NOTE 21 RISK MANAGEMENT (CONTINUED)

CREDIT RISK

The following policies and procedures are in place to manage credit risk:

> Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company.

> Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review.

> Investment guidelines also specify collateral requirements.

> Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.

> Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators.

> Lifeco is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.

> Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the board of directors of Lifeco. Management of Lifeco continuously monitors and performs an assessment of the creditworthiness of reinsurers.

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

DECEMBER 31	2014	2013
Cash and cash equivalents	2,498	2,791
Bonds		
Fair value through profit or loss	80,000	70,144
Available for sale	9,990	7,915
Loans and receivables	13,178	11,855
Mortgage loans	20,546	19,063
Loans to policyholders	7,711	7,332
Funds held by ceding insurers[1]	12,154	10,832
Reinsurance assets	5,151	5,070
Interest due and accrued	1,286	1,242
Accounts receivable	1,172	1,248
Premiums in course of collection	598	578
Trading account assets	405	376
Finance leases receivable	285	–
Other financial assets[2]	715	831
Derivative assets	652	593
Total balance sheet maximum credit exposure	156,341	139,870

[1] Includes $10,758 million as at December 31, 2014 ($9,848 million as at December 31, 2013) of funds held by ceding insurers where Lifeco retains the credit risk of the assets supporting the liabilities ceded (see Note 6).

[2] Includes items such as current income taxes receivable and miscellaneous other assets of Lifeco.

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco has $52 million of collateral received as at December 31, 2014 ($19 million as at December 31, 2013) relating to derivative assets.

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