894,963**
Liability in respect of prior years						1,408,025
Total gross claims						**7,302,988**

9. Treasury Shares

During the year, the Company acquired 350,000 of its own shares directly from a shareholder for $910,000. The Company has the right to reissue these shares at a later date and, accordingly, have classified them as treasury shares as of 31 December 2008.

10. General Reserve

The general reserve is established for unforeseeable risks and future losses. Distributions from the general reserve can only be made following the approval of the Board of Directors.

11. Portfolio Transfer

During 2008, the Company decreased the percentage of risk retained on its property portfolio resulting in the Company distributing the unearned premiums and outstanding claims reserves to reinsurers, along with the funds corresponding to those liabilities. During 2007, the Company also decreased the percentage of risk retained on its property portfolio.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

12. Net Commissions Incurred

This amount comprises commissions payable to agents of $7,477,811 (2007: $6,761,287) less commission earned from insurers and reinsurers of $4,333,780 (2007: $3,567,913) and an increase in deferred commission expense of $195,235 (2007: $119,569).

13. Employee Benefits

Included in personnel expenses is pension expense totaling $33,797 (2007: $23,888).

14. Related Party Balances and Transactions

Related parties comprise the directors and entities they control or over which they exercise significant influence, and key management personnel. Of the premiums written during the year, 97% (2007: 99%) were generated by an insurance agency whose principal is a director of the Company and owns 23% of the Company's outstanding shares, including all of the 1,000,000 ordinary shares designated as founder shares that entitle the holder to the right as regards to dividends and retained earnings as though he were the holder of 1.25 ordinary shares for each founder share. As of 31 December 2008, amounts due from the insurance agency amounted to $7,207,925 (2007: $7,295,718) and the Company paid commissions of $7,466,826 to the insurance agency for the year then ended (2007: $6,751,954). Included in premiums written is $1,000,299 (2007: $800,000) received from entities controlled by a director of the Company.

During the year, compensation expense for key management personnel totaled $353,526 (2007: $317,867).

15. Commitments and Contingent Liabilities

Commitments

The future minimal rental payments required under operating leases are as follows:

	2008 $	2007 $
Not later than one year	35,587	35,587

Contingent Liabilities

The Company is involved in litigation matters arising in the normal course of business and it is not expected that the disposition of such litigation will have a material effect on the financial position of the Company.

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16. Insurance and Financial Risk Management

The Company engages in transactions that expose it to insurance risk, credit risk, liquidity risk, interest rate risk and price risk in the normal course of business. The Company's financial performance is affected by its capacity to understand and effectively manage these risks. The Company's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities.

(a) Insurance risk

Insurance risk is the risk under insurance contracts that the insured event occurs and the amount of the resulting claim is uncertain. In the normal course of business, the Company seeks to limit its exposure to losses that may arise from any single occurrence through the use of reinsurance arrangements. Reinsurance is primarily placed using a combination of proportional, facultative and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Company of its primary obligations to the policyholders, therefore the Company is exposed to the risk that the reinsurers may be unable to fulfill their obligations under the contracts. The Company seeks to mitigate this risk by placing its reinsurance coverage with reputable companies and Lloyd's syndicates.

(b) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract and cause loss to the Company. The Company has exposure to credit risk in the majority of its financial assets. To mitigate this risk, the Company places cash and term deposits with well known high quality financial institutions; monitors the payment history of its agents before continuing to do business with them; places reinsurance coverage as noted in (a) above with reputable entities; and invests in debt securities of financially sound entities.

As of 31 December 2008, amounts due from reinsurers and agents are current.

The Company also has concentration of credit risk in term deposits and due from agents. As of 31 December 2008, term deposits are placed with four banks and 93.4% (2007: 89.4%) of term deposits are placed with three banks. Also, 99.4% (2007: 100%) of due from agents is due from the Company's principal agent, a related party.

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Notes to the Financial Statements
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16. Insurance and Financial Risk Management (Continued)

(c) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Company's financial commitments including claims. All 'other liabilities' are due on demand and claims principally have short term cash outflows. The remaining general insurance liabilities could result in cash outflows within one year.

The Company manages its liquidity risk by maintaining an approximate level of equity that is invested in liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments may fluctuate significantly as a result of changes in market interest rates. The Company mitigates fair value interest rate risk by investing in interest-bearing assets with floating interest rates, or investing for short time periods. Cash flow interest rate risk is not hedged and considered a profit opportunity because the liabilities do not attract interest expense.

(e) Price risk

Price risk is the risk that the fair value and/or amounts realized on sale of financial instruments may fluctuate significantly as a result of changes in market prices. The available-for-sale investments expose the Company to price risk. The Company invests in private equity securities of companies demonstrating profit potential generally accompanying underlying assets with fair values in excess of the entity's equity. Investments are also made in exchange traded securities of companies that the Company's directors, with the advice of an investment manager, consider to have income and/or capital gains potential.

17. Capital Management

The Company's objectives when managing capital are:

- To comply with the capital requirements imposed by the regulators of the insurance markets in which the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

Summit Insurance Company Limited

Notes to the Financial Statements
31 December 2008
(Continued)

17. Capital Management (Continued)

The Office of the Registrar of Insurance Companies specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained, based on the applicable laws and regulations governing the Bahamas' insurance industry. The minimum capital requirement applicable to the Company is $1,400,000 plus 10% of net premiums exceeding $7,000,000. The Company has complied with all of the externally imposed capital requirements to which it is subject.

18. Fair Value of Financial Instruments

Financial instruments utilized by the Company include recorded financial assets and liabilities. These financial instruments are carried at fair value, are relatively short-term in nature or have interest rates that periodically reset to market interest rates, and accordingly, the estimated fair values are not significantly different from the carrying value as reported in the balance sheet.