180 & BEYOND

Sagicor

Annual Report 2019

Sagicor Financial Company Ltd.

WISE
FINANCIAL
THINKING
FOR LIFE

Our Vision

Sagicor's vision is "To be a great company committed to improving the lives of the people in the communities in which we operate."

Our Values

We strongly believe in Sagicor's values of being a Timeless, Borderless, and Colourless entity.

Our Brand

To be loved by our Team Members and Clients, and be admired by our Competitors.

Table of Contents

4 Sagicor 180 Years

8 Financial Highlights

11 Chairman's Review

13 Group President & Chief Executive Officer's Message

16 Board of Directors

24 Executive Management

27 Group Organisational Chart

30 Corporate & Social Responsibility

Human Capital Report

Innovation & Technology

60 Management Discussion and Analysis

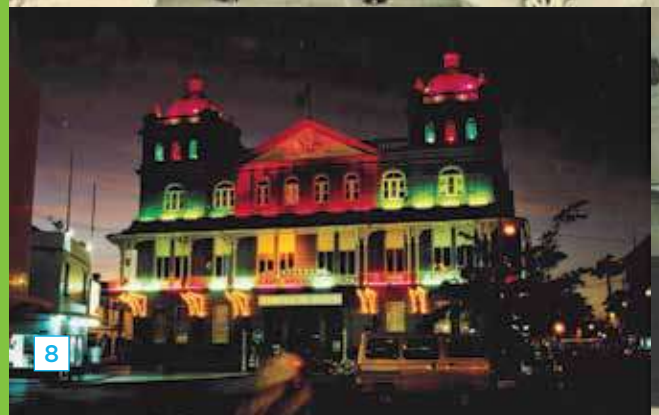
140 Index to the Consolidated Financial Statements

318 Shareholder Information

SAGICOR 180

180 Years

In 1840, a group of forward thinking Barbadians came together and created Sagicor's legacy company, the Barbados Mutual, but little did they know that they were setting the solid foundation of an indigenous company that would transform the insurance landscape of the Caribbean some 180 years later. However, they knew that they wanted to be relevant to the needs of the people in their community, and this proactive value has remained at the very heart of the company, prudently guiding it through decades of growth and development across the Caribbean.



1. Sagicor's newly built office in St John's, Antigua.
2. The first General Manager of the Barbados Mutual Life Assurance Society, Mr J. V. C. Bellamy.
3. Choc Estate office in Castries, St Lucia opens for business.
4. The Mutual's Head Office Management and Team in Collymore Rock, Barbados, in 1989.
5. The Mutual's Secretary, Major A.S. Warren, outside the vault and archives.
6. Staff members of the Mutual during the 1950's.
7. On March 8, 1988, the Kingsland Housing Project was launched, marking a major joint venture/development between the Mutual and Ideal Homes in Barbados.
8. Constructed in 1895 the iconic Mutual Building, Lower Broad Street, Bridgetown, Barbados was later the home to Barclays Bank. Here colourfully lit for the 1964 holiday season.
9. The office of De Caires Bros Ltd, Agents for the Barbados Mutual in Guyana circa 1950.
10. Mr Howard Gill (1810-1877) purchased the Mutual's first policy for a sum assured of $10,000 for a premium of $312.
11. The new Mutual Centre in 1989, headquarters to the Trinidad and Tobago operations.
12. The ground breaking ceremony for a Mutual development in Antigua.
13. The Mutual Board of Directors at the Collymore Rock Board room in 1996.
14. Members of the Mutual Team gathered for this group photo in 1975.

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2

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Sagicor Today

Well-positioned in the markets we serve, Sagicor is a strong company, operating in 20 countries, dedicated and committed to more than 4500 team members, our clients and the communities we serve. We continue the journey we began 180 years ago, touching lives and moving forward in a spirit consistent with the values we hold dear. As we advance, creating even more significant milestones, we do so with the knowledge that our best moments will always be the ones that have made meaningful and relevant differences in people's lives.

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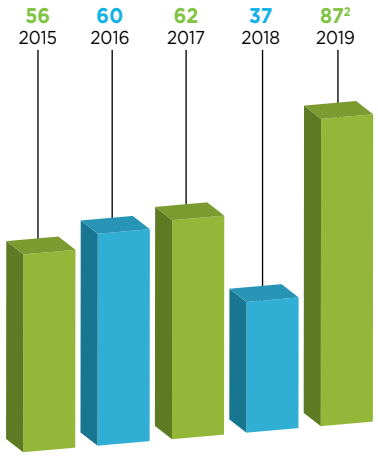
1. Sagicor Brand and Culture Week 2019 was a tremendous success, with many team members seen sporting new "#IAMSAGICOR" tattoos.
2. The Barbados Headquarters in Wildey, St Michael, Barbados.
3. June and July 2019 were busy months for young tennis enthusiasts in Trinidad and Tobago as Sagicor sponsored its 17th annual Junior Lawn Tennis tournament for beginner and intermediate players.
4. Sagicor's Mobile Wellness Clinics offer convenient access to quality medical care, including blood pressure testing in Jamaica.
5. The R. Danny Williams building in Kingston, Jamaica, is the headquarters for Sagicor's operations in that country.
6. Sagicor team members join together to show affection towards the company during a special Valentine's Day engagement activity.
7. The Sagicor Foundation's scholarship programme provided financial support to several secondary and tertiary students.
8. Barbados Community College, Origin Active Lifestyles and the Barbados Government sign a Memorandum of Understanding to develop a new curriculum focusing on the care of the elderly to be taught in the College's Division of Health Sciences.
9. Team members in the USA man the telephones during a fundraising drive for the Phoenix Children's Hospital in Arizona.
10. Team Sagicor shares the love On Valentine's Day at the Sky Mall Shopping Plaza, Barbados.
11. The headquarters of Sagicor USA is located in Tampa Florida, at 4010 W. Boy Scout Boulevard.
12. Sagicor Team members join with supporters of all ages during the warmup session preceding the 2019 Gynathon Run/Walk which raised both funds and awareness of below-the-belt cancers.
13. Sagicor's nurse conducts a biometric assessment with a runner at the Barbados Defence Force's "Have a Heart" charity run.
14. A Team member volunteers for the Adopt-A-School programme in Jamaica and helps to positively shape young lives.
15. Sagicor 'painted towns pink' across the Southern Caribbean, also using speed bumps and signage to remind the public of the importance of getting their breasts checked.
16. Sagicor appreciates its customers! One happy client shows off her goodie bag during a customer appreciation event.

FINANCIAL HIGHLIGHTS

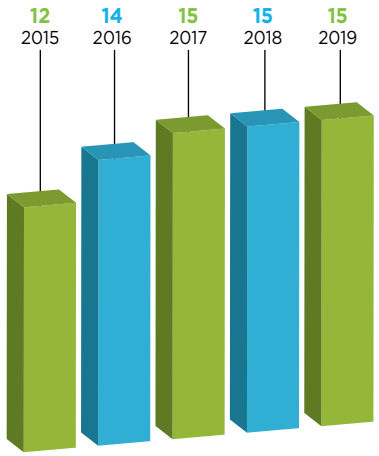
Amounts in US $ millions unless otherwise stated

SHAREHOLDER RETURNS

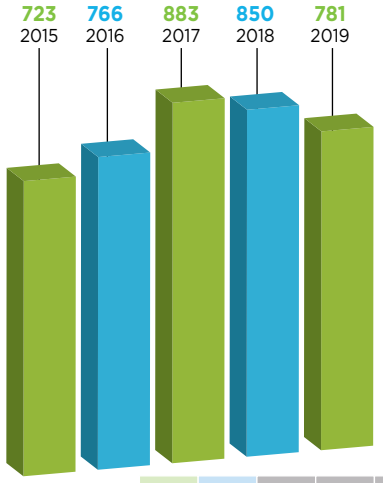
NET INCOME [1]



COMMON DIVIDENDS



BOOK VALUE PER SHARE [3] *(Amounts in US ¢)*

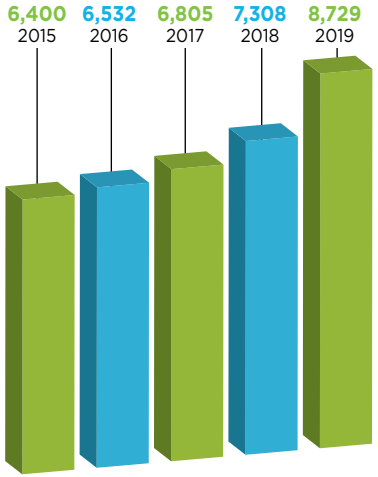


	2015	2016	2017	2018	2019 [2]
Basic earnings per share [3]	78.8¢	84.4¢	88.7¢	51.7¢	57.5¢
Return on shareholder's equity [1,2]	11.7%	12.3%	11.3%	6.2%	10.5%

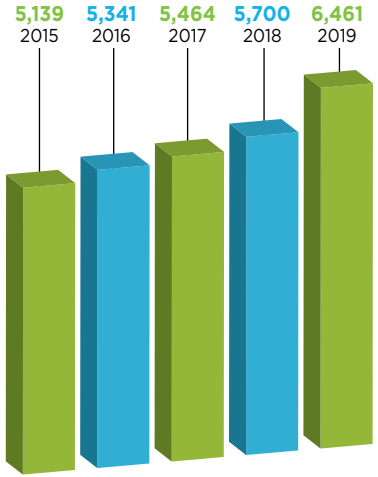
[1] *from continuing operations*
[2] *before Alignvest Acquisition II Corporation transaction costs*
[3] *under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 and prior years outstanding shares to the Sagicor Financial Company Ltd equivalent.*

GROUP FINANCIAL POSITION

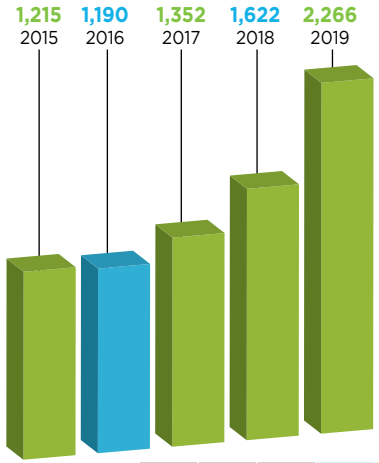
ASSETS [1]



OPERATING LIABILITIES



EQUITY & DEBT CAPITAL (TOTAL CAPITAL)



	2015	2016	2017	2018	2019
Debt to Capital	39.2%	33.2%	30.5%	30.2%	22.8%
MCCSR	301%	249%	258%	234%	253%

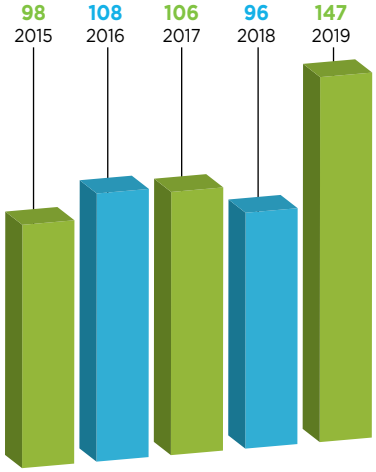
[1] *from continuing operations*

FINANCIAL HIGHLIGHTS

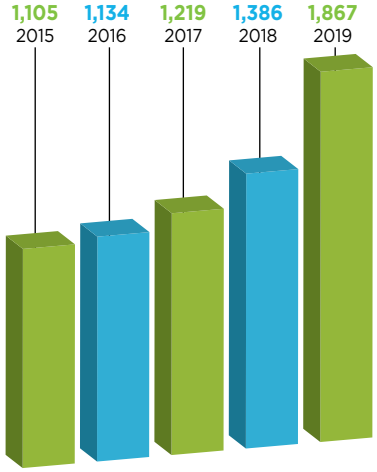
Amounts in US $ millions unless otherwise stated

GROUP RESULTS [1]

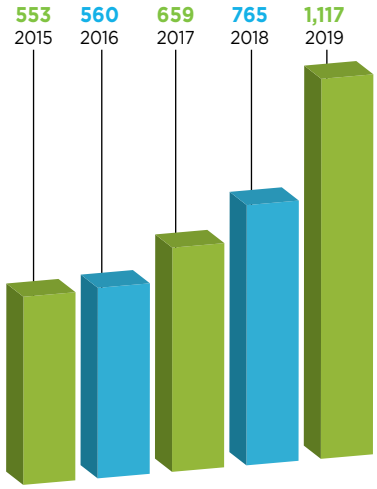
NET INCOME [1]



REVENUE



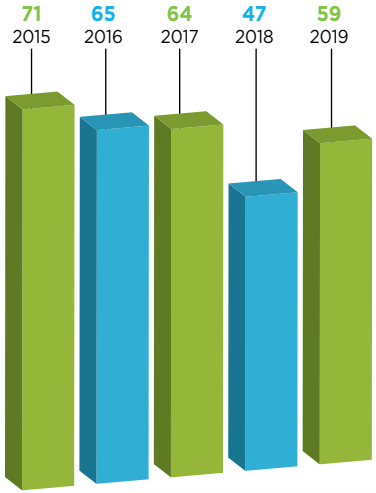
BENEFITS



[1] *from continuing operations (before Alignvest Acquisition II Corporation transaction costs)*

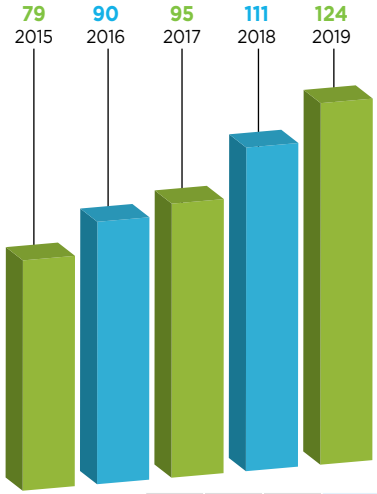
SEGMENT RESULTS

SAGICOR LIFE INC - NET INCOME [1]



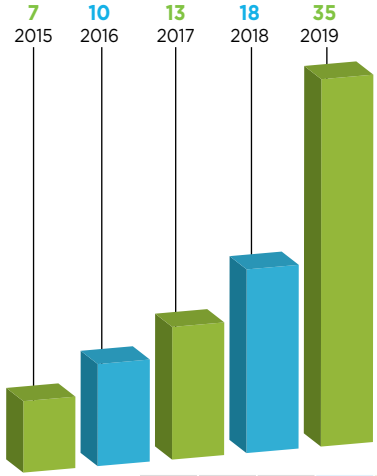
	2015	2016	2017	2018	2019
Revenue	471	411	421	340	533
Assets	1,904	1,928	1,953	2,008	2,116

SAGICOR GROUP JAMAICA - NET INCOME [1]



	2015	2016	2017	2018	2019
Revenue	511	524	590	586	735
Assets	2,513	2,674	2,836	3,104	3,482

SAGICOR USA - NET INCOME [1]



	2015	2016	2017	2018	2019
Revenue	78	149	159	421	562
Assets	1,783	1,901	1,982	2,293	2,842

[1] *from continuing operations*

Timothy Hodgson

Sagicor Group Chairman

SAGICOR GROUP CHAIRMAN'S REVIEW

Dear Shareholders

As we review the events of 2019, we do so with the confidence and knowledge that a carefully crafted strategic initiative came to fruition. This initiative, the Sagicor Alignvest Transaction (the "Transaction"), was completed in December 2019, marking one of our most significant milestones in the illustrious history of our company. Sagicor has now entered a new era as an indigenously led, pan-Caribbean public company listed on the Toronto Stock Exchange.

The Transaction was quite an accomplishment and I take this opportunity to thank past and present Shareholders, who showed their confidence in our company, either by taking an initial equity stake or by maintaining their ownership position. We are fully aware and recognize the depth of discussions that surrounded the transaction with Alignvest, and I assure you that the Board was actively consulted by management throughout and we provided counsel and advice.

Today, we have meaningfully strengthened our balance sheet as a result of the Transaction, and this enables the vision that the Board and Management hold for Sagicor. Becoming a publicly listed company in Canada has provided the opportunity for the Board and Management to review exhaustively the company's corporate governance practices, re-evaluate our policies and procedures and reflect best practices adopted by publicly listed Canadian companies.

As we look to the future of Sagicor, I want to thank all past and current Board members for their insight and guidance. I want to especially thank my predecessor, Mr. Stephen McNamara, for his long-time commitment, absolute grace and unwavering leadership over nine years as Chair and four as Vice Chair. Mr. McNamara had initially served as a director of the Barbados Mutual in 1997 and has been an integral part of the growth and transformation of the once single line Barbados based life insurance company to its current international financial services Group. Mr. McNamara guided Sagicor through the financial crisis and its impact on the Caribbean economies with Sagicor maintaining its sound financial position and operating capacity throughout these global events. Stephen is a true Caribbean leader with a deep knowledge of the region so I am pleased that Stephen has accepted the appointment as Vice-Chair of the new Board.

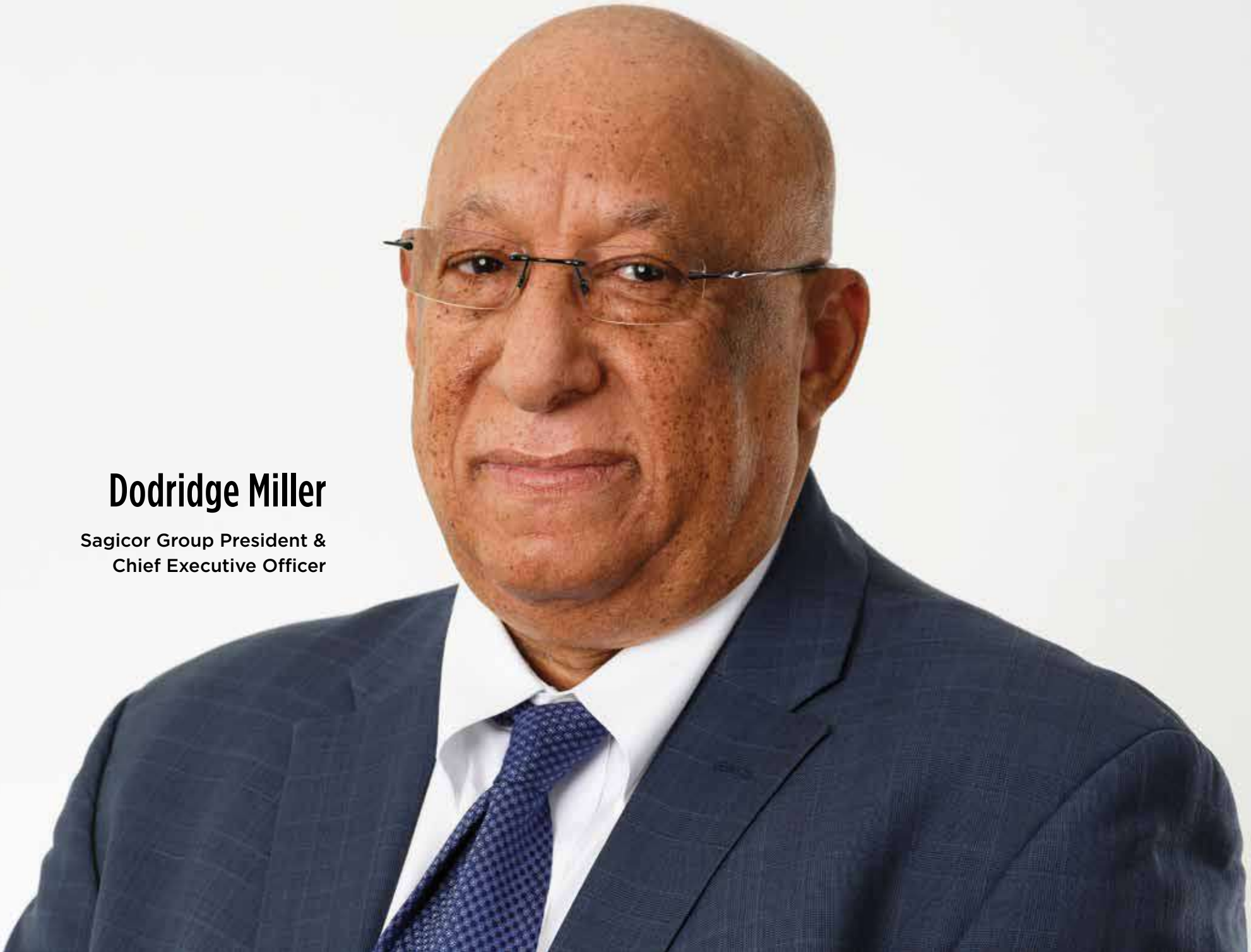
I also want to recognize former board members Mr. Andrew Aleong, Ms. Jeannine Comma, Ms. Marjorie Fyffe-Campbell, Mr. Richard Kellman, Mr. Lucie-Smith, and Mr. Richard P. Young who retired on December 6, 2019, and Mr. Monish Dutt and Mr. Rik Parkhill, who will retire on June 15, 2020 for their very capable service and invaluable contributions to the former Board. I expect Sagicor to benefit tremendously from the composition of the new board being a mix of continuing directors with depth of historical insight and new directors that help expand our capital and skillset. Underlying our active dialogue will be an assurance that the Caribbean focus of Sagicor is well-maintained and supported.

As we continue our journey, I am honoured to serve as Chair of one of the oldest and most successful insurers in the Americas. Much can be respectfully said about Sagicor's 180-year history. The critical importance of Sagicor's role throughout the Caribbean region as a leading indigenous player has at its core, a vision that promises to improve the lives of people in the communities where we operate. This vision will continue to guide us in the coming years, as we remain steadfast in our commitment to creating value for all stakeholders. We recognize that Sagicor is and will continue to be a systemically important financial institution throughout the Caribbean.

On behalf of the Board of Directors, I want to thank all our employee team members for embracing this transformation, for their dedication and their ongoing commitment. We know how tirelessly you worked, and we thank you for that. Our team's continued commitment to their communities and their representation of Sagicor in the face of natural disasters and the current COVID-19 pandemic is highly commended. To all our customers, employees, shareholders and communities, we know that these are uncertain times. Our top priority is the health and safety of all Sagicor's stakeholders and we pledge that we will be there for them. Moving forward, the Board is fully committed to providing counsel and support to our outstanding management team that is guiding Sagicor on its new and exciting path. On behalf of the Board of Directors, I thank you for your trust, confidence and ongoing support in Sagicor.

Yours truly

Timothy Hodgson
Chair of the Board of Directors



Dodridge Miller

Sagicor Group President &
Chief Executive Officer

SAGICOR GROUP PRESIDENT & CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear shareholders:

2019 was another successful year for the Sagicor Group. Each of our key business segments performed ahead of our plans. We delivered very strong aggregate results to our shareholders. And we solidified our position for the future by completing our strategic transaction with Alignvest Acquisition II Corporation, delivering US $450 million in additional equity capital, adding to our board and shareholder base, and transitioning our listing to the Toronto Stock Exchange. These events have Sagicor in a position of strength to weather adversity and poised to continue its growth when the current challenging economic environment subsides.

2019 year in review

2019 was a banner year. Total revenues grew 35% to US $1.9 billion. Growth was generated across each of our major segments, including robust premium growth from US annuities business under Sagicor Life USA, gains in life insurance premiums in Sagicor Life Inc (Southern Caribbean), and growth across the our diversified business in Sagicor Jamaica, including increasing contributions from our banking operations there.

Net Income for the year to shareholders from continuing operations (excluding one-time costs related to the Alignvest transaction), amounted to US $87 million. This exceeding the target we had set out to our investors by US $10 million. As with our revenues, this was driven by solid growth across all core businesses. It was particularly heartening to see each of our major operating segments experience profitable growth concurrently.

Our balance sheet is strong, with total equity growing by over US $600 million to US $1.7 billion and shareholders' equity growing by over US $550 million to US $1.2 billion. This reflects both our new capital raised and significant retained earnings from the year. As a consequence, our total debt to capital ratio improved 7.4 points to 22.8%. And we ended the year with MCCSR of 253%, a robust figure and well above all regulatory and internal standards. With significant free capital we are well prepared for opportunities and challenges to come.

Our strategy

Our long-standing vision - "to be a great company, committed to improving the lives of people in the communities in which we operate" - is what informs each of our strategic goals.

To be a full-service provider of financial services in the regions where we have a leading market position

We continue to believe that the Caribbean is an under-pensioned and under-insured region. Its demographic is younger than other areas in the world and there are opportunities to cross-sell products. We continued to expand our product offering in core markets to serve evolving needs of customers, leveraging strengths across different regions and expanding wealth management services. In the US, we are focused on providing life and annuity products to middle market America through independent producers and direct-to-consumer platforms.

To be a leader in innovative solutions and services to meet customer needs

From a technology perspective, one such innovation is "Sagicor Go", launched across the Sagicor Group enabling customers to access their policy information as well as general information on insurance from smartphones and tablets. In the US, the electronic application, Accelewriting, is a state-of-the-art automated underwriting process, providing real-time underwriting decisions within minutes to customers. "SagicorNow" is also another innovative, game-changing initiative that allows customers to secure life insurance in less than 20 minutes. Because of such initiatives like these and others, our independent customer service survey on areas

such as customer expectation, perceived quality, brand and transactions continues to rank Sagicor above global industry average across key business segments.

To positively influence as many lives as possible in the markets where we serve

We aim to execute our approach to sustainability and corporate citizenship grounded in transparency, ethical standards and a steady focused approach. During 2019, Sagicor made significant contributions towards corporate social responsibility efforts centered around health, education, community, youth development and sport.

Sagicor has long followed a carefully crafted business strategy, which has seen us transform from a single line insurance company, into a full financial services group with a solid Caribbean base, and a growing presence in the US financial services market. Today, we operate in 20 countries, including the Caribbean, the USA and Latin America, with total assets of US $8.7 billion, and US $1.2 billion in shareholders' equity. We continue to seek out organic and inorganic opportunities to maintain our dominance in the Caribbean while growing our market share in the US insurance market.

On December 17th, 2019, Dr. Patricia Downes-Grant retired from her role as President & Chief Executive Officer of Sagicor Life Inc. having held this position since 2006. Dr. Downes Grant's career with Sagicor spanned an incredible 27 years, having held several senior roles across the company. She has played a major role in many of the most transformational and strategic projects that significantly changed the business profile of the former Barbados Mutual Life Assurance Society. Through these initiatives, we saw the organization grow into a great Caribbean and then into an international company. We wish her well in her retirement. I am also pleased to congratulate Mr. Ravi Rambarran on his appointment as Pat's successor to lead the Sagicor Life Inc. entity as its new President and Chief Executive Officer. Ravi, an actuary by training, has been with Sagicor for 23 years and has held many senior roles before this appointment. We wish Ravi well in his new role.

I would also like to give special recognition to Mr Ed Clarke who announced his intention to retire effective June 30, this year, after over 13 years with Sagicor. Ed has served as our Chief Operating Officer, Sagicor Life Inc. and General Manager in Barbados since 2010. Ed was instrumental in successfully navigating discussions on debt restructuring and the economic recovery in his role as Co-Chair of the Barbados Economic Recovery and Transformation Programme. We expect Ed to continue to contribute to Sagicor, managing special projects including local government relations. Ed is succeeded by Mr Paul Inniss, an executive with extensive experience with other well-recognized insurance and banking companies in the Caribbean. He holds a fellowship in Risk Management with the Insurance Institute of Canada and an MBA from Heriot Watt University, UK. We welcome Paul to our executive team and look forward to working together.

Sharing in a commitment to group goals and strategies, the Sagicor team continues to effectively redefine the company's offerings and deliver consistently stronger results. I extend my sincere thanks to them as their dedication to service is reflected in group satisfaction survey scores which remain fairly consistent across business segments. Our success would not be possible without the commitment and dedication of our 4500-plus team members.

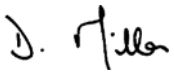
Our future

As I write this, countries across the globe are grappling with the ravages of the novel Coronavirus (COVID-19). This pandemic is not only a significant health challenge, but also major social and economic challenge. Globally, health care systems are being stretched to their limits and global GDP is expected to decline significantly. Our industry continues to adjust to the negative impact of declining interest rates across all markets, as policy makers attempt to stabilize global economies and counteract increasing signs of weakening economic growth. However, hard as it may seem, it is important to remember that we have successfully navigated other public health, climate catastrophes and financial crises before and we will again come through this one. We must come together as a global society and stay coordinated in our efforts to confront this challenge.

At a time when COVID-19 was already spreading globally and only just coming to the Caribbean, we very early undertook a comprehensive response plan guided by the objectives of safety of our people and business continuity for our customers. With the benefit of global insight, Sagicor not only provided much need financial support, but also contributed to local discussions on country responses. COVID-19 is already shaping how business is conducted on a global scale. "Lock-downs, and Stay-at-home" orders are forcing all of us to rethink how we engage with our customers, our staff and our wider stakeholders. Ideas and business responses previously considered far fetched or challenging are now becoming common place. New products and services are being imagined, and old services becoming obsolete. This is an opportunity that cannot be ignored and we at Sagicor are busy readying our company to quickly and efficiently operate in a post COVID-19 environment.

In closing, I would like to personally thank each one of our past Directors, whose insight and guidance have contributed to the growth and success of our company over many years. I also extend a warm welcome to our new Board of Directors and look forward to working with them as we move our company "from 180 years and beyond". I would especially also like to thank our team members for their outstanding contribution during another successful year. Lastly, I thank our customers and shareholders, for your confidence and support during financial year 2019. I am truly excited about what lies ahead.

Yours sincerely



Dodridge D Miller
Sagicor Group President and Chief Executive Officer

BOARD OF DIRECTORS

Timothy Hodgson *Dr Dodridge Miller* *Prof Sir Hilary Beckles* *Dr Archibald Campbell* *Peter Clarke* *Keith Duncan* *Monish Dutt*

Stephen Facey
Mahmood Khimji
Dr Stephen Mcnamara
Rik Parkhill
Reza Satchu
Aviva Shneider
John Shettle Jr

TIMOTHY HODGSON, B.Com, MBA
Chairman of Sagicor Financial Company Ltd. | Board of Directors

Timothy Hodgson is Chairman of the Board at Sagicor Financial Company Ltd. He was previously a Managing Partner with Alignvest Management Corporation, having served at the firm from 2012 to August 2019. Mr Hodgson was the special advisor to Mr Mark Carney, Governor of the Bank of Canada, from 2010 to 2012. From 1990 to 2010, he held various positions with Goldman Sachs in New York, London, Silicon Valley and Toronto, serving as Chief Executive Office of Goldman Sachs Canada from 2005-2010, with overall responsibility for operations, client relationships and regulatory matters in the region.

He currently chairs the Investment Committee on the board of the Public Sector Pension Investment Board (PSP Investments) and is Chair of the Board of Hydro One Limited. Mr Hodgson's prior directorships include MEG Energy, the Global Risk Institute, KGS-Alpha Capital Markets, Next Canada, the Richard Ivey School of Business and Bridgepoint Health.

He holds the Master of Business Administration from the Richard Ivey School of Business at Western University, and the Bachelor of Commerce degree from the University of Manitoba. He is a Fellow of the Institute of Chartered Professional Accountants and has earned the ICD.D designation from the Institute of Corporate Directors.

DR DODRIDGE D MILLER, FCCA, MBA, LL.M, LL.D (Hons)
Group President and Chief Executive Officer of Sagicor Financial Company Ltd. | Board of Directors

Dr Dodridge Miller has been Group President and Chief Executive Officer of Sagicor since July 2002, and has been a director since December 2002. He previously held the positions of Treasurer and Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr Miller is a director of Sagicor Life, Sagicor USA, Sagicor Jamaica, Sagicor Life Jamaica, Sagicor Investments Jamaica and a number of other subsidiaries within Sagicor. Mr Miller joined Sagicor in 1989, and has more than 30 years' experience in the banking, insurance and financial services industries.

A citizen of Barbados and the United States of America, Mr Miller is a Fellow of the Association of Chartered Accountants (FCCA), and obtained the Master of Business Administration from the University of Wales and the Manchester Business School. He holds an LL.M in Corporate and Commercial Law from the University of the West Indies, and in 2008 was conferred with an honorary Doctor of Laws degree by that institution.

PROFESSOR SIR HILARY MCD BECKLES, KA, BA, PhD
Director | Board of Directors

Sir Hilary was elected an Independent Director of Sagicor Life Inc. in 2005. He is the Vice-Chancellor of The University of the West Indies, and has previously served as Head of the History Department as well as Dean of the Faculty of Humanities. In 1998 he was appointed Pro-Vice Chancellor for Undergraduate Studies, and in 2002, Principal of Cave Hill Campus.

He is currently Chairman of the Caribbean Examinations Council. He is also a founding member of the Science Advisory Board and Sustainable Development Secretary established by the Secretary-General of the United Nations, and serves on the United Nations Development Programme's Advisory Panel on the Caribbean Human Development Report, is Vice President of UNESCO's Slave Route Project and is Vice President of the Commonwealth Ministers' Advisory Board on Sport and Development. Sir Hilary has published widely on Caribbean economic history, cricket history and culture and higher education, and serves on the Editorial Boards of several academic journals and is an Editor of the iconic UNESCO General History of Africa Series, volume 9. He has lectured in Africa, Asia, Europe and the Americas.

Sir Hilary earned his PhD from Hull University, United Kingdom, from which he received an Honorary Doctorate of Letters in 2003. He also received honorary Doctorates of Letters from the University of Glasgow, Brock University in Canada, Kwame Nkrumah Science and Technology university in Ghana, and the University of the Virgin Islands. In 2007, he received a knighthood, Commander Knight of St. Andrew (KA), the highest national honour recognised in Barbados, "in recognition of his distinguished service in the fields of Education, Sports and the Arts".

DR ARCHIBALD CAMPBELL, FCCA, BSc, MSc, DBA
Director | Board of Directors

Dr Archibald Campbell is a director of Sagicor Financial Company Ltd. He is currently Chairman of JMMB Group Limited Board of Directors. A Chartered Accountant by profession, he served JMMB as its Deputy Chairman from 2004-2016 prior to being appointed Group Chairman in 2017. Part of the JMMB Group since its inception, he also chairs and sits on the boards of several of the Group's subsidiaries. He is Chairman of the JMMBTT Board, and also a director of JMMBTT Merchant Bank Limited and the Bank's Credit Committee. In addition, he is a past president of the Institute of Chartered Accountants of Jamaica and has served as an accounting expert in arbitration as well as a director of several companies. He is a former Bursar of the UWI, which required development of relations with 17 Caribbean governments regarding annual funding.

Dr Campbell has earned the Doctor of Business Administration degree from the University of the West Indies. He also holds Master's and Bachelor's degrees from the same Institution.

PETER CLARKE, BA (History), BA (Law)
Director | Board of Directors

Mr Peter Clarke serves as a director of Sagicor Financial Company Ltd, Sagicor Life Inc., Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

Mr Clarke is a Financial Consultant who practiced as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984-2000, he was the Managing Director of Money Managers Limited, and served as the Chief Executive of West Indies Stockbrokers Limited from 2001 to 2005, when he retired. From 2002 to 2005 he was also a director of the Trinidad and Tobago Chamber of Industry and Commerce. From 1995 to 1999 he was Chairman of the Trinidad and Tobago Stock Exchange, and he is currently a director of that organisation. From 1992 to 1995 Mr Clarke served as Deputy Chairman of the Trinidad and Tobago Free Zones Company, and he is currently the Chairman of Guardian Media Limited in Trinidad and Tobago, and a director of a number of companies including the Trinidad and Tobago IFC Management Company Limited. He is a member of the Finance Council of the Roman Catholic Archdiocese of Port of Spain, and sits on the board of some 14 other companies.

He obtained the Bachelor of Arts degree from Yale University, and a law degree from Downing College, Cambridge University. Mr Clarke was called to the Bar as a member of Gray's Inn in London in 1979, and to the Bar of Trinidad and Tobago in 1980.

KEITH DUNCAN, BA, CFA
Director | Board of Directors

Keith Duncan is a director of Sagicor Financial Company Ltd. Since 2005 he has been the Chief Executive Officer of JMMB Group, with responsibility for the overall performance and charting the strategic direction of the Group. Under his leadership, the JMMB Group was conferred with the American Foundation for the University of the West Indies (AFUWI) Award for Excellence in Business Leadership in February 2020, and the prestigious 'Best of Chamber Award' from the Jamaica Chamber of Commerce In March 2011. His financial expertise has not only benefited the JMMB Group, but also the regional financial sector. From 2012 to 2014 he served as Vice President of the Private Sector Organisation of Jamaica and is currently President of that organisation. He is also a past president of the Jamaica Securities Dealers' Association and currently chairs the Government of Jamaica's Economic Programme Oversight Committee.

Mr Duncan obtained the Bachelor of Arts degree in Economics from the University of Western Ontario in Canada, and holds the Chartered Financial Analyst accreditation.

MONISH K. DUTT, BA, MBA, CFA
Director | Board of Directors

Monish Dutt has been an Independent Director of Sagicor Financial Company Ltd. Since 2012 and is a citizen of the United States of America. He is also a director of Sagicor Bank. Currently a consultant on Emerging Markets, he serves on several Boards in these markets as well as on the Board of FINCA Microfinance Holdings.

Mr Dutt is a seasoned investment professional who was employed with the IFC, a member of the World Bank Group, for 25 years. He held various positions with the IFC over the years, rising to the position of Chief Credit Officer for Global Financial Institutions and Private Equity Funds at the time of his leaving in 2011. He had also served as the Head of IFC's Private Equity Advisory Group, Head of the Baltics, Central Europe, Turkey and Balkans Group, and as an Investment Officer for Africa, Latin America and Asia. Mr Dutt has also represented IFC on the boards of investee companies.

He holds the Master of Business Administration with a concentration in Finance from the London Business school, London University, as well as the Bachelor's degree in Economics from St. Stephen's College, University of Delhi. He is also a Chartered Accountant, accredited as a Fellow by the Institute of Chartered Accountants, London, England.

STEPHEN B. FACEY, BA, M. Arch
Director | Board of Directors

Stephen Facey is a Director of Sagicor Financial Company Ltd, and Sagicor Group Jamaica Limited. He is the Chairman and Chief Executive Officer of PanJam Investment Ltd., and Chairman of a number of other organizations; including Jamaica Property Company Ltd, New Castle Group of Companies, Caribbean Policy Research Institute (CAPRI), Kingston Restoration Company Ltd, and the New Kingston Civic Association. Mr Facey serves as Chairman of the C B Facey Foundation, the charitable arm of PanJam.

Mr Facey is a Director of Chukka Caribbean Adventures and the National Gallery of Jamaica.

An architect by training, he has over 40 years of experience in architecture, real estate development and management, and private equity investing.

Mr Facey holds a Bachelor's degree in architecture from Rice University, and a Master's degree in Architecture from the University of Pennsylvania.

MAHMOOD KHIMJI, BA, J.D.
Director | Board of Directors

Mahmood Khimji is a director of Sagicor Financial Company Ltd. He is a founding Principal of Highgate, a fully integrated real estate investment, management and development company.

Mr Khimji currently serves on the Board of Visitors for Columbia Law School, as well as the Board of Asia Society. He is a member of the Young President's Organization, a global leadership community of Chief Executives, and serves on the National Committee for the Aga Khan Foundation USA.

He attended the University of British Columbia and graduated from the University of Houston, summa cum laude with a Bachelor of Arts degree. He earned a Juris Doctor degree from Columbia Law School and subsequently practiced law at the Manhattan firm of Paul, Weiss, Rifkin, Wharton & Garrison.

DR STEPHEN D R MCNAMARA, Barrister-at-Law, CBE, LL.D (Hon)
Director | Board of Directors

Dr Stephen McNamara is Vice Chairman of the Board of Sagicor Financial Company Ltd and is a Director of Sagicor Group Jamaica Ltd., and a number of other subsidiaries within the Group. He is the Chairman of the Group's main operating subsidiaries, Sagicor Life Inc, Sagicor USA and Sagicor Finance Inc. Dr McNamara is the former Chairman and Vice Chairman of Sagicor Financial Corporation Limited, positions he respectively held between January 2010 and December 2019, and June 2007 and January 2010.

The senior partner of McNamara & Company, Attorneys-at-Law of St. Lucia, Dr. McNamara was called to the Bar at Lincoln's Inn and in St. Lucia in 1972. He specializes in the representation of foreign investors in St. Lucia in the tourism, manufacturing and banking sectors and served as Chairman of the St. Lucia Tourist Board for nine years. His St. Lucia-based service also includes the Board of St. Lucia Electricity Services Ltd. where he served as Chairman from 2015 until his retirement at the end of 2017, and as President of the St. Lucia Tennis Association.

In the 2015 Queen's Birthday Honours, Dr. McNamara was made a Commander of the Order of the British Empire for public service and services to the legal profession. Also in 2015 he was awarded an honorary doctorate from the University of the West Indies for his outstanding achievements and contribution to the region in the areas of business, sport and general philanthropy for more than 40 years.

RIK PARKHILL, BA (Hons)
Director | Board of Directors

Rik Parkhill is a Director of Sagicor Financial Company Ltd and Sagicor Bank Jamaica. He also serves as a Director of several private companies in Canada and the United States. Mr Parkhill is currently a Managing Director and leader of the strategic advisory practice at Clariti Strategic Advisors, a strategic and investment banking advisory firm. He has over 30 years of experience in the financial services industry, including managing banks, brokerage firms and exchanges.

Mr Parkhill was the CEO of CIBC FirstCaribbean International Bank from 2011 to 2015. He was Managing Director, Head of Cash Equities and Capital Markets Sales at CIBC World Markets from 2008 to 2011. From 2001 to 2008, he held a number of positions at the TMX Group, the owner of the Toronto Stock Exchange and other businesses, including interim Co-Chief Executive Officer and President, TMX Markets. Prior to 2001, he worked at several investment firms over a span of seventeen years, including Research Capital, BZW Canada, Deacon Morgan McEwen Easson, and Jones Heward, holding such diverse positions as Head of Capital Markets, Head of Institutional Equities and Head of Research. Mr Parkhill holds a Bachelor of Arts (Honours) degree from Queen's University.

REZA SATCHU, BA, MBA
Director | Board of Directors

Reza Satchu is a director of Sagicor Financial Company Ltd. He is Managing Partner and co-founder of Alignvest Management Corporation, a leading private investment firm. Previously, Mr. Satchu was the President, Chief Executive Officer and a director of Alignvest Acquisition II Corporation, where he participated in sourcing, evaluating and executing the qualifying acquisition. He has co-founded, built and/or managed several operating businesses from inception, including Alignvest Management Corporation; SupplierMarket, a leading supply chain software company that was sold to Ariba Inc.; StorageNow, which became one of Canada's largest self-storage companies prior to being sold to Instorage REIT ; and KGS-Alpha Capital Markets L.P., a leading middle market U.S. fixed income broker dealer, that was sold to BMO Financial Group.

Previously, Mr. Satchu was a General Partner at Fenway Partners, a US$1.4 billion private equity firm focused on acquiring leading middle market companies, and was also a Financial Analyst at Merrill Lynch in the High Yield Finance and Restructuring Group. He is the Founding Chairman of Next Canada, an intensive entrepreneurship programme for Canada's most promising young entrepreneurs. Currently on the Board of Directors of Trilogy International Partners Inc., Mr. Satchu previously served on the Boards of the Toronto Hospital for Sick Children Foundation where he was Vice Chairman of the Board 1, and of KGS-Alpha Capital Markets. He has received Canada's "Top 40 Under 40" Award and the 2011 Management Achievement Award from McGill University. Mr. Satchu will be joining the faculty of Harvard Business School as a Senior Lecturer in September 2020. Mr. Satchu has a Bachelor's degree in economics from McGill University, and a Master's in Business Administration from Harvard University.

AVIVA SHNEIDER, BMath, MBA
Director | Board of Directors

Aviva Shneider is a director of Sagicor Financial Company Ltd. She is a Principal and Operating Partner with CVC Capital. Prior to joining CVC, she founded Bayes Ventures, a consulting firm. From 2015 to 2018, Ms. Shneider was a part of the private equity team at Caisse de Depot et Placement du Quebec (CDPQ), initially as an Operating Partner and subsequently as Co-Head of Direct Private Equity investments in the United States and Latin America. Prior to this, she spent ten years with Silver Point Capital, a multi-strategy hedge fund based in Greenwich Connecticut, and has also worked at McKinsey and Company. She has previously served on the boards of AlixPartners, Alliant National Title Insurance Co, 2-10 Home Buyers Warranty, LifeCare Hospitals and Cyrus Re among others.

Ms. Shneider is a trained actuary (ACAS, ASA), with a Bachelor's degree in Math from the University of Waterloo, and a Master in Business Administration degree from the Wharton School at the University of Pennsylvania.

JOHN F. SHETTLE, JR, BA, MBA
Director | Board of Directors

John Shettle, Jr. has been an independent director of Sagicor since June 2008, and is a citizen of the United States of America. He is also a director of Sagicor USA and a number of subsidiaries within the Group. He is an Operating Partner of Stone Point Capital, a private equity firm in the global financial services industry. Mr Shettle has served as Senior Advisor to the private equity firm Lightyear Capital, President and Chief Executive Officer of the Victor O Schinnerer Company, and Chief Executive Officer of Tred Avon Capital Advisors, Inc., a firm providing advisory services to companies and private equity firms focused on the insurance sector.

With over 35 years' experience in the property/casualty, health and insurance-related services industry, he has held senior management positions at Securitas Capital, Swiss Reinsurance Company and the Frederick, Maryland-based AVEMCO Corporation (NYSE). Mr Shettle received the Bachelor of Arts degree from Washington & Lee University, and an Executive Master in Business Administration from the Sellinger School of Business at Loyola College, Maryland.

EXECUTIVE MANAGEMENT

EXECUTIVE MANAGEMENT

DR DODRIDGE D MILLER, FCCA, MBA, LL.M, LL.D (Hon)
Group President and Chief Executive Officer

• Appointed Group President and Chief Executive Officer in 2002, and has been a Director since December 2002.
• Fellow of the Association of Chartered Certified Accountants (FCCA), and obtained his MBA from the University of Wales and Manchester Business School.
• Holds an LL.M in Corporate and Commercial Law from the University of the West Indies and, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies, in October 2008.
• More than 30 years' experience in the banking, insurance and financial services industries.
• Prior to his appointment as Group President and Chief Executive Officer, he held the positions of Treasurer and Executive Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer.
• Joined the Group in 1989. He is a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Investments Jamaica Limited and other subsidiaries within the Group.

ANDRE MOUSSEAU, BSc, MBA
Group Chief Financial Officer

• Appointed Group Chief Financial Officer on February 1, 2019, with oversight of and primary responsibility for the planning, implementation and management of the Group's financial activities.
• Serves as a Director of Edgewood Health Network. His prior directorships also spans the boards of Aurigen Reinsurance, a Bermuda-based life reinsurance provider, Impark Corp., one of North America's largest parking management providers, and Premier Lotteries. He was also an alternate board member of Camelot Group PLC, the operator of UK National Lottery.
• Holds an undergraduate degree in Economics from McGill University, and an MBA from the Richard Ivey School of Business, University of Western Ontario.
• Has 18 years of experience in the financial services industry.
• Formerly a Partner with Alignvest Private Capital, Portfolio Manager for the Long-Term Equities Group at the Ontario Teachers' Pension Plan (OTPP), and Principal at EdgeStone Capital Partners, a leading independent private equity manager in Canada..

DONALD S AUSTIN, FCCA, BSc, MBA
Chief Executive Officer, Sagicor Life (Eastern Caribbean) Inc

• Appointed Chief Executive Officer, Sagicor Life (Eastern Caribbean) Inc. in 2015.
• Board Member of Sagicor Funds Inc and Sagicor Asset Management Inc.
• Former Chairman of the Board of Directors of LIME Grenada and LIME Dominica, and former Board Member of LIME Barbados.
• Holds a Bachelor of Science degree (Hons) in Electronic Engineering from the University of Bristol, a Master of Business Administration from Manchester Business School and he is a Fellow of the Association of Chartered Certified Accountants.

RONALD B BLITSTEIN, BA, MBA
Group Chief Information Officer

• Joined Sagicor Financial Corporation in 2013.
• Holds both a BA in Political Science, and an MBA in Finance from Syracuse University.
• IT professional, with knowledge in all areas of information technology and its application to driving improved business outcomes.
• Previously served as Director, Business Technology and Strategies Practice for a global advisory firm, supporting Fortune 500 clients, national governments and United Nations agencies.
• Held key executive leadership positions at Revlon, Pitney Bowes, BOC Group, and Xerox Corporation.
• Served as a Six Sigma Champion for firms pursuing enterprise operational excellence.

BART F CATMULL, BSc, CPA
President and Chief Operating Officer, Sagicor USA Inc

• Appointed President and Chief Operating Officer of Sagicor USA in 2013.
• Certified Public Accountant (CPA), and obtained his BSc in Accounting from Brigham Young University.
• More than 20 years' experience in the insurance industry.
• Prior to his appointment as President, he held the positions of Chief Operating Officer, Chief Financial Officer, Treasurer and Chief Accounting Officer in the Company.
• Joined the Group in 2005, with the predecessor Company since 1999.

ANTHONY O CHANDLER, CPA, CGA, MBA
Group Chief Financial Controller

• Appointed Group Chief Financial Controller in 2013.
• Member of the Certified General Accountants Association of Canada, and holds an MBA from the University of Manchester.
• Prior to this, he served as Executive Vice President and Chief Financial Officer of Sagicor Life Inc from 2011.
• Joined Sagicor in 1995 as Financial Accountant, and was transferred to the Group subsidiary, Island Life Insurance Company Ltd in 2000.
• Has over 20 years of experience in the insurance industry.
• In 2003 he joined the management of Life of Jamaica as Head of its Internal Audit function, before returning to Barbados in the position of Vice President, Finance, of Sagicor Life Inc later in the same year.
• In 2006 he was promoted to Vice President and Chief Financial Officer of Sagicor Life Inc.

SAMANTHA CHEUNG, B.Sc.Eng, M.Sc.Eng, MBA, ICD.D
Executive Vice President, Investor Relations.

• Appointed Executive Vice-President, Investor Relations in September 2018.
• Holds both a B.Sc. (Engineering) and M.Sc. (Engineering) from Queen's University (Kingston, Ontario)
• Holds an MBA and ICD.D. from the Rotman School of Management (Toronto) and Institute of Corporate Directors.
• Member and former board director of the Canadian Investor Relations Institute and Women in Capital Markets.
• More than 20 years in banking, insurance and financial services.
• Previously served as Head of Investor Relations at two TSX listed Canadian insurance companies.

J EDWARD CLARKE, FCCA, CIA
Executive Vice President and General Manager, Barbados

• Appointed Chief Operating Officer, Sagicor Life Inc and General Manager, Barbados in 2010.
• Prior to 2010, he held the position of Group Internal Auditor.
• Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor.
• More than 30 years' experience in auditing and finance in Barbados, Nigeria and the USA.
• Prior to joining Sagicor, he served as Chief Financial Officer of a major conglomerate in Barbados.
• Director of Sagicor General Insurance Inc, Sagicor Funds Inc, Barbados Farms Limited, past President of the Barbados Chamber of Commerce and Industry, Chairman of the Barbados Private Sector Associasion, and Co-Chair of The Barbados Economic Recovery and Transformation Programme (BERT).

DR M PATRICIA DOWNES-GRANT, CBE, MA, MBA, DBA, LL.D (Hon)
Group Executive Director, Corporate (retired December 2019).

• Appointed President and Chief Executive Officer of Sagicor Life Inc in 2006, having served as Group Chief Operating Officer since 2002.
• Joined Sagicor in 1991, and held several senior positions, including those of Vice President, Investments and Treasurer and Executive Vice President (Finance and Investments) before being appointed Chief Executive Officer.
• Holds an MBA in Finance, an MA in Economics, a Doctorate in Business Administration (Finance) and an Honorary Doctor of Laws degree from the University of the West Indies.
• Prior to joining Sagicor, she served as a Senior Manager with PricewaterhouseCoopers.
• More than 20 years of experience in insurance, banking and asset management.
• Former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository, and a Director of several companies within the Sagicor Group and private companies.

J. ANDREW GALLAGHER, FSA, FCIA, CERA, BMath
Chief Risk Officer

• Appointed Chief Risk Officer for the Group in 2007.
• Joined Sagicor in 1997 as Resident Actuary.
• Holds a Bachelor of Mathematics degree from the University of Waterloo.
• Fellow of Canadian Institute of Actuaries, Fellow of the Society of Actuaries and a Chartered Enterprises Risk Analyst.
• More than 30 years in the insurance industry.

ALTHEA C HAZZARD, LL.B (Hons). LL.M (Cantab), FCIS, FICA
Executive Vice President, General Counsel and Corporate Secretary

• Appointed Executive Vice President, General Counsel and Corporate Secretary of Sagicor Financial Corporation in 2014, having previously served in the positions of Vice President, Legal and Compliance of Sagicor Life Inc and Corporate Secretary of Life of Barbados Limited.
• An Attorney-at-Law, Chartered Secretary and Compliance Professional, Mrs. Hazzard joined the Group in 1997 after an eight-year attachment to a leading corporate law firm in Barbados, specialising in international business.
• Holds a Bachelor of Laws Honors Degree from the University of the West Indies and a Certificate in Legal Education from the Hugh Wooding Law School in Trinidad, and was called to the Bar in Barbados and Trinidad and Tobago in 1989. She obtained her Master of Laws degree from the University of Cambridge, United Kingdom, and also holds international diplomas in Compliance and Anti-money Laundering from the International Compliance Association in the United Kingdom and the Executive Diploma in Management from the Sagicor Cave Hill School of Business and Management.
• Fellow of the International Compliance Association and a Fellow of the Chartered Governance Institute of Canada (formerly the Institute of Chartered Secretaries and Administrators in Canada).

KESTON D HOWELL, BSc, (Hons), MBA
President and Chief Executive Officer, Sagicor General Insurance Inc

• Holds a BSc Management Studies from University of the West Indies and an MBA from the University of London.
• More than 32 years in the insurance and banking industries.
• Joined Sagicor in April 2005 as Executive Vice-President - Merchant Banking, responsible for the establishment of Sagicor Merchant Bank and overall Banking Strategy of the Group.
• Assumed executive responsibility for the life operations of Dutch Caribbean and Central America in April 2013.
• Appointed President and Chief Executive Officer of Sagicor General Insurance Inc. in October 2017.

NARI T PERSAD, BSc Actuarial Science, BSc Biochemistry, FSA, FCIA
Group Chief Actuary

• Appointed Group Chief Actuary in August 2017.
• Holds a BSc Specialist in Actuarial Science and Biochemistry from the University of Toronto.
• Fellow of the Canadian Institute of Actuaries, Fellow of the Society of Actuaries.
• Member of the Caribbean Actuarial Association.
• Previously served as Partner – Canadian Life Actuarial Practice Leader with Ernst & Young and Principal of Eckler Ltd.
• More than 30 years in the insurance industry, including positions at Crown Life Insurance Company, Canada Life Assurance Company, Toronto Dominion Life Insurance Company, Swiss Re Life and Health and Dion Durrell + Associates.

RAVI C RAMBARRAN, BSc, MSc, FIA
President and Chief Executive Officer – Sagicor Life Inc

• In January 2018 he was appointed Chief Operating Officer with responsibility for Sagicor Life Inc, Southern Caribbean Operation.
• In January 2017 he assumed responsibility for group strategy, mergers and acquisitions, investor relations with rating agencies.
• Appointed President and Chief Executive Officer of Sagicor International in 2007.
• Joined the Group in 1997.
• Awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, has a BSc (Hons) in Actuarial Science from City University, London, an MSc in Finance from the University of London, and is a Fellow of the Institute of Actuaries.
• More than 20 years of experience, both regionally and internationally, in the pensions, insurance and asset management industries.
• Director of Sagicor USA and Sagicor General.
• Member of the Executive of the Caribbean Actuarial Association and represents the Caribbean on the International Actuarial Association.

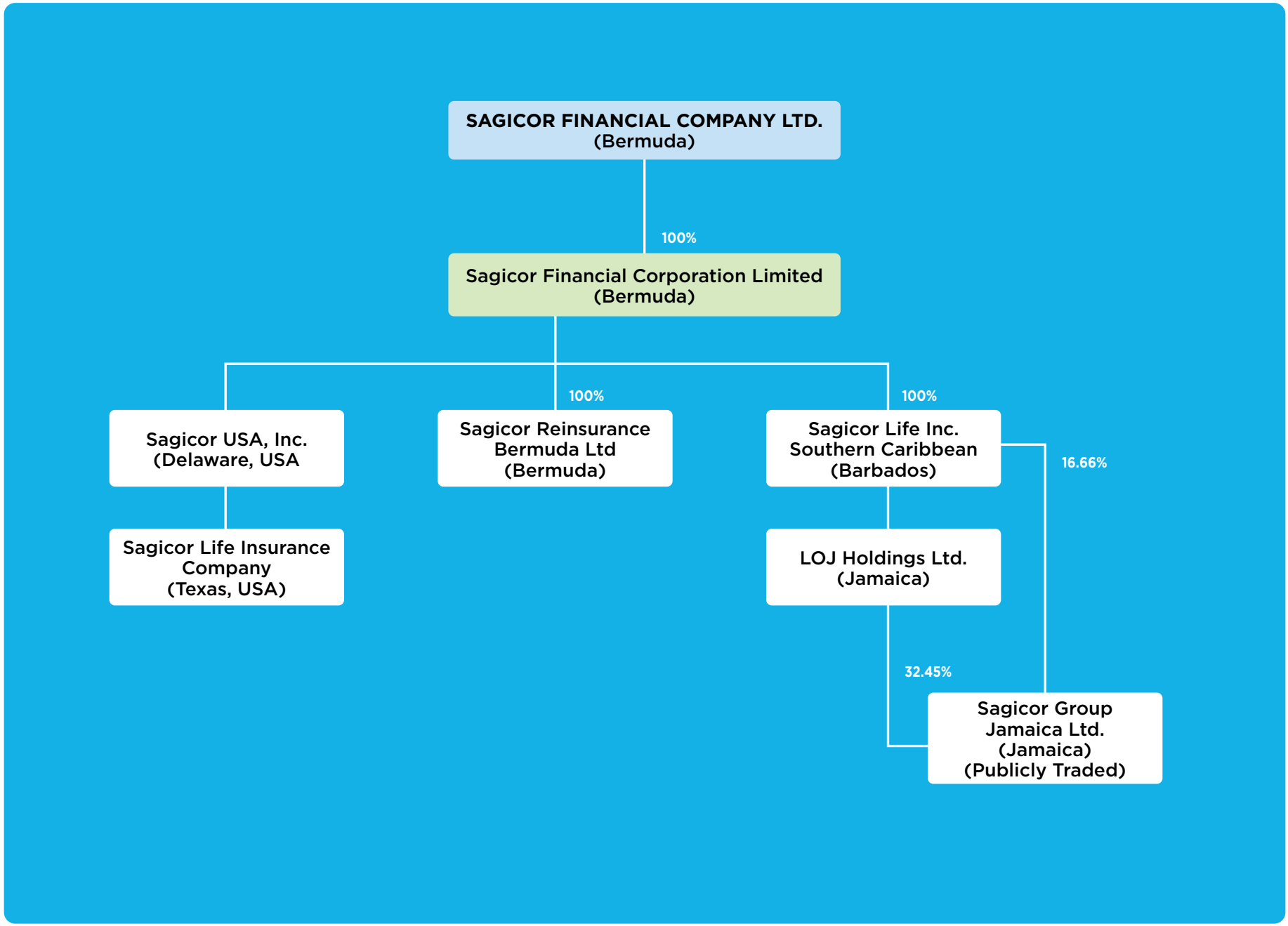
ROBERT J L TRESTRAIL, BA
Executive Vice President and General Manager, Trinidad & Tobago and the Dutch Caribbean

• Appointed Executive Vice President and General Manager, Trinidad & Tobago in 2007.
• Assumed executive responsibility for Dutch Caribbean and Sagicor Life Aruba N.V. in 2017.
• Graduate of the University of Toronto (Bachelor Arts - Economics).
• More than 20 years in the Insurance and Financial Services Industry.
• Board Member of Sagicor Investments Trinidad & Tobago Limited, Nationwide Insurance Company Limited, RGM Limited and several of its subsidiaries..
• President of the Trinidad & Tobago Insurance Institute (TTII) Board of Governors.
• Former President of the Trinidad & Tobago Chamber of Industry and Commerce (TTCIC) 2015-2016, having served as a Board Member of the Trinidad & Tobago Chamber of Industry and Commerce (TTCIC) 2006-2018.
• Positions formerly held with the Trinidad & Tobago Chamber of Industry and Commerce include President (2015-2016) and Board Member (2006-2018).

CHRISTOPHER W ZACCA, CD, BSc, MBA
President and Chief Executive Officer, Sagicor Group Jamaica Limited

• Appointed President and CEO of Sagicor Group Jamaica Limited in May 2017.
• Holds a BSc in Engineering from the Massachusetts Institute of Technology and an MBA from the University of Florida.
• More than 30 years of experience in public and private sector management, in particular, during the period 1982-2009 where he held various Senior Management positions in the private sector namely:-
• Vice President, Engineering - Desnoes & Geddes Limited (t/a Red Stripe), Brewers of Red Stripe Beer and Manufacturers of Soft Drinks.
• Managing Director - Caribrake Products Limited, Manufacturers and Distributors of Automotive Parts and Accessories.
• Managing Director - Appliance Traders Limited, Dealers in Air Conditioning, Appliance and Commercial Equipment.
• Chief Executive Officer - Air Jamaica Limited, former National Airline of Jamaica.
• Served as President of the Private Sector Organisation of Jamaica from December 2006 to June 2009, and from June 2012 to December 2014.
• Former Chairman of the Development Bank of Jamaica and the National Health Fund and has also served on numerous State boards, including the Factories Corporation, National Education Trust and JAMPRO.
• Served as special advisor to the Prime Minister of Jamaica from 2009 to 2011.
• In 2014, he was conferred with the National Honour of the Order of Distinction in the rank of Commander (CD) for his invaluable contribution to the private and public sectors in Jamaica.

GROUP ORGANISATIONAL CHART

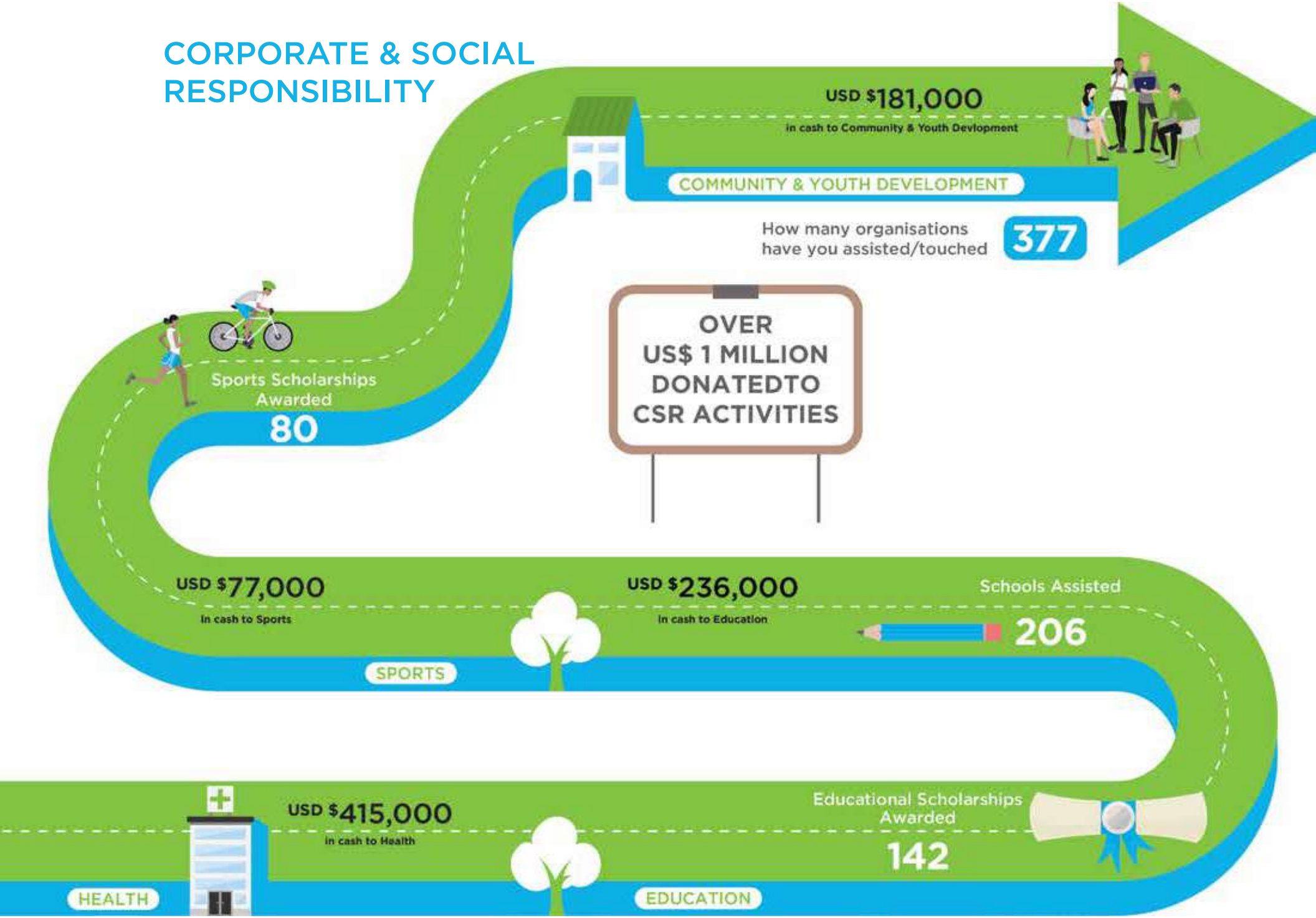


CORPORATE & SOCIAL RESPONSIBILITY & SUSTAINABILITY REPORT

Sagicor

OVERALL CHAMPION 2019

CORPORATE & SOCIAL RESPONSIBILITY



EDUCATION

Southern & Eastern Caribbean

COUNTRY: Barbados
INITIATIVE: Student Programme for Innovation in Science and Engineering (SPISE)
Sagicor proudly invested in the education of seventeen year old Mya Symister from St Lucia, ensuring her participation in the Student Programme for Innovation in Science and Engineering (SPISE) hosted by the Caribbean Science Foundation (CSF). The programme targets Caribbean children between the ages of sixteen to seventeen who are gifted in Science, Technology, Engineering and Math (STEM).

COUNTRY: Barbados
INITIATIVE: Barbados Junior Robotics Camp (BJRC)
Sagicor lauded the Caribbean Science Foundation (CSF) for promoting Science, Technology, Engineering and Mathematics (STEM) education in the region. The company acknowledged that advances in STEM are catalysts that continuously propel the growth and development of the Caribbean. In support of this movement, Sagicor sponsored the Barbados Junior Robotics Camp (BJRC) which introduced basic technology and engineering concepts to children. Sagicor's contribution also exposed the children to practical experiences aimed at building self-confidence, communication and team-working skills.

COUNTRY: Barbados
INITIATIVE: St Luke's Brighton Primary School
Sagicor continued its Adopt-A-School initiative by providing support to the St Luke's Brighton Primary School. For several years, the students and teachers have benefitted from Sagicor's unwavering contributions. In 2019, Sagicor supported the school's Sports Day which underscored the importance of team work, discipline and camaraderie amongst students and teachers. All medals were donated.

COUNTRY: Trinidad and Tobago
INITIATIVE: Support given to medical student, Afoluso Hector
Sagicor pledged support to fourth-year medical student, Afoluso Hector, after she was selected to participate in King's College London Clinical Elective Placement Exchange Programme. In its commitment to improving the lives of the people in the communities in which it operates, Sagicor made a dual investment in education and health. Sagicor made dual investments in education and health in assisting the Trinidadian student to advance in the field of Cardiac Surgery with the Guy's and St Thomas' NHS Foundation Trust.

COUNTRY: Trinidad and Tobago
INITIATIVE: Sagicor's cerebral palsy campaign
In 2019, Josiah Thomas was acknowledged by Sagicor for his noteworthy achievement in the Caribbean Secondary Education Certificate (CSEC) examinations, having passed six CSEC subjects,

1 *Tomorrow's engineers cheer for a group photo at the Caribbean Science Foundation's Barbados Junior Robotics Camp.*
2 & 3 *Mya Symister receiving her award to participate in the SPISE student programme with three other young scientists at the University of the West Indies.*

despite living with cerebral palsy. Sagicor's contribution also served to heighten awareness of the disorder.

COUNTRY: Trinidad and Tobago
INITIATIVE: Sagicor contributes to cerebral palsy advocate's education
Shamla Maharaj is a host and producer of a television series in Trinidad and Tobago entitled "Unique Not Different". Though she lives with cerebral palsy, her career and educational accomplishments are impressive as she is currently pursuing a MPhil/PhD in Agricultural Economics with a specialization in Marketing. With the knowledge that cerebral palsy cannot be cured, but only effectively managed, Sagicor assisted with the costs related to her educational pursuits, and applauded Shamla for her determination and success.

COUNTRY: Trinidad and Tobago
INITIATIVE: The LIFE (Learning Is For Everyone) Centre
In 2019, Sagicor championed the cause of those who are autistic by supporting the LIFE Centre, a special needs school in Cascade Trinidad and Tobago. The LIFE Centre offers individualized special education plans and curricula to students on the autism spectrum and those with other communicative disorders.

COUNTRY: St Vincent and the Grenadines
INITIATIVE: Annual National Corporate Public Speaking Championship
In April 2019, Sagicor offered support to the first Annual National Corporate Public Speaking Championship, hosted by the Toastmasters of St Vincent and the Grenadines. Sagicor, a bronze sponsor of the competition, presented a cheque to the hosts, following the finals held at the Girl Guides Headquarters.

COUNTRY: Dominica
INITIATIVE: The St Joseph's Convent High School Sign Language Club
In April 2019, Sagicor afforded five students from the Sign Language Club at the St Joseph's Convent High School in Dominica the opportunity to travel to St Lucia to attend performances and host a series of shows. These students also visited the St Lucy Home for the Aged, among other activities.

COUNTRY: Dominica
INITIATIVE: 6th Rotary Club of Dominica National Secondary Schools Literacy Quiz Competition
Sagicor supported the 6th Annual Rotary Club of Dominica National Secondary Schools Literacy Quiz Competition through its donation of the first prize. Sagicor sponsored a plaque and monetary contribution of EC$1,000 which were won by Chavis Alcid and Carlisa George of the Portsmouth Secondary School. This competition is one of the major events on the Dominican school calendar.

COUNTRY: St Kitts & Nevis
INITIATIVE: The Annual Charles A. Halbert Library Annual Easter Read-A-Thon
The Charles A. Halbert Library endeavours to promote learning and reading amongst the youth of St Kitts and Nevis. Each year it hosts the Charles A. Halbert Public Library Easter Read-A-Thon targeting seven to twelve-year old students who display an interest in reading. Sagicor has sponsored this event for several years and is happy to influence the positive growth and development of our youth.

COUNTRY: Belize
INITIATIVE: Financial Literacy Programme for Primary School Students
Sagicor has always believed that financial literacy should begin from an early age. The team from Belize was able to make this a reality by supporting the pilot programme, National Financial Literacy Workshop for Primary Schools. The programme is targeted to students between five and twelve years old and is managed by the Ministry of Education, with further patronage from the World Bank and the Central Bank of Belize. Sagicor assisted through the purchase of books that support the initial training of teachers and students. This workshop which started in the 2019-2020 school year with fourteen schools in Northern Belize is intended to be expanded to all

schools, and to become an ongoing programme.

COUNTRY: All Markets
INITIATIVE: Financial Information Month
Sagicor gives credence to Financial Information Month in October of each year. Led by the Eastern Caribbean Central Bank, Sagicor supports events and activities that aim to increase financial literacy across all EC markets. Under the theme "Plan for Uncertainty... Make Insurance Your Priority", Sagicor produced articles on insurance education, financial planning tips, and covered related costs to attending educational activities and participation in seminars.

United States of America

COUNTRY: USA
INITIATIVE: After-School All-Stars
After-School All-Stars provides free, comprehensive after-school programmes and experiences that help under-resourced students to develop the skills, knowledge and habits needed to succeed in life, school and their future careers. These programmes also help keep the students safe. Sagicor donated $1,500 and participated in a charity cornhole tournament.

COUNTRY: USA
INITIATIVE: Step Up For Students
In 2019, Sagicor Life Insurance Company supported the Step Up for Students initiative for the sixth consecutive year. This is a Florida-based, not for profit-corporation created to help alleviate the educational challenges faced by children in the state living in or near poverty. The organisation provides Tax Credit Scholarships to students in grades K-12 who come from low-income families. The funding allows the students to consider a private school or an out-of-district public school better suited to their needs – an option that is already available to families with higher incomes. Since 2014, Sagicor has been able to fund 59 such scholarships.

COUNTRY: USA
INITIATIVE: Back-to-School Clothing Drive
Employees from the Scottsdale, Arizona office participated in the 52nd annual Back-to-School Clothing Drive in July 2019 at Grand Canyon University in Phoenix. Volunteers assisted children from Kindergarten through 6th grade in obtaining much-needed supplies, new uniforms, backpacks and accessories.

Most of the families who benefit from this programme, struggle to pay rent and feed their children, so new school clothes and other necessities are often out of the question. Thirty seven volunteers from Sagicor logged over 185 hours in a variety of activities:

- Registering students and distributing badges & lanyards
- Distributing backpacks and hats provided by the Phoenix Suns
- Measuring and making sure that the clothes and shoes fit each student.
- Serving as 'personal shoppers' and escorting students through each department.
- Helping students to make selections in the Book and Stitches of Love Department.
- Assisting with the free dental checkups and hygiene education
- Scanning items into the computer inventory and placing backorders, if necessary.
- Serving lunches provided by St Mary's Food Bank and helping to clean up.

In 2019, the programme assisted more than 25,000 children hailing from 40 school districts in Maricopa County and northern Arizona.

COUNTRY: USA
INITIATIVE: Hillsborough Education Foundation
For many years, Sagicor has actively supported the Hillsborough County Education Foundation (HCEF) in Tampa, with Sagicor employees contributing many hours of volunteer service, as well as monetary support raised through fundraisers and other events.

HCEF supplies school materials to teachers working in low-income areas through its Teaching Tools Store. Teachers can visit the store to shop for items ranging from stationery to books — all free of charge. Sagicorians raised a total of $1,000 in support of the Foundation.

1 *Representatives from Sagicor making a pledge to the Cerebral Palsy Society of Trinidad and Tobago to assist one of its members, Shamla Maharaj, in her educational pursuits.*
2 *Sagicor presents their first place plaque to winners of the Rotary's National Secondary Schools Literacy Quiz in Dominica.*
3 *Winners of the Charles A Herbert Library Read-a-Thon in St Kitts, proudly hold their trophies.*
4 *Team Sagicor at the After-School All-Stars Cornhole Tournament in Scottsdale Arizona.*
5 *Sagicor volunteers distributing school supplies during the Back-to-School Clothing drive in Phoenix Arizona.*

Jamaica

COUNTRY: Jamaica
INITIATIVE: Sagicor Scholarship Awards
The Sagicor Foundation awarded 100 exemplary students with scholarships and educational grants in 2019. Thirty-nine secondary school students were rewarded for their exceptional performance in the Grade Six Achievement Test (GSAT) while thirty-three tertiary-level students were recogonised for their academic performance, community involvement, volunteerism, strong leadership potential and financial need.

The GSAT scholarship recipients were awarded to children of various Sagicor stakeholders who excelled in the national examination. The scholars include children of clients, team members and members of the Jamaica Defence Force. Educational grants were also awarded to the 2019 male and female Parish Champions of the Jamaica Teachers' Association/Sagicor National Athletics Championship. Twenty-eight parish champions were awarded.

Tertiary winners each received $300,000 to cover tuition fees. They were selected from some of Jamaica's top universities including: The University of the West Indies; University of Technology Jamaica; Mico University College; the Caribbean Maritime University; Northern Caribbean University; and the Edna Manley College of the Visual and Performing Arts. Over $13 million in scholarships and grants were disbursed.

COUNTRY: Jamaica
INITIATIVE: Adopt-A-School
Through the Adopt-a-School programme, the Sagicor Foundation, in 2019, completed infrastructural work at three schools – Tobolski Basic School in Brown's Town, St Ann, Chantilly Gardens ECI in Savanna-la-Mar, Westmoreland and the Clifton ECI in Portmore, St Catherine. Official handovers were conducted at each school in July, with over $15 million invested in infrastructural upgrades, including building of a new classroom, upgrade of bathroom and kitchen facilities, and play areas. The school was provided with learning material, and also treated to engagement sessions, a health tour, Reading Day and Teachers Day activities and a festive close-out ceremony.

In November 2019, the Foundation launched its 2019/2020 Adopt-a-School programme, with three new schools being adopted – the St Peter Claver Infant School in Kingston, the Prime Time Early Childhood Institution in May Pen, Clarendon and the Petersville Early Childhood Institution in Whitehouse, Westmoreland. A commitment of $15 million was made towards the infrastructural upgrades of the schools, to help them achieve certification under the Early Childhood Commission. The children were treated to a tour and fun-day at the launch at Hope Zoo in Kingston. Christmas treats were distributed to each of the schools during the festive season.

COUNTRY: Jamaica
INITIATIVE: Prime Minister's Youth Awards for Excellence
With a mandate to support the nation's youth, the Sagicor Foundation awarded 12 scholarship grants totalling $1.2 million to selected recipients of the 2019 Prime Minister's Youth Awards for Excellence. The awards were valued at $100,000 each and the presentation took place in November, 2019 on the lawns of Jamaica House.

COUNTRY: Jamaica
INITIATIVE: UN Women's Guild Scholarship Programme
Sagicor Foundation donated $250,000 to the Jamaican chapter of the United Nation's Women's Guild (UNWG), providing scholarships for high school students. The women's organisation assists children from underprivileged circumstances and enables them to attend school regularly by sponsoring meals and transportation. Affiliated with the UNWG headquartered in New York, the passionate group of Jamaican women, seeks to enrich the lives of individuals around them.

COUNTRY: Jamaica
INITIATIVE: Hope Gospel Assembly Scholarship Programme
To support the annual back-to-school fair hosted by the Hope Gospel Assembly, the Sagicor

Foundation, donated educational grants totalling $50,000 to students from nearby underprivileged communities. Notebooks and other learning material were also presented to the students at the church's annual fair, which serves thousands of students and families from disenfranchised communities in and around Kingston and St Andrew.

HEALTH

Southern & Eastern Caribbean

COUNTRY: Barbados
INITIATIVE: Gyn-A-Thon Walk/Run
Sagicor once again joined the fight against cancer by partnering with the Barbados Cancer Society (BCS) to host the Gyn-A-Thon, formerly known as the Sagicor Globe-A-Thon. As title sponsor of the event for over five years, Sagicor champions the health of women in our communities and gives support to those directly and indirectly affected by ovarian, uterine, vaginal, vulvar and cervical cancers. This initiative highlighted Sagicor's commitment to prevent and arrest these cancers, while increasing awareness and encourage proactive detection.

COUNTRY: Barbados
INITIATIVE: The Barbados Defence Force – Have a Heart Charity Run and Walk
Through sponsorship of the Barbados Defence Force – Have a Heart Charity Walk, Sagicor contributed to the Precious Touch Foundation which grants wishes to terminally and critically ill children in Barbados. A notable number of Sagicor team members participated in the walk and supported the cause. At the end of the walk, our Sagicor nurse also facilitated medical check-ups in the Sagicor mobile unit, and Advisors were on hand to offer financial advice to the walk's participants.

COUNTRY: Trinidad and Tobago
INITIATIVE: World Blood Donation Day
Sagicor continued its partnership with Friends of the Blood Bank to once again host a blood donation drive at Sagicor's Head office in Port-of-Spain. Sagicor team members donated blood on June 10 to commemorate World Blood Donor Day. Having participated in the event for over 10 consecutive years, Sagicor is a health insurance company that will continue to support the biennial blood drive.

COUNTRY: Trinidad and Tobago
INITIATIVE: Cerebral Palsy Association of Trinidad and Tobago
Sagicor was a major sponsor of the Cerebral Palsy Association of Trinidad and Tobago, continuing its philanthropic efforts for this disorder. The Cerebral Palsy Association of Trinidad and Tobago provides comprehensive services to the differently-abled and their immediate families, and Sagicor has been pleased to continue its support.

COUNTRY: Trinidad and Tobago
INITIATIVE: My Sister's Keeper Initiative
The non-profit organisation, My Sister's Keeper, was supported by Sagicor as it aimed to increase the awareness of cervical cancer. The NGO's second annual Pap Party provided Sagicor with the opportunity to share information on cervical cancer prevention, early diagnosis and proactive approaches to safeguarding one's health. Sagicor's donation and volunteerism at the event helped bring to light the concerning fact that cervical cancer is the second most common cancer in women aged fifteen to forty-four in Trinidad and Tobago, with 140 new cases being diagnosed annually.

COUNTRY: Trinidad and Tobago
INITIATIVE: Caribbean Kids and Families Therapy Organisation (CKFTO)
In May 2019, Sagicor was a strong supporter of the Caribbean Kids and Families Therapy Organisation (CKFTO). Sagicor's donation aided the charity's LIFE rehabilitation programme for children with severe disabilities. CKFTO offers clinic-based psychological services, occupational, speech and physical therapy to special needs children, who range in age from newborn to the age of twenty-one.

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1 & 2 *Sagicor Foundation scholarship recipients were presented with their awards.*
3 *Sagicor supports the annual scholarship programme of the United Nations Woman's Guild.*
4 *Runners line up at the start of the 2019 Gyn-A-Thon.*
5 *Sagicor supported the Barbados Defence Force's Have a Heart Charity Run and helped grant wishes to terminally and critically ill children.*

1 *Sagicor supporting the Down Syndrome Family Network with funds raised from a movie premier sponsorship.*
2 *Sagicor gives a helping hand to the Autism Awareness Summer Camp.*

COUNTRY: Trinidad and Tobago
INITIATIVE: Down Syndrome Family Network (DSFN)
In September 2019, Sagicor strongly supported the Down Syndrome Family Network (DSFN). Fund raising was done through the movie premiere of The Lion King at Digicel IMAX, Woodbrook. Sagicor's donation helped to fund free family workshops, a mentorship programme and other activities of DSFN.

COUNTRY: St Lucia
INITIATIVE: Autism Awareness Summer Camp
The St Lucia Autism Awareness Project is a non-profit organisation that is focused on providing support, education and resources to parents and caregivers of those with autism. In 2019, Sagicor supported this initiative by sponsoring the Autism Awareness Summer Camp, making a cash donation, and providing gift items to camp participants.

COUNTRY: St Lucia
INITIATIVE: St Lucia Cancer Society Carnival Band
Sagicor continued to advocate for breast cancer awareness, supporting the inaugural Carnival T-shirt band organised by the St Lucia Cancer Society. The band was entitled, "Oritus: New Beginnings." The Society aims to educate and advocate for healthy lifestyles and early detection, and Sagicor was proud to be associated with the new initiative.

COUNTRY: Antigua
INITIATIVE: Prostate Health Month
In September 2019, Sagicor joined the mission to bring greater awareness to prostate cancer, the leading cause of cancer deaths among men in the Caribbean. Sagicor sought to be an advocate for awareness, education and early detection of the disease. Sagicor's Antigua team signed on to support Do Blue Inc and the Antigua and Barbuda Broadcasting Service (ABS) in observance of Prostate Health Month. A fundraising golf tournament was held on September 8th, an Awareness Walk on September 28th, and several seminars were broadcast on radio and television.

COUNTRY: All Markets
INITIATIVE: Breast Cancer Awareness Month
Sagicor team members from all Caribbean markets promoted breast cancer awareness during the month of October. Several initiatives were launched to raise awareness of the disease and to show support for those afflicted. Sagicor shared information on the benefits of a healthy lifestyle, early detection and the ways in which insurance can assist in the event that breast cancer is diagnosed. Sagicor offices were also adorned with pink decorations, and enthusiastic team members traded corporate uniforms for pink outfits, and provided treats to staff and customers, led discussions on the topic and shared helpful and encouraging messages to both women and men.

United States of America

COUNTRY: USA
INITIATIVE: Arthritis Foundation
In May 2019, Sagicor participated in its 11th Walk to Cure Arthritis event. In addition to completing the three-mile course, Sagicor team members raised $11,411, their best fundraising effort for the Foundation to date, and were recognised by the Arthritis Foundation as a top corporate fundraising team. Arthritis is America's leading cause of disability, and donations made to the Foundation help to fund research that may someday find a cure for the debilitating condition.

Other programmes and initiatives of the Arthritis Foundation which were supported by Sagicor volunteers:

- **Camp Boggy Creek:** Team members spent a day at this unique 'SeriousFun Camp' which offers children with serious illnesses and their families a free, safe and medically-sound camp environment.
- **Taste of Brunch:** The Phoenix, Arizona chapter of the Arthritis Foundation urged donors to 'Eat. Drink. Cure Arthritis" as they hosted their "Taste of Brunch" fundraiser with an of array food prepared by Chef Chuck Wiley, live and silent auctions, and music.
- **Summer Camp:** A number of our team members volunteered to assist with this camp experience, giving children with arthritis and related rheumatic childhood diseases an opportunity to participate in fun summer activities while experiencing nature.
- **Jingle Bell Run:** This innovative walk/run event saw Sagicorians surpass their fundraising goal of $1,000, going on to raise $2,685.

COUNTRY: USA
INITIATIVE: Phoenix Children's Hospital
Sagicor Life Insurance Company is committed to supporting many worthy causes in our communities, and Phoenix Children's Hospital (PCH) is one of them. Over the past several years, donations of volunteer time to PCH have accompanied cash donations to the cause.

Phoenix Children's Hospital opened in 1983 as an independent children's hospital operating on the campus of Good Samaritan Hospital. Eventually PCH grew to the point where they needed their own campus and renovation and construction began on their current site in the year 2000. Today the medical facility has a staff of over 1000 specialists providing care in over 75 subspecialties. Each year there is both a telethon and a radiothon, and Sagicor employees from our Arizona offices helped by answering calls and taking donations. Sagicor donated $5,000 during each of the telethon broadcasts, totalling $10,000 for PCH.

Other volunteer activities which the Scottsdale, Arizona team participated in:

- Cookies for PCH: Our volunteers bagged cookies for the snack carts used to carry drinks and snacks to patients and visitors to the Hospital.
- Trick or Treat: In addition to making a $2,500 donation, our volunteers assembled approximately 200 Trick or Treat kits for patients who were unable to leave their room for the Halloween activity.
- Trivia with PCH: A weekly trivia event which sees a game being broadcast to the closed circuit TV channel in patient rooms , and patients participate by calling in their answers.
- Holiday Wishes: Each year, our Scottsdale office collects gifts from PCH's "Wish List" and delivers it to the hospital so that each child will have a present to enjoy during the holidays. In 2019, we collected over $2,200 worth of gifts for Phoenix Children's Hospital.

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3 *Team Sagicor comes out in full support for Antigua Prostate Health Month.*
4 *Sagicor lights the town pink for Breast Cancer Awareness Month.*

1 *Challaine "Annie" Ruddock, sister of the late Elva Ruddock, who passed away from lupus, represented in the "Hero Duck" cape in honour of her sister, plays superwoman supported by Gary Matalon (left), Hanel Blake and Kyle Frederick (her nephew). The Lupus Foundation was one of the beneficiaries of Sigma Run 2019.*
2 *The Jamaica Teacher's Association accepts funding for its critical illness fund to support teachers in need.*
3 *A school group takes centre-stage at the Sagicor-sponsored National Independence Festival of Creative Arts.*
4&5 *Team Sagicor joins the Caribbean Youth Environment Coastal Beach Clean Up.*

Jamaica

COUNTRY: Jamaica
INITIATIVE: Sagicor Sigma Corporate Run
The first quarter of the year saw emphasis placed on the 21st staging of the Sagicor Sigma Corporate Run. Held on February 17, 2019, it attracted over 27,000 participants, a record number of participants for this event.

Over $52.4 million was raised in cash and kind, enabling Sagicor to make sizeable donations to the three beneficiaries: The Lupus Foundation of Jamaica will receive materials, equipment and resources to promote awareness of the disease; The Diabetes Association has received a mobile medical unit, outfitted with equipment to assist with testing and support; and the May Pen Hospital Neonatal Intensive Care Unit will receive much-needed medical equipment.

The year also saw formal handovers to the Spanish Town Hospital and the St. Christopher's School for the Deaf, the two beneficiaries of the 2018 Sigma Run. In April, Spanish Town Hospital's NICU received equipment valued at $25 million and an additional $5 million for maintenance, and in June, a new block of classrooms valued at $12 million was commissioned into use at the St. Christopher's School for the Deaf.

COUNTRY: Jamaica
INITIATIVE: Jamaica Teachers Association (JTA) Critical Illness Fund
The Sagicor Foundation donated $1 million to the JTA Critical Illness Fund. The Fund was established to mark the JTA's 55th anniversary, and provides financial assistance to teachers who are in need due to medical expenses.

COMMUNITY AND YOUTH DEVELOPMENT

Southern & Eastern Caribbean

COUNTRY: Barbados
INITIATIVE: Father's Day Verdun House Donation
At the heart of Sagicor is the commitment to improve the lives of the people in the communities in which we operate, and in June 2019, Sagicor turned its attention to Verdun House and the noteworthy and remarkable service it offers to men fighting addictions to illicit drugs and alcohol. Sagicor coordinated a company-wide initiative where team members were able to donate clothes, shoes, toiletries and their time to the residential centre. Sagicor supported the health journey of these residents and sought to abolish the stigma associated with mental health and addiction. In its celebration of Father's Day and in its acknowledgement of the importance of a solid, healthy family, the organisation also made a monetary contribution to Verdun House.

COUNTRY: Barbados
INITIATIVE: Summer with Sagicor Fun Day
Led by the Customer Experience Department, Sagicor hosted "Summer with Sagicor" for children of its internal and external customers. The enjoyable and educational experience featured an all-day field trip with visits to the Atlantic Submarine and to Farley Hill National Park. Fun activities at Farley Hill sought to improve motor skills, concentration and short-term memory, while encouraging Team Work.

COUNTRY: Barbados
INITIATIVE: Caribbean Youth Environment Network (CYEN) Coastal Beach Cleanup
Sagicor provided sponsorship to the non-profit organisation, Caribbean Youth Empowerment Network, in support of its Barbados Coastal Cleanup initiative. Sagicor team members joined with other Barbados residents to tackle Browne's Beach, collecting marine debris. The significance of this project is the increased awareness of young people to environmental issues, and their interest in sustainable development.

COUNTRY: Barbados
INITIATIVE: National Independence Festival of Creative Arts (NIFCA)
Sagicor continues to a be stalwart in the areas of cultural education and development, especially when our youth stand to benefit. Once again, we partnered with the National Cultural Foundation to produce the annual National Independence Festival of Creative Arts (NIFCA) which showcases Barbadians' rich talent in the disciplines of dance, drama, speech, music, photography, film, and fine arts, literary and culinary arts.

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1 *Sagicor volunteers after a long day beautifying areas within the Arikok National Park.*
2 *A patron takes the pledge in the Safe and Sober Zone not to drive distracted.*
3 *Participants of the President's Charities summer fun day posed for a group photo .*
4 *New computer equipment is installed at the St Jude's Home for Girls.*
5 *Team Sagicor wears purple in support of International Women's Day.*

COUNTRY: Barbados
INITIATIVE: Lions Club Food Hamper Drive
For Christmas 2019, dozens of less fortunate individuals were gifted with food hampers on behalf of Sagicor and the Lions Club of Barbados South. Sagicor made both a financial and physical contribution to this project as team members came together to create sixty baskets that benefitted the elderly, reclused and underprivileged members of the community.

COUNTRY: Barbados
INITIATIVE: BIMAP Youth Empowerment Programme
In 2019, the Barbados Institute of Management and Productivity (BIMAP) received sponsorship from Sagicor. BIMAP empowers young people by providing opportunities to learn essential skills, coupling them with the knowledge needed to succeed in the work place. It also teaches entrepreneurship. Sagicor sponsored a practical business lunch that was facilitated by team members from Sagicor and BIMAP. During the lunch session, students were exposed to social etiquette and the significance of both life and general insurance.

COUNTRY: Barbados
INITIATIVE: Barbados Boy Scouts Association
Sagicor's belief is that it is never too young to learn the importance of road safety, and this message was communicated to the young males at the Barbados Boy Scouts Association. Out of its dedication to youth and to improving the lives of the people in the communities in which it operates, Sagicor encouraged the group to ensure that their parents are following the right rules as motorists. Sagicor also donated t-shirts to the Association as the members prepared to travel to Jamaica for the annual Cuboree.

COUNTRY: Barbados
INITIATIVE: Safe and Sober Zone
With the intention of safeguarding our youth and the wider community, Sagicor and the Junior Chamber International (JCI) joined forces to promote the importance of safe driving. For the Crop Over season, signage announcing a "Safe and Sober Zone" was erected at the fete, "Fyah D Wuk" where patrons were encouraged to sign a Sagicor-General branded pledge wall emblazoned with the theme "I pledge not to drive distracted". One hundred and fifty signatures were affixed.

COUNTRY: Aruba
INITIATIVE: Arikok National Park
At the core of Sagicor is the desire to give of its best to the people and the communities in which it operates. Sagicor's team members in Aruba continued to fulfill that mission as it joined 3,000 volunteers to complete hundreds of community projects across the nation. Partnered with the Aruba Doet (in English Aruba Does) organisation, Sagicor cleaned, painted and landscaped the walking trails in the Arikok National Park, known as a "botanical garden" of abandoned trees about a century old. This nationwide charity effort, held on March 15, 2019, saw repairs, painting, installation and construction being implemented in communities across Aruba. In addition, the elderly, handicapped and children were assisted.

COUNTRY: Trinidad and Tobago
INITIATIVE: St Jude's Home for Girls
The 2019 cohort of Sagicor Inspire Vacation Internship Programme proudly embraced Sagicor's humanitarian spirit as they offered invaluable support to the St Jude's Home for Girls, located in Belmont. The St Jude's Home for Girls typically houses sixty-five young females between the ages of ten and eighteen who need supervision or have been committed by the Court. The Home has 23 support staff who provide case management, social work and psychological services. To befit the young women with computer skills and a greater knowledge of technology, Sagicor re-painted the computer room and provided new air condition units, chairs and desktop computers.

COUNTRY: Trinidad and Tobago
INITIATIVE: Archbishop Finbar Ryan Geriatric Home
Sagicor showed support for the elderly by donating to the Archbishop Finbar Ryan Geriatric Home, located in Diego Martin. Fund raising was facilitated through the premier of the movie, Downtown Abbey, at Movie Towne on September 17. Sagicor's donation helped to fund staff training and the maintenance of the home.

COUNTRY: Trinidad and Tobago
INITIATIVE: Sagicor Team Cooks for Homeless on National Day of Caring
Sagicor, unmovable in its vision of improving the lives of the people in the communities in which it operates, extended assistance to the homeless community within Port-of-Spain and environs. Sagicor team members, in observation of the National Day of Caring on May 26, cooked and served 212 meals for those in need. The Joy of Giving Kitchen, Abercromby Street, Port-of-Spain, provided the facilities for this worthy cause.

COUNTRY: Trinidad and Tobago
INITIATIVE: St James Police Youth Club
Sagicor has invested in the St James Police Youth Club for the past six years. The club was established in November 1992 and caters to the needs of young people between the ages of five to twenty-one years. It provides alternatives to juvenile delinquency and crime, through education, sport and community service. From July 18 to August 23, Sagicor sponsored computer literacy classes for fourteen young persons, ranging in ages ten to sixteen years. They were exposed to computer basics, and taught to use software, such as Microsoft Word, Excel and PowerPoint.

COUNTRY: St Lucia
INITIATIVE: International Women's Day
Sagicor's St Lucian team celebrated International Women's Day by acknowledging the contribution of its female team members to the success of the organisation. Female team members dressed in polo shirts branded with the theme 'Balance for Better', a call to action for gender parity. Female clients visiting the branches, in addition to patients at the maternity and obstetrics ward of the Victoria Hospital, were also included in the celebrations as Sagicor team members presented them with tokens of appreciation.

COUNTRY: St Kitts & Nevis
INITIATIVE: The Wesleyan Holiness Church's Night of Purpose Gala
Sagicor continued its support of youth as it sponsored the Wesleyan Holiness Church's Night of Purpose Gala, held on April 27. Hosted under the distinguished patronage of Sir Tapley Seaton, the Governor General of St Kitts and Nevis, this prestigious event sought to energise and inspire those in attendance, to show love to one another. On the grounds of Government House, the event's theme "Youth through Spiritual Development" was reflected through beautiful musical renditions, poetry, song and dance.

COUNTRY: Belize
INITIATIVE: Caribbean Association of Insurers and Financial Advisors (CARAIFA) Congress
In May 2019, the Caribbean Association of Insurers and Financial Advisors (CARAIFA) hosted its annual congress in Belize. Through the efforts of its local team members in Belize, Sagicor offered support to the association by sponsoring the Chairman's Cocktails and by providing volunteers for the three-day event. Sagicor Life Eastern Caribbean Inc's CEO also showed support by making a presentation during one of the Congress' segments.

COUNTRY: Dominica
INITIATIVE: President's Charities Summer Fun Day
Sagicor has a long tradition of supporting young people at various stages of their development. In Dominica, Sagicor lent its support to the Summer Fun Programme hosted by the President's Charities. The Summer Fun Programme targeted less privileged students of the Roseau Primary School and ran from July 2 to 8 in 2019. Executives from Sagicor were invited to the home of His Excellency Charles Savarin and Lady Savarin where the sponsorship cheque was presented to Coordinator of the Summer Fun Day Programme, Ms Jermaine Jean-Pierre. Sagicor had the pleasure of giving nearly 200 children the opportunity to benefit from a fun-filled, educational programme which included field trips, lessons in dining and etiquette, and computer training.

COUNTRY: St Lucia
INITIATIVE: Youth Empowerment Project Logo Competition
The Ministry of Equity, Social Justice, Local Government and Empowerment launched a Youth Empowerment Project that aims to tackle crime and set youth

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on the path to success. The young people of St Lucia were encouraged to participate in the Youth Empowerment Project's logo design competition. Sagicor, in its continued commitment to the development of youth, sponsored the top three prizes: a laptop plus $500 in cash, a tablet and an android mobile phone.

COUNTRY: St Vincent and the Grenadines
INITIATIVE: Coast Guard Youth Development Summer Programme 2019
The purpose of the Coast Guard Youth Development Summer Programme is to teach important life skills to teenagers and to provide an opportunity for entry into the Coast Guard. Through Sagicor's proud sponsorship of this initiative, 90 students were able to take part over a six-week period.

COUNTRY: St Lucia
INITIATIVE: Annual Ministry Hamper Drive
Sagicor partnered with the Ministry of Equity, Social Justice, Local Government and Empowerment. The Annual Hamper Drive benefitted from cash and in-kind donations made by Sagicor team members in St Lucia.

The hampers were distributed on December 23, 2019 to children, single parent households, elderly men and women, persons with disabilities, and those living with HIV/AIDS.

COUNTRY: St Vincent and the Grenadines
INITIATIVE: Nine Mornings Festival
Sagicor's generosity has led to an increased amount of pomp, camaraderie and Christmas cheer in three communities: Carriere, Fitz Hughes and Stubbs. For the past few years, these territories have been competing to stage the best activities over the nine mornings before Christmas, as part of the Sagicor-sponsored Nine Mornings Festival. The Nine Mornings Festival is a major Christmas tradition in St. Vincent and the Grenadines, and Sagicor's significant support is credited with helping to maintain the country's cultural traditions.

United States of America

COUNTRY: USA
INITIATIVE: Operation: Military Matters
What started as a nine-year-old's school project in 2015 has blossomed into the non-profit corporation Operation Military matters (OMM) and attracted a $2,500 donation from Sagicor. Inspired to raise support and donations for members of the military who are posted overseas, young Graci Tubbs has spent the last six years growing the project and speaking to civic organisations and the military community to promote OMM and to share its vision. Graci heard a group of veterans speak during a school assembly and she felt that it was important for the men and women serving in the military to know that people back home care about them, and appreciate their sacrifices.

COUNTRY: USA
INITIATIVE: Feeding Tampa Bay
"Cereal for Summer" was born out of the realisation that one in four children in the Tampa area suffer from hunger, and aims to provide breakfast during the summer months for thousands of children when other feeding programmes are inactive. Sagicor has teamed up with Feeding Tampa Bay and other organisations to help fight childhood hunger by providing boxes of cereal and other breakfast items for the affected children.

COUNTRY: USA
INITIATIVE: Boys & Girls Clubs of Tampa Bay
Sagicor has proudly donated $2,500 to the Boy's & Girls Clubs of Tampa Bay in support of their Great Futures Breakfast. Held in November 2019, the event served to celebrate the stellar work done by the Clubs over the years and also highlight testimonials from past members who credit the organisations with shaping their lives and helping them to reach their full potential. Sagicor has pledged ongoing support to the programmes.

COUNTRY: USA
INITIATIVE: Adopt-A-Classroom
Scottsdale: The Scottsdale office organised their annual holiday party for the 2nd grade class at Wilson Elementary School in downtown Phoenix. This unique programme was started by school administrators

over twenty years ago out of the realization that many of the students at their school are below the poverty level, some even qualifying as homeless and therefore not usually fortunate enough to receive gifts and treats and Christmas time. With this in mind, Sagicor team members not only ensured that children received toys and the customary holiday cheer, but also new shoes and socks, clothes and a coat or jacket. Story telling, crafts and play time were enjoyed, along with snacks, juices and a pizza lunch.

Tampa: The Tampa office also organised their annual holiday party for the 3rd grade class of BT Washington Elementary, hosting it next door at Robert W. Saunders, Sr. Public Library. Several Sagicor team members collected donations from their fellow employees as well as area sports teams such as the Tampa Bay Rays, Tampa Bay Rowdies, and the Tampa Bay. Donations of pizza, salad and drinks were supplied by a local pizza restaurant. As the party drew to a close, Sagicor staff distributed holiday gift bags full of presents to each student.

COUNTRY: USA
INITIATIVE: Metropolitan Ministries
Sagicor's Tampa Office provided steady support to Metropolitan Ministries, a community non-profit organisation which provides homeless and low-income persons in the Tampa area with food, clothing and emergency shelter. Sagicor team members made monetary contributions, also logging many volunteer hours helping to sort food donations, packing boxes and cleaning the facilities. In November, they donated $1,000 and also participated in the 'Barrels of Hope' project, where food was collected for the upcoming holidays to ensure that area families would be able to enjoy a hearty meal.

COUNTRY: USA
INITIATIVE: St Mary's Food Bank
Arizona staff regularly volunteer at St Mary's Food Bank, helping to collect and distribute food to needy persons. St Mary's mission is to alleviate hunger through the gathering and distribution of food while encouraging self-sufficiency, collaboration, advocacy and education.

COUNTRY: USA
INITIATIVE: St Vincent de Paul Society
Sagicor supports St Vincent de Paul in the greater Phoenix area in several ways:

Meal Services: In addition to ensuring the kitchen and food were prepared for dinner, Sagicor volunteers help set the table, seat guests, serve meals, wash dishes and clean the dining area.

Dream Centre: In the Dream Centre, Sagicor volunteers help with homework, read books and play games after studies have been completed. The Dream Centre is intended to be a place where

1 *Participants of the Youth Empowerment Project's logo design competition.*
2 *Ninety students gained valuable life skills as a result of the Coast Guard Youth Development Summer Programme.*
3 *Team Sagicor gathered for a photo after their donation to the Annual Ministry Hamper Drive in St Lucia.*
4 *Three St. Vincent and the Grenadines communities were beneficiaries of the Sagicor-sponsored Nine Mornings Festival.*
5 & 6 *Team Sagicor give hands-on support to the St. Mary's Food Bank.*
7 *Team Sagicor gives financial support to Operation: Military Matters.*
8 *Sagicor volunteers ensured that each child in their adopted classroom would receive a substantial gift bag.*

1 & 2 *Sagicor volunteers relax between jobs at a Habitat for Humanity building site.*
3 *Sagicor team members enjoy the experience of the Rays "Big Leaguer for a Day" event.*
4 *Team Sagicor sharing their holiday spirit by providing gifts for patients at the John Hopkin's All Children's Hospital.*
5 *Team Sagicor at the ready to volunteer at the Rays' Junior Achievement event.*
6 *A Tampa Bay Ray player and the team mascot bring a smile to a patient of the John Hopkin All Children's Hospital.*

children can not only get the help and guidance they need, but also a place where they feel encouraged to pursue their dreams.

COUNTRY: USA
INITIATIVE: Habitat for Humanity
Both the Scottsdale and Tampa offices participated in Habitat for Humanity construction projects during 2019. A project typically consists of eight to twelve Sagicor volunteers working up to eight hours to help complete a home for a family. Projects have ranged from roof installation, preparing forms for concrete sidewalks and driveways, painting the exterior and interior of homes, putting in insulation and sodding the lawn.

Habitat's vision is "a world where everyone has a decent place to live". Through our partnership with Habitat for Humanity, it is our hope that future homeowners can achieve strength, stability and the independence needed to build a better life for themselves and their families.

COUNTRY: USA
INITIATIVE: Hurricane Dorian Relief
Following the devastation of Hurricane Dorian, one of the strongest Category 5 hurricanes ever recorded, staff at the Tampa office were moved to donate an additional $10,000 to the Tampa Rays relief effort. The Rays had organised collections of emergency supplies from fans at every game, and Sagicor readily supported their efforts. Additionally, the Tampa and Arizona offices raised $4,635 towards Hurricane relief efforts as well.

COUNTRY: USA
INITIATIVE: Tampa Bay Rays
Sagicor has teamed up with the Rays to positively impact our community through several key initiatives:

Sagicor Life Insurance Company Salute to Education: At Sagicor, we recognise how valuable education is to the future of our children, which is why we have sponsored an initiative that recognises current and former teachers. During every other home game — 40 in total — current and former educators in attendance are asked to stand and be recognized, while the video scoreboard plays a tribute to them. This Sagicor-branded feature has inspired several Rays' players to reminisce about their favourite teacher and the impact that the teacher has made on them.

Johns Hopkins All Children's Hospital Visits: The Sagicor team joined members from the Rays, including Raymond the mascot, to interact with children and their families during three visits to the John Hopkins All children's Hospital. The visits brought smiles to the young patients, and each were given Rays and Sagicor-branded items.

Rays Foundation: Sagicor partnered with the Rays on two occasions in 2019 to provide immediate help to those in need through our monetary donations.

- Each year, Sagicor attends the Rays Casino Charity event and donates $7,500 to the Rays Baseball Foundation. The Foundation supports youth and educational programming in the Tampa Bay region, with a special interest in serving at-risk populations.
- In direct response to Hurricane Dorian, members of the Rays and Sagicor met to determine how we could make an immediate difference after the unthinkable destruction to the Bahamas. Sagicor's $10,000 donation to the Rays Baseball Foundation went directly to helping provide the region with children's school supplies.

Rays Fan Fest: Each year, the Rays host a pre-season Fan Fest to allow fans to connect to the players and coaches. In 2019, we sponsored the Coaches Clinic, where former Major League Baseball players worked with children on their fielding and batting techniques, and the Mascot Meet & Greet, where children had the opportunity to get their photos taken with the Rays' mascots.

Jamaica

COUNTRY: Jamaica
INITIATIVE: Labour Day Projects
Hundreds of Sagicor Group Jamaica's team members volunteered on Labour Day, May 23, 2019, to carry out renovation and clean-up activities at four children's homes across the island, in line with the national Labour Day theme: 'Child Safety – It's You, It's Me, It's All A We'.

The children's homes that received support were: Reddie's Place of Safety, Kingston; SOS Children's Village, Montego Bay, St James; St Augustine's Place of Safety, Chapelton, Clarendon; and Pringle's Children's Home, Pringles, St Mary.

COUNTRY: Jamaica
INITIATIVE: Keeping Abreast Luncheon
The Sagicor Foundation continued its support of the Jamaica Cancer Society's annual luncheon to honour cancer survivors in October 2019. One of the Jamaica Cancer Society's premier fundraisers, Sagicor support was rendered both in cash and kind, with a donation of $100,000 being made, and tokens also being distributed at the event.

As part of the observance of Breast Cancer Awareness Month, the Keeping Abreast Luncheon, serves as a fundraiser to support the Cancer Society's ongoing programme of screening and education. In previous years, funds raised have provided financial assistance to women undergoing cancer treatment.

COUNTRY: Jamaica
INITIATIVE: Relay for Life
As part of our ongoing relationship with the Jamaica Cancer Society, Sagicor had over 200 team members, friends and family support the Jamaica Cancer Society's annual Relay for Life vigil. The event recognizes and pays tribute to cancer victims and survivors and fosters awareness about the disease. The event was held in July at the Police Officer's Club.

COUNTRY: Jamaica
INITIATIVE: Luncheon and Graduation Ceremony for CSJP At-Risk Youth
Sagicor hosted a group of thirty-six youngsters, who are participants of the Ministry of Justice ACTS/Citizen and Security Justice Programme (CSJP), to a special motivational luncheon, where they were offered words of encouragement and inspiration from Sagicor executives and team members.

The participants, ranging from seventeen to thirty years in age, hail from inner city communities and would have been part of a six-month programme which promotes literacy and numeracy skills in preparation for vocational training. Additionally, the cohort is being exposed to social and behavioural skills.

Continuing its commitment for the programme, Sagicor hosted the group's graduation ceremony at its head office in New Kingston in December.

COUNTRY: Jamaica
INITIATIVE: Jamaican National Children's Home
Sagicor Foundation in 2019 donated $1 million to the Jamaica National Children's Home in response to the home being destroyed by fire in August.

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1 *Sagicor team members, family and friends at the Relay for Life.*
2 *Young citizens during a motivational luncheon hosted by the CSJP and Sagicor.*
3 *Children from various schools during the Olympic Day celebrations.*
4 *Young budding golfers at the St Andrew's Golf Invitational.*
5 *Sagicor General Insurance Somerset cricket team.*
6 *Umpires of the Antigua and Barbuda Cricket Umpires Association smartly modeling their new uniforms.*

SPORT

Southern & Eastern Caribbean

COUNTRY: Barbados
INITIATIVE: The Barbados Golf Tournament
In August 2019, Sagicor partnered with the Barbados Golf Club for its 50th Anniversary and Golf Championship event. Sagicor's sponsorship enabled complimentary registration for some of the young participants of the event. For several years, Sagicor provided ongoing development of golf on the island, as evidenced by its sustained sponsorship of the Barbados Open Amateur Golf Championship.

COUNTRY: Barbados
INITIATIVE: Olympic Day
On June 23, 2019, the Barbados Olympic Association celebrated Olympic Day with students from primary and secondary schools, acknowledging the support of Sagicor.

Olympic Day promotes fitness, well-being, culture and education around the world. Together with its theme, Move, Learn, Discover," the Day celebrates and endorses the values of excellence, friendship and respect. As an advocate for sport, health, education and youth development, Sagicor also provided shirts for the participants.

COUNTRY: Barbados
INITIATIVE: Sagicor General Somerset Cricket Team
For eight years, Sagicor has been a major and title sponsor of the Sagicor General Somerset Cricket Team which is a part of the Somerset Sports Club, Dominica. This Club, established in 1963, received the Meritorious Service Award from the Dominican government for its contribution to cricket and to the community. Sagicor has provided an annual grant to the club, assisting with the purchase of uniforms and supporting other community development projects.

COUNTRY: Trinidad and Tobago
INITIATIVE: Sagicor/St Andrew's Golf Club Invitational
Sagicor was again the title sponsor of the "Sagicor/St Andrews Golf Club Invitational" which attracted 102 participants. These players, grouped by handicap and age, were provided a platform by Sagicor to compete for a spot on the Trinidad and Tobago National Golf Team. The competition is an attraction to top players, and provides an invaluable learning experience for young golfers. Through Sagicor's "Kids on the Greens" tournament, local youth, namely those from the St James Police Youth Club, were also introduced to the fundamentals of golf.

COUNTRY: Trinidad and Tobago
INITIATIVE: Red/Orange Ball Tournament
On June 29, 2019, the 17th Sagicor

Junior Lawn Tennis Tournament kicked off its first event with the Red/Orange Ball Under-10 Tournament. The Red/Orange Ball tournament had seen a 40% increase in participants, when compared to 2018, with 20 beginners and 50 intermediates. The main tournament which ran from July 6 to July 11, boasted a total of 115 participants from both Trinidad and Tobago. The Trinidad Country Club, Long Circular Road, Maraval was the chosen arena for these matches. Together with the Tennis Patrons Association, Sagicor once again exemplified its commitment to sport and the development of youth. This tactical sport not only enhances your physical health, but also boosts your mental prowess and social skills.

COUNTRY: Antigua and Barbuda
INITIATIVE: Antigua and Barbuda Cricket Umpires Association
Sagicor demonstrated its support for the Antigua and Barbuda Cricket Umpires Association by providing new uniforms for its team members. Established since 1955, the Association continues to mold and develop umpires who exude respect and professionalism for the game of cricket. The spanking new t-shirts and caps were donned from January 20 at the Antigua & Barbuda Cricket Association 9's kick-off tournament.

COUNTRY: Antigua and Barbuda
INITIATIVE: The Sagicor Life Enforcers Ladies Cricket Team
Sagicor Life Enforcers, a cricket and netball team for females, is a shining example of the excellence for which Sagicor is well known. In 2019, this Sagicor sponsored team emerged as triple champions in the following tournaments: the ABSCA Cortwright "Carty" Mason 10 Over Tournament, the St John's Co-operative Credit Union 25 Over Competition and the ABSCA Myron Phillip & Sharon Joseph 20/20 League.

COUNTRY: Dominica
INITIATIVE: Sagicor South East Football Team
For several years, Sagicor has sponsored the Sagicor South East Football Team, working diligently to nurture the skill and ambition of these talented footballers. This long partnership with the premier-league football team reaped tremendous rewards in 2019 as the team emerged as champions of the Dominica Football Association's Premier League competition, winning $15,000 for its performance.

COUNTRY: St Lucia
INITIATIVE: Sagicor COTECC Under 12 and Under 14 Tennis Tournaments
Sgicor, in collaboration with the St Lucia Tennis Association, hosted the Sagicor / Confederación de Tenis de Centroamérica y el Caribe (COTECC) Under 12 and Under 14 Tournaments. These tournaments gave youth from various territories a chance to showcase their talent and to compete for top titles and prizes. As the tournaments provide competitors with points towards international ratings, participants from France and the USA joined competitors from Antigua,

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1 Both boys and girls were encouraged to enter the Sagicor Christmas Tennis Tournament in St. Lucia.
2 The COTECC U12 and U14 Tournaments attracted participants from fourteen countries, two of which were extra-regional.
3 & 5 Champions of the JTA /Sagicor National Athletics Championships also received 5-year scholarships to cover their secondary education expenses.
4 Team Sagicor helps onbikes to donate bicycles to at-risk children in the Tampa Bay area.
6 & 7 The Positive Coaching Alliance Scholarships were provided to student athletes from Arizona and Tampa Bay.
8 Some of the boys and trainers who attended the "Our Sons" motivational conference in Jamaica.

Barbados, Bermuda, Dominican Republic, French Guiana, Guatemala, Honduras, Martinique, St Kitts and Nevis, St Lucia, St Vincent and Trinidad and Tobago.

COUNTRY: St Lucia
INITIATIVE: Sagicor Christmas Tennis Tournament
Sagicor remained consistent in its support of youth and sports, continuing its partnership with the St Lucia Tennis Association and hosting the Annual Christmas Tennis Tournament. Both boys and girls were afforded an opportunity to compete in Under 10, Under 14 and Under 18 age groups.

United States of America

COUNTRY: USA
INITIATIVE: onbikes
Onbikes is a Tampa-based, non-profit organisation which works to ensure that marginalised children can receive their first bicycle, believing that every child, no matter the circumstances, deserves to have a bike. Onbikes also promotes self-confidence, healthy living and the overall well-being of young at-risk children and foster kids.

In December 2019, Sagicor team members joined forces with onbikes and Leadership Tampa Bay to help build bikes in preparation for the holiday season. Working alongside more than 600 volunteers, Sagicorians were directly responsible for building 20 bicycles, and in total, the onbike workday produced some 900 bikes that day.

COUNTRY: USA
INITIATIVE: Brigham Young University
Sagicor Life Insurance Company sponsored Brigham Young University (BYU) Athletics as part of its 2019 promotional activities, serving to raise brand awareness for Sagicor in the western regions of the U.S.

The BYU sponsorship helps promote Sagicor on a national level as the university has strong alumni support across the country . As BYU men's and women's basketball teams have a strong local and national following, Sagicor benefited from in-game signage being viewed by fans attending games as well as national television audiences.

Elements of the sponsorship included promotion on the BYU website, such as banner ads and a one-time email to everyone on BYU's email list. Sponsorship of the basketball programme included an in-game print ad in the game programme, an in-game video board feature called "Keys to the Game" and television friendly signage located centre court and at both ends of the court.

Sagicor also sponsored the strong BYU women's and men's volleyball teams, which would have also placed Sagicor signage in full view of both live and television audiences.

COUNTRY: USA
INITIATIVE: Tampa Bay Lightning
The Sagicornow direct-to-consumer website was featured during the in-game promotions, and Sagicornow banner ads were placed on the Lightning team's website with the intention of driving traffic to SagicorNow.com.

The Tampa Bay Lightning have attracted a great deal of positive attention for their outstanding play on the ice, charitable work in the community and owner Jeff Vinik's development plans for the area surrounding the team's home arena in downtown Tampa.

COUNTRY: USA
INITIATIVE: Positive Coaching Alliance
Sagicor supports Positive Coaching Alliance (PCA) chapters in both Tampa Bay and Arizona, helping to sponsor the organisation's Triple-Impact Competitor scholarship programme. PCA is dedicated to developing "Better Athletes, Better People by providing a wide range of resources to coaches, parents, administrators and student-athletes. These resources have helped those involved in youth and high school sports to create a positive character-building sports culture.

The Triple-Impact Competitor® scholarship programme, sponsored by Sagicor, provided 26 scholarships to student athletes from the Tampa Bay area, and 14 scholarships to those from Arizona, for a total of $66,000 in scholarships. Students

apply for the scholarships in May, and the finalists are recognized as competitors who make positive contributions on three levels: personal mastery, leadership and honouring the game.

Jamaica

COUNTRY: Jamaica
INITIATIVE: **JTA/Sagicor National Athletics Championships**
The JTA/Sagicor Primary, All-Age and Junior High School National Athletics Championships was a two-day athletics competition held May 24 and 25, attracting the participation of more than 1000 students. The national event gives the student athletes a stage on which they can showcase their athletic prowess.

Through a partnership with the Jamaica Teachers' Association, the Sagicor Foundation invested over $6.5 million in sponsorship towards the 36th staging of the event in 2019, with an additional $1.2 million funds providing educational grants for parish champions of the events. Sagicor also provided over 150 volunteers working to ensure that the meet ran smoothly. In keeping with the its charitable tradition, the Foundation also presented the overall champion boy and girl with five-year scholarships to cover their secondary education expenses.

COUNTRY: Jamaica
INITIATIVE: **Our Sons**
Sagicor Foundation supported the B3 Parenting motivational conference geared towards empowering young boys in a sports-centred conference. As many as 400 boys from high schools and communities across Jamaica, including children from Boys' Homes, attended the event. The Foundation also provided volunteers to help manage the large group throughout the day's activities, and ensured that each participant received a Sagicor branded item.

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AWARDS AND RECOGNITION

Caribbean American Advertising (ADDY) Awards

At the recently concluded 2020 Caribbean Advertising Awards, Sagicor copped two of the five top awards:

- Best of Film Video and Sound for the Wedding/Bath Life Happens Fast TV Commercials
- Best of Public Service for the Sagicor Breast Cancer Awareness Campaign

This achievement is noteworthy as over 40 companies from the Caribbean, USA and Canada submitted over 600 entries of advertisement created for Caribbean markets. In addition to the two prestigious awards, Sagicor's marketing communications were also recognised and awarded either gold or silver in the following categories:

SELECTED CATEGORY	AWARD	ENTRY NAME
Regional/National Television Commercial	Gold	Bath – life happens fast – be prepared – Southern Caribbean campaign
Regional/National Television Commercial	Gold	Wedding – life happens fast – be prepared – southern Caribbean campaign
Regional/National Television Commercial Campaign	Gold	Wedding – life happens fast – be prepared – southern Caribbean campaign
Out-Of_home (OOH) Campaign	Gold	Sagicor 'Accidents' Campaign (Trinidad and Tobago)
Integrated Media Corporate Social Responsibility Campaign	Gold	Sagicor Breast Cancer Awareness
Public Service OOH & Ambient Campaign	Gold	Sagicor Breast Cancer Awareness
Public Service OOH & Ambient Single Occurrence	Gold	Sagicor Breast Cancer Pink Crossing
Outdoor Board Super-sized, Digital or Animated – Single	Gold	Sagicor 'Don't Text & Drive' (Barbados)
Public Service OOH & Ambient Campaign	Silver	Cancer "Tear Apart" Sliding Doors
Outdoor Board Super-sized, Digital or Animated – Single	Silver	Sagicor 'Accidents' Highway - 1 (Trinidad and Tobago)
Outdoor Board Super-sized, Digital or Animated – Single	Silver	Sagicor 'Accidents' Highway - 2 (Trinidad and Tobago)
Outdoor Board	Silver	Sagicor Bubble wrap Car Billboard - Barbados
Out-Of-Home Multiple Installations	Silver	We've Got You Covered Campaign

Both Top Award categories for "Wedding/Bath Campaign and the Breast cancer Awareness Campaign moved to the regional stage, competing with local winners from Florida American Advertising Awards (AAF)organisations at the District level of the competition. Sagicor's Breast Cancer Awareness Campaign was again successful and was awarded the Charlie Award for work supporting corporate and social responsibility.

During Breast Cancer Awareness Month, Sagicor painted the town pink throughout the Southern Caribbean.
1 *We sensitised our clients on breast cancer awareness as they entered our offices.*
2 *Sagicor painted road humps pink at various malls and shopping plazas reminding persons of the importance of breast examinations.*
3 *Sliding door decals echoed the sentiment that breast cancer can tear persons away from the families..*
4 *Client service areas were also decorated.*
5 *Elevators within Sagicor buildings branded with the message, "Together we can make a difference"*

HUMAN CAPITAL REPORT

CHANGING OF THE GUARD

Dr Patricia Downes Grant - CBE, MA, MBA, DBA, LLD (Hon) retires

The Directors of Sagicor Financial Corporation Limited announced the retirement of **Dr Patricia Downes-Grant CBE, MA, MBA, DBA, LLD (Hon) - President and Chief Executive Officer – Sagicor Life Inc on December 17, 2019.** Dr Patricia Downes-Grant joined the Barbados Mutual Life Assurance Society in 1991, and during a career that spanned 27 years, she held several positions including that of Vice President - Investments, Treasurer, Executive Vice President (Finance and Investments) before being appointed as President and Chief Executive Officer of the newly rebranded financial services company, Sagicor Life Inc in 2006; the operations of which reached across the Eastern and Southern Caribbean to Belize in Central America, and she also held the post of the Group Chief Operating Officer in Sagicor Financial Corporation Ltd. during this period.

Over the course of her career with the Sagicor Group of Companies, she lead a number of transformational and strategic projects that significantly changed the business profile of the former Barbados Mutual Life Assurance Society. Through a series of acquisitions and other strategic initiatives the former organisation grew into a great Caribbean, and later a subsequently international company, that listed on the London Stock Exchange and more recently on the Toronto Stock Exchange. She is a former Chairman of the Barbados Stock Exchange and the Barbados Central Securities Depository. She continues to serve the Group as a director of some of its subsidiaries.

Congratulations are extended to Mr Ravi Rambarran on his appointment as Pat's successor to lead the Sagicor Life Inc. entity as its new President and Chief Executive Officer. Ravi has been with Sagicor for 23 years and has held many senior positions in the Sagicor Group.

Mr Ed Clarke announced his intention to retire effective June 30, 2020, after over 13 years with Sagicor. Ed held the position of Chief Operating Officer, Sagicor Life Inc. and General Manager of Barbados since 2010. Prior to this role, Ed was the Group's Chief Internal Auditor. Ed is expected to continue to contribute to Sagicor by being involved with certain special projects including local government relations. Ed is succeeded by Mr Paul Inniss, an executive with extensive experience with other well-recognized insurance and banking companies in the Caribbean. He holds a fellowship in Risk Management from the Insurance Institute of Canada and an MBA from Heriot Watt University, UK. We welcome Paul to our executive team.

LEADERSHIP & CULTURAL TRANSFORMATION

2020 - Strategic focus

Cultural transformation focused on the **One Sagicor** initiative as well as improving leadership capacity through targeted developmental programmes for our people leaders. Group companies adopted a **#OneSagicor** theme that influences the direction of cultural transformation and fosters the development of a deep client focused culture.

Attracting, developing and retaining exceptional talent.

Job Fairs at universities, a Sagicor Green leaders' programme, mentorship programmes, industry specific training programmes and succession planning initiatives ensure that The Sagicor Group attracts, retains and provides for a solid base of exceptional talent to meet business requirements. In Jamaica the Sagicor Summer Mentorship Programme welcomed approximately 330 summer workers between May 20 -August 30, 2019.

We continued to invest in our people through various specially tailored and other general insurance certification programmes regionally and internationally.

- Sagicor Sales Internship Programme
- Sagicor Induction Programme
- Technology Training
- Product Knowledge
- Fraud Detection & Prevention
- Coaching for Sales Leaders
- Transformational Leadership for Sales Managers

At SLJ the Learning and Development Unit engaged in the continued transformation to this client centric culture with mandatory courses to build trust amount teams, **"Mastering Emotional Intelligence", "Teamwork", "Communication – The Art of Listening"** and **"Leadership Skills"**. Core skill development training included Excel Courses, Client Service Documentation, Compliance, Fraud Detection and Prevention, Introduction to Data Analytics, Managing Stress through Colour Therapy, Time Management, Self-awareness, Managing Money. The **SagicorLead** leadership development programme continued with cohorts from Jamaica and Grand Cayman. The **Sagicor Intuit** platform improved the efficiency of registration, provided online check-in, eased the generation of reports to support growth and development metrics, provided online evaluations, generated reports and made

online courses available to all team members.

Sagicor General Insurance Inc added a Leadership Index to the Quarterly Employee Experience Pulse Survey. The Leadership Index heightens awareness of the impact of leadership on this key strategic driver.

The **High Potential Leaders programme** at Sagicor Life Inc enhanced management ability and leadership skills and was facilitated through the **Sagicor Corporate University at the Sagicor Cave Hill School of Business and Management**. This ten-module programme ended with presentations from the cohort on strategic business issues. The open enrolment six module Personal Mastery programme, offered through the Corporate University, provided staff with the opportunity to participate in self-improvement programmes.

Queens University, Canada, facilitated a **Negotiation Skills** workshop for key employees to strengthen skills in this important business competency.

New employees are required to complete the Life Office Management Association (LOMA) 280 and 290 programmes which teach fundamentals for the insurance industry. Coaching for our people leaders continued in 2019.

PROFESSIONAL ACHIEVEMENTS

Diandre Griffith – Fellow, Life Management Institute (FLMI)

Chanille Jackman - Fellow, Life Management Institute (FLMI)

GLOBAL ISSUES

With operations in 21 countries, our Human Resources polices are robust and address several workplace issues associated with the conditions of work and also reflect concern for the health and safety and well-being of our employees. Policies contained in the Sagicor Employee Handbook addresses issues related to working conditions, and interactions with all stakeholders. Several global themes and issues impacted the training and sensitization of employees in 2019. Our Human Resources Departments revised and reinforced existing policies with mandatory workshops and online training on topics to ensure professional interactions with other employees, customers and all stakeholders.

- **Sexual Harassment** – there is full compliance with new legislation rolled out in Barbados and voluntary compliance in other countries through programmes like Preventing Workplace Harassment
- **Anti-Money Laundering**
- **Code of Business Conduct and Ethics**
- **Information Security**
- **Emotional Wellness**
- **Non-Gender Based Compensation** - Our group policy on compensation, driven by roles and grades, qualifications and experience, provides management with the criteria to avoid inequalities in compensation.
- **Recognizing and rewarding performance**

  Top performers are recognized through a solid recognition programme that recognizes performance among our sales and administrative teams. Annual Awards functions celebrate top performers who receive the President's Trophies and provide other attractive incentives including attendance at the coveted biannual Convention. The Sagicorian awards recognize outstanding managers and employees each year.
- **Employee Engagement surveys and turnover**

  Many group companies track Employee Engagement quarterly using the Employee Net Promoter Score (eNPS)

Dr M Patricia Downes-Grant

Mr Ravi Rambarran

Mr Edward Clarke

Mr Paul Inniss

as a human resources metric. This Survey also allowed for the tracking of changes to the recognition and communication culture over each quarter and changes in perceptions of leadership impact.

Key people metrics over the past six years using a standard Employee Engagement Tool independently administered by LOMA show scores that range from 70% to 81% during this period and exceed global trends in Employee Engagement which have ranged from 59% to 66% over a similar period.

Employee turnover

Average employee turnover rates across the Sagicor Group of Companies are well within global industry trends - 2.2% in the USA in 2019 for Insurance and Financial services sector (ADP 2019 report).

NEW PROGRAMMES

- **PERSONAL SOCIAL RESPONSBILITY PROGRAMME**

A new employee Corporate Social responsibility (CSR) programme will be launched in 2020 and will provide employees with 21 hours of paid time off annually for volunteering and participating in CSR programmes under specific conditions. This initiative will encourage employee involvement in Social Responsibility programmes, provide opportunity for employees to identify local community-based programmes/charities for support under the Corporate Social Responsibility programme; provide employees with leadership and networking opportunities, encourage innovative solutions to community issues and also increase the company's visibility in all communities.

- **Sagicor Group Jamaica** – The Work from Home (WFH) policy to provide team members to balance their work and family life and the paternity leave programme were innovative benefits introduced in 2019.

- **SUSA's Wellness initiative** – to support health and wellness, the implementation of a new paid time off (PTO) programme and new Identity Management services for staff and their families offering credit protection and identity monitoring services were among the slate of benefits introduced in SUSA.

- **Sagicor Life Inc** – announced plans for the introduction in 2020 of its Flexible Working arrangements policy.

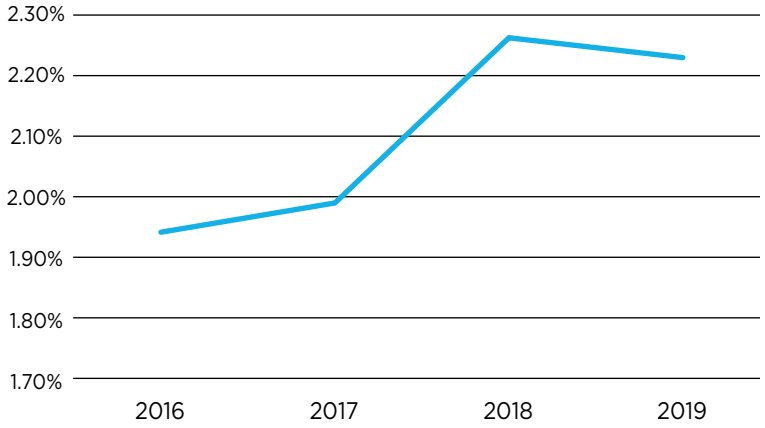
- **Sagicor General Insurance Inc** - The Huddle – specially designed meeting space for one on one meetings, collaboration and consultations.

EMPLOYEE ENGAGEMENT

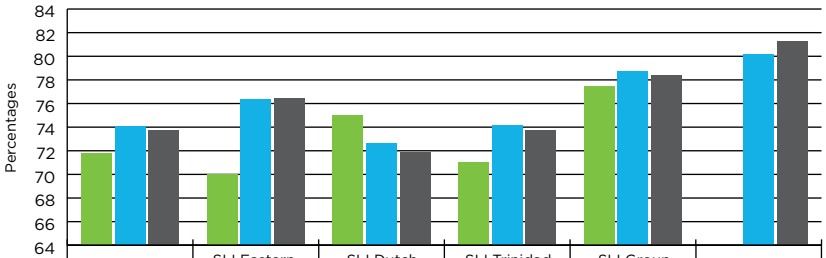
- **Activities**

There was considerable flair and novelty in the 2019 calendar of employee engagement initiatives which included Fashion Fridays and sports events. Highlights were two celebrity cricket matches with SFCL Board members, executive management and key staff members played on the grounds of the Sagicor Corporate Centre in Barbados. Other new activities included workshops on Introduction to Photography, and Quick and Easy Meal prepping, Crop Over Cooldown, Coffee and Conversation commemorating International Women's Day, Brand

Turnover Percentage



Sagicor Employee Engagement Scores 2014 to 2019



	SLI Barbados	SLI Eastern Caribbean	SLI Dutch Caribbean	SLI Trinidad & Tobago	SLI Group Jamaica	Sagicor USA
2014	71.8	70	75	71	77.5	-
2017	74.12	76.36	72.64	74.2	78.7	80.16
2019	73.76	76.44	71.84	73.76	78.4	81.24

Week, Sagicor's Got Talent and "Buss yuh Brain" Competitions

Conversations with the General Manager of Trinidad and Tobago improved organisational communication, and "You are the Magic" was launched via a video presentation in Trinidad and Tobago when management hosted a myriad of activities – serenades, luncheons, beach limes and issued appreciation tokens. Sagicor USA's used Kazoo – an online, point-based recognition programme to create interaction between management and staff and provide all team members with the ability to instantly recognize each other on a social platform. Engagement and participation have been outstanding.

The SGI Connect Newsletter, Stay Tuned E-Bulletin and General Chat sessions continued to be useful communication tools to support our employee engagement strategy throughout 2019.

The inaugural Brand & Culture Week was one of the top highlights of 2019 for the Sagicor Team and the launch of the "**One Sagicor**" theme set the foundation for the annual kick off events in 2020.

Annual Motivational Seminars and Meetings included speakers such as Emmy award winning entertainer and motivational speaker – Steve Harvey, Raphael Saul, Wayne Henry and Shani McGraham-Shirley.

OUR HEROES

Suzan Foster, Client Service Representative at Sagicor Bank Jamaica Limited received **The Badge of Honour for Gallantry from the Government of Jamaica** on August 6, 2019. Suzan was awarded for saving the life of a Police Officer who had been knocked off his motorcycle.

Nicholas Neckles, CFA – Portfolio Manager – Sagicor Asset Management Inc, Sagicor Life Inc - Barbados shattered the World Masters record for the 18 and over 200 meters backstroke in the Central American and Caribbean Swimming Championship held in Barbados in 2019 clocking a new record of 2:09.08 and eclipsing the former 2:10.57 record.

SLI Barbados celebrated this achievement and his three (3) gold medals and simultaneous breaking of 3 world records in the 50 meters, 100 meters and 200 meters backstroke events at the 18th FINA World Masters Championships, which were held in Korea in 2019.

INTERNATIONAL RECOGNITION-OPTIMA WIN

Sagicor Group Jamaica Limited received the ***Silver Optima Award for Vision*** in recognition of the work with millennials across the Group through the **Pro-Millennial Mentorship Society**. The Optima Awards programme, which was established by Workforce Magazine, is based in the USA and recognizes exemplary HR programmes that meet significant business challenges.

TOP PERFORMERS

Group companies recognise and celebrate outstanding Sales and other performers. Contributions from pioneers and creators of ingenious business solutions, and the recognition of service anniversaries are all part of the recognition and rewards programmes each year.

Sales

Top sales performer - Sagicor Group Jamaica Ltd - **Loeri Robinson**

Top sales performer - Sagicor Life Inc - Barbados - **Janice Mullin-Sargeant**

Top sales performer – Sagicor Life Eastern Caribbean Inc - **Ogden Browne**.

Loeri Robinson

Janice Mullin-Sargeant

Ogden Browne

Tricia De Gannes

Leeanna Joseph

Nicolette Bell

John Fleming

The Sagicorian Awards

The prestigious Sagicorian Award is presented in two categories to the most outstanding Employee and the most outstanding Manager in the Sagicor Group of Companies. Our top performers were:

Manager of the Year - Tricia De Gannes - **Sagicor Life Inc – Trinidad and Tobago**

Employee of the Year - Leeanna Joseph - **Sagicor Life Eastern Caribbean Inc**.

Group Pioneer of the Year – Nicolette Bell - **Sagicor Life Inc - Barbados**

Group Contributor of the Year – John Fleming - **Sagicor Life Inc – Trinidad and Tobago**

Other outstanding team members

Team Member of the Year - Stuart South - **Sagicor Group Jamaica**

Employee of the Year – Shakeila Marshall - **Sagicor Life Inc - Barbados**

Employee of the Year - Krystal Bunting, Employee Benefits Dept - **Sagicor Life Inc - Trinidad and Tobago**.

Employee of the Year - Shelly-Ann McCarthy - **Sagicor General Inc**

Employee of the Year - Lisa Melius - **Sagicor Eastern Caribbean Inc**

Employee of the Year - Lisa Heard - **Sagicor USA**

Manager of the Year - Rohit Pagey - **Sagicor USA**

Sagicor Contributor of the Year- Markus Galuschka - **Sagicor Life Inc - Barbados**

INNOVATION & TECHNOLOGY

SAGICOR ONE DIGITAL EXPERIENCE

By providing a new digital experience to our customers, Sagicor has transformed the way insurance products are marketed and sold. With the Sagicor One platform, Clients can now use their preferred channel to find, choose, and ultimately buy insurance anytime, anywhere. The Sagicor One Digital Experience places all our customer-facing web properties on a single platform for ease of administration. The smart technology learns which topics are of interest to visitors and policyholders alike and presents them accordingly.

SAGICOR GO

Previously, our mobility application provided customers with access to information about their policies as well as general information on insurance, this was expanded to include additional lines of business. Sagicor Go now provides customers with access to their mortgage balances and provides a calculator for future opportunities. Customers can view their health insurance benefits, claims and their health card information while on the go. The application aids Sagicor General customers with access to their policies for all lines of business and allows them to call for road side assistance in countries where this service is provided. This platform has allowed Sagicor to transform the way we communicate with our customers as part of a renewed digital experience. Sagicor Go is available through Apple's App Store as well as the Google Play store.

SELF SERVICE PORTALS

Our self-service portals allow customers to access their policy information and documents at their convenience. Providing an intuitive experience for customers, their ability to retrieve statements and check on the status of policies in the privacy of their homes is unparalleled. In keeping with our other digital offerings, the self-service platform is directed at transforming how our customers conduct business with Sagicor.

SERVICE QUALITY DASHBOARDS

In addition to valuable products, Sagicor believes that delivering superior customer service is an important dimension that aids geographic expansion and growth. Leveraging previous network investments and workflow data, an interactive solution was developed that displays transactional cycle time across policy administration activities. The new tool provides visibility to cycle time, real-time understanding of emerging bottlenecks, insight on training opportunities, and identification of individual performance regardless of location across the Southern Caribbean.

TESTING AUTOMATION

Great products, services, and technologies still need rigorous testing. Sagicor has made great strides in its use of automated testing methods, which offer the promise of confidently accelerating our responses to changing market dynamics. Important improvements introduced the use of automated testing for new products, which reduced cycle time for certain product development tasks from three weeks to three days. Testing for our automated real-time underwriting business rules are also delivering substantial improvements in cycle time, with reductions ranging from 50% to 75% of the previous baseline.

FINANCIAL GENERAL LEDGER

Deployment of a common general ledger across the Sagicor Group of companies has brought opportunities to streamline and transform processes in finance and accounting. This initiative delivered a single platform to support the three operating companies, enabled automation of accounts payable processes, and set the stage for accelerated consolidation and enhanced reporting capabilities.

The "Sagicor Go" brand for the Group's mobile applications

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction and Notice

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the fourth quarter 2019 and year ended December 31, 2019 with comparative analysis for the corresponding periods in 2018. This MD&A should be read in conjunction with the Company's annual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) in effect on the date of such information.

The following discussion is based on the financial condition and results of operations of Sagicor, unless otherwise specified or indicated. Financial information is presented in millions of US dollars, unless otherwise indicated. Amounts for subtotals, totals and percentage variances included in tables in this MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding.

Legal Constitution and General Information

Sagicor Financial Company Ltd. ("Sagicor") (TSX: SFC) is a leading financial services provider in the Caribbean, with almost 180 years of history. Sagicor's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda, with its principal office located at Cecil F De Caires Building, Wildey, St. Michael, Barbados.

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which on December 5, 2019, Alignvest acquired all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated, and continued as Sagicor Financial Company Ltd.

The Company's issued common shares are listed on the Toronto Stock Exchange.

Sagicor Financial Company Ltd. and its subsidiaries ('the Group') operate across the Caribbean and in the United States of America (USA). There is a discontinued operation in the United Kingdom. Details of the Sagicor's holdings and operations are set out in notes 4 and 38 to the 2019 financial statements.

The principal activities of the Sagicor Group are as follows:

- Life and health insurance,
- Annuities and pension administration services,
- Banking and investment management services,

and its principal operating companies are as follows:

- Sagicor Life Inc. (Barbados and Trinidad & Tobago),
- Sagicor Life Jamaica Limited (Jamaica),
- Sagicor Bank Jamaica Limited (Jamaica),
- Sagicor Life Insurance Company (USA).

The Group also underwrites property and casualty insurance and provides hospitality services.

Result of Operations

An understanding of Sagicor's financial condition and the results and related risks of Sagicor's operations for the periods discussed in this MD&A requires an understanding of Sagicor's business. Accordingly, the following discussion should be read in conjunction with the discussion of these and related matters that appear elsewhere in this MD&A, including under the following headings: (i) Key Factors Affecting Results; (ii) Critical Accounting Estimates and Judgments; and (iii) Risk Management.

Non-IFRS Financial Information

Sagicor reports its financial results and statements in accordance with IFRS. It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure if it is presented other than in accordance with the generally accepted accounting principles used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's financial results and assess its growth and earnings potential. Since non-IFRS financial measures do not have standardised definitions and meanings, they may differ from the non-IFRS financial measures used by other

institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure.

Sagicor believes that certain non-IFRS measures described below are more reflective of its ongoing operating results and provide readers with a better understanding of management's perspective on the Company's performance. These measures enhance the comparability of the Company's financial performance from period to period, as well as measure relative contribution to shareholder value.

The following represent non-IFRS financial measures:

1. Return on Shareholders' Equity

IFRS does not prescribe the calculation of return on shareholders' equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported net income/(loss) attributable to shareholders is divided by the total weighted average common shareholders' equity for the period. The quarterly return on shareholders' equity is annualised.

2. Book value per share

To determine the book value per share, shareholders' equity is divided by the number of shares outstanding at the period end, net of any treasury shares.

3. MCCSR

The MCCSR was a capital adequacy measure for life insurance companies established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It was a measure used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Canadian regulators when it was in effect; companies were expected to establish and meet an internal target greater than 150%. Refer to note 46.2 of the 2019 audited annual financial statements for details.

4. Debt to capital ratio

The debt to capital ratio is the ratio of notes and loans payable (refer to note 16 to the audited annual financial statements) to total capital, where capital is defined as the sum of notes and loans payable and total equity. This ratio measures the proportion of debt a company uses to finance its operations as compared with its capital.

5. Debt to equity ratio

The debt to equity ratio is the ratio of notes and loans payable (refer to note 16 to the audited annual financial statements) to total equity. This ratio measures the proportion of debt a company uses to finance its operations as compared with its equity.

6. Dividend pay-out ratio

This is the ratio of dividends paid per share to basic earnings per common share.

7. Coverage ratio

This ratio earnings for the year before interest and taxes, divided by the sum of interest and preferred share dividends. The coverage ratio is a solvency check which measures the number of times interest can be paid the earnings of the company.

Cautionary Statement Regarding Forward-Looking Information

This MD&A includes "forward-looking information" and "forward-looking statements" (collectively "forward-looking information") and assumptions about, among other things, Sagicor's business, operations, and financial performance and condition, approved by the board of directors of Sagicor on the date of this MD&A.

This forward-looking information and these assumptions include, but are not limited to, statements about Group's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Information included in this MD&A that is not a statement of historical fact is forward-looking information. When used in this MD&A, words such as "believes," "may," "will," "estimate," "should," "shall," "plans," "assumes," "continue," "outlook," "could," "anticipates," "intends," "expects," and words of similar import, are intended to identify statements containing forward-looking statements.

These statements appear throughout this MD&A. Such forward-looking statements are based on Sagicor's estimates, assumptions, strategies and projections and subject to known and unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond its control and which may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements.

These factors include, but are not limited to, the following: fluctuations in the fixed income markets may adversely affect Sagicor's profitability and financial condition; the success of Sagicor's operations in the United States depends on Sagicor's ability to grow its business; Sagicor's financial targets may prove materially inaccurate or incorrect; Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability; differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so Sagicor's policy reserves may be insufficient to cover actual policy benefits; Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals; Sagicor's risk management policies and procedures could leave Sagicor exposed to unidentified or unanticipated risk, which could negatively affect Sagicor's business or result in losses; illiquidity of certain investment assets may prevent Sagicor from selling investments at fair prices in a timely manner; Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability; a prolonged labour dispute could hurt Sagicor's business; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; a failure to successfully integrate Sagicor's acquisitions could adversely affect Sagicor's operations and profitability; a failure to successfully execute current and future strategic acquisitions could adversely affect Sagicor's profitability; Sagicor may be required to make an offer to purchase all of the 2022 Notes and Short Term Notes, but may not be financially able to repurchase the notes; Sagicor's business is highly regulated and subject to numerous laws and regulations; litigation and regulatory proceedings outcomes could adversely affect Sagicor's business; companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny; there may be adverse consequences if the status of Sagicor's independent contractors is successfully challenged; failures to implement or comply with legally required anti-money laundering practices could subject Sagicor to sanctions and/or criminal and civil penalties; the amount of statutory capital that Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to factors outside of Sagicor's control; a failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by the private rating agencies; Sagicor's financial condition may be adversely affected by geopolitical events; Sagicor operates in a highly competitive industry; Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and Sagicor also faces competition from global companies – this competition could limit Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations; brokers that sell Sagicor's products may sell insurance products of Sagicor's competitors and such brokers may choose not to sell Sagicor's products; computer viruses, network security breaches, disasters or other unanticipated events could affect Sagicor's data processing systems or those of its business partners and could damage Sagicor's business and adversely affect its financial condition and results of operations; a financial strength downgrade in Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect Sagicor's financial condition and results of operations; the unpredictable nature of the property and casualty insurance industry may cause fluctuations in Sagicor's results; Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to Sagicor, or Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting Sagicor's business, financial condition and result of operations; Sagicor's business model depends on the performance of various third parties including actuarial consultants and other service providers; negative publicity in the insurance industry could adversely affect Sagicor; Sagicor depends on key personnel, and if they were to leave Sagicor, Sagicor might have an insufficient number of qualified employees; Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States of America and the other jurisdictions in which it operates; Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations; foreign exchange controls may restrict Sagicor's ability to receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes; catastrophes and weather-related events, such as hurricanes, may adversely affect Sagicor; the performance of Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters; Sagicor's credit ratings may be reduced, which may adversely affect Sagicor; Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation

and Development international tax standards could subject Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect Sagicor's operations and financial condition; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact Sagicor's financial condition; Sagicor Financial Company Ltd. is a holding company and is dependent upon distributions from subsidiaries to pay taxes and other expenses.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this MD&A under "Risk Management", "Key Factors Affecting Results," and "Critical Accounting Estimates and Judgements" and in the "Financial Risk" and "Insurance Risk" notes to the consolidated financial statements. The forward-looking statements in this document are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

Additional Information

All documents related to the financial results of Sagicor Financial Company Ltd are available on the Company's website at Sagicor.com, in the Investor Relations section. Additional information about Sagicor may be found on the SEDAR website at sedar.com, as well as the Company's Annual Information Form, which may be found on the Company's website or the SEDAR website.

The Management's Discussion and Analysis is dated April 23, 2020.

		Page
1.	Highlights	64
2.	Profitability	72
3.	Analysis by Business Segment Sagicor Life Sagicor Jamaica Sagicor Life USA Other	91
4.	Financial Position Capitalisation Equity and Financing Controls and Procedures Other Items	106
5.	Financial Investments	118
6.	Risk Management Risk Management Principles and Responsibilities Risk Categories	120

1. HIGHLIGHTS

The Sagicor Group experienced a strong performance in 2019, with growth observed in all operating segments across the Group.

Creation of Sagicor Financial Company Ltd. (formerly Sagicor Financial Corporation Limited)

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which Alignvest will acquire all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated.

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US $450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which was renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group incurred cash and non-cash transaction expenses of US $43.4 million related to this exercise.

Group net income excluding Alignvest transaction expenses amounted to US $147.5 million compared to US $102.9 million in the prior year. Net income from continuing operations attributable to common shareholders, excluding Alignvest transaction expenses, closed the year at US $87.4 million compared to US $36.5 million in the prior year. Both Group net income and income attributable to Shareholders from continuing operations were affected by the Government of Barbados debt restructuring in 2018. Management estimates that net income attributable to shareholders from continuing operations, excluding the Government of Barbados debt restructuring, would have been US $72.6 million, in the prior year.

Along with the capital raised in 2019, organic capital growth was also strong, and the group closed the year with a Minimum Continuing Capital and Surplus Requirement (MCCSR) of 253% well above the recommended minimum standard set by Canadian regulators.

About Sagicor

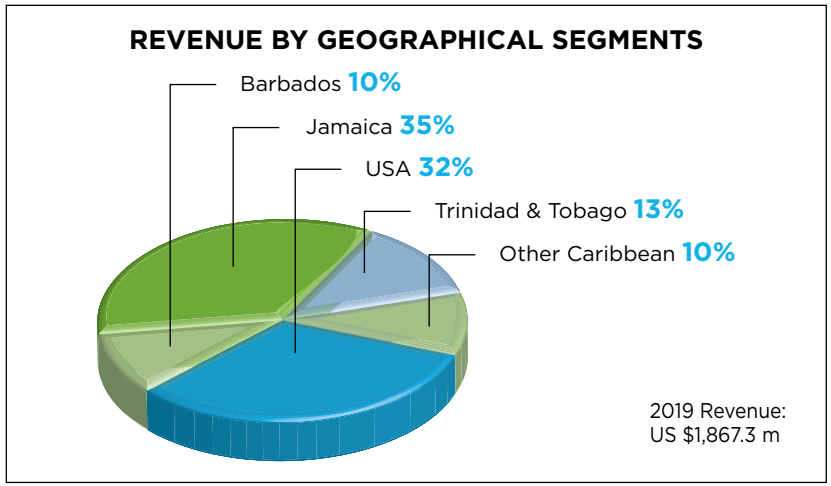
Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds and real estate development, and commercial banking. Sagicor's principal markets are Barbados, Jamaica, Trinidad and Tobago, and the United States of America. Sagicor demutualised in November 2002 and listed its shares on the Barbados Stock Exchange (BSE: SFC), with subsequent listings on the Trinidad and Tobago Stock Exchange (TTSE: SFC) and the London Stock Exchange (LSE: SFI). Sagicor Financial Corporation moved its corporate domicile from Barbados to Bermuda and continued as Sagicor Financial Corporation Limited (SFCL), an exempted company, on July 20, 2016.

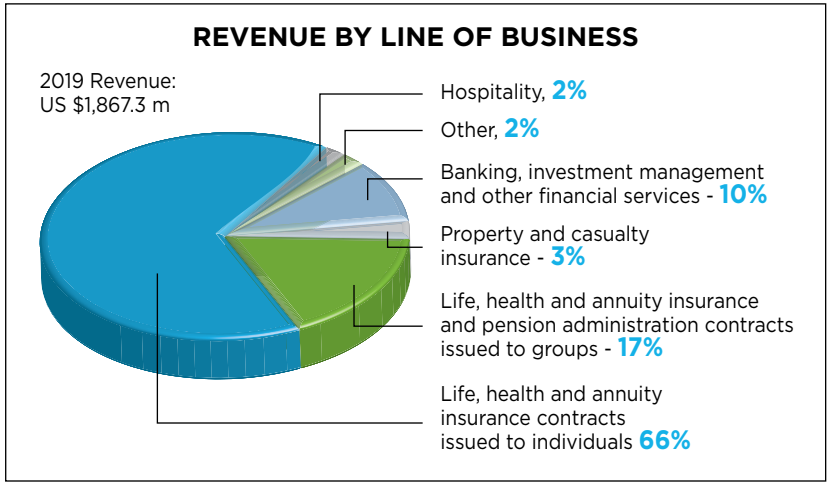
As a result of its completed business combination with Alignvest Acquisition II Corporation (AQY) on December 5, the new Sagicor, known as Sagicor Financial Company Ltd., now trades on the Toronto Stock Exchange under the new symbols "SFC" and "SFC.WT". With a listing on the Toronto Stock Exchange, SFCL's common shares, formerly listed on the London Stock Exchange, have ceased trading and have been delisted from the London Stock Exchange. Former listings on the Barbados and the Trinidad and Tobago Stock Exchanges have ceased trading and applications for delisting have been submitted.

Sagicor currently operates in 22 countries and maintains a strong market position in most of the markets where it operates. Their primary business is the provision of insurance (life, annuity, health and property and casualty) and financial services, including pension management, asset management and banking.

Sagicor operates its business primarily through its three reporting operating segments, namely Sagicor Life, Sagicor Jamaica, and Sagicor Life USA.

Sagicor's objective is to be a leading insurance and financial services provider of world class products and services to better serve its customers and other stakeholders in its markets. Sagicor is expanding its banking and asset management business in the Caribbean, where it has strong brand recognition and market shares





Recent Developments

Alignvest Agreement

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which Alignvest will acquire all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated.

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US $450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which has been renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group incurred cash and non-cash transaction expenses of US $43.4 million related to this exercise.

As a result of the closing of this transaction, approximately 147.8 million common shares of Sagicor were issued and outstanding including approximately 6.44 million shares held in escrow and subject to performance measures.

Sagicor had announced its intention in November 2018 to acquire Scotia Jamaica Life Insurance Company Limited ("Scotiabank Insurance Jamaica") and ScotiaLife Trinidad and Tobago Limited ("Scotiabank Insurance Trinidad and Tobago"). On November 1, 2019, Sagicor and The Bank of Nova Scotia Jamaica Limited announced that they have mutually agreed not to proceed with the 20-year distribution agreement for insurance products and solutions in Jamaica. As a result, Sagicor will not proceed with the acquisition of Scotiabank Insurance Jamaica at this time. Sagicor, Alignvest Acquisition II Corporation and Scotiabank Trinidad and Tobago Limited remain parties to a share purchase agreement dated November 27, 2018 (the "Trinidad SPA") pursuant to which Sagicor agreed to establish a 20-year distribution agreement for insurance products and solutions in Trinidad and Tobago, and acquire all of the issued and outstanding shares in the capital of Scotiabank Insurance Trinidad and Tobago, subject to the satisfaction of certain conditions precedent. The Scotia Trinidad Agreement expires June 30, 2020. Given current circumstances, there can be no assurance that the transaction will be completed.

Acquisition

On September 30, 2019, the Sagicor Jamaica segment acquired 60% of the share capital of Advantage General Insurance Company Limited. Our share of net assets was US $23.4 million and was acquired for a consideration of US $31.2 million. Refer to note 37.1 to the Group's 2019 audited financial statements for details.

Other Events

Acquisition Agreement

October 7, 2019 – Sagicor Financial Corporation Limited announced that, on September 30, 2019, Sagicor Life Inc. ("SLI"), its wholly-owned subsidiary, entered into agreements to acquire the traditional insurance portfolios, and investment assets, primarily, sovereign debt of the Government of the Republic of Trinidad and Tobago to support the liabilities of both Colonial Life Insurance Company (Trinidad) Limited ("CLICO") and British American Insurance Company (Trinidad) Limited ("BAT"). In addition, contracts with respect to CLICO's pension fund administration, management and investment services operations (as well as supporting investment assets) will be acquired and assumed by SLI.

Approximately US $1.2 billion of total investment assets are proposed to be acquired to fund a similar amount of actuarial liabilities.

The completion of the transaction is subject to regulatory approval.

Government of Barbados Debt

On December 11, 2019 the Government of Barbados, with the agreement of an External Creditor Committee, completed the restructuring of its US dollar denominated commercial debt. In exchange for its debt, the Group has accepted two Government of Barbados securities along with a small amount of cash. The first security is repayable in 2021 while the second is an amortising bond with final maturity in 2029 and represents the majority of the exchange. Both securities carry an interest rate of 6.5%. The terms of the restructuring of US dollar denominated commercial debt are more favourable relative to the impairments previously recorded in 2018, leading to a gain in 2019 of US $3.1 million on the exchange.

Change of Control Notice and Offer to Purchase

On December 20, 2019 the Group made an offer to purchase for cash, any and all of the outstanding US $320.0 million aggregate principal amount of 8.875% Senior Notes due 2022. This offer was made in connection with the completed business combination by Sagicor Financial Corporation Limited with Alignvest Acquisition II Corporation, a special purpose acquisition corporation listed on the Toronto Stock Exchange, completed on December 5, 2019 (the "Transaction"). On January 27, 2020 US $1,897,000 notes were tendered, purchased and cancelled.

Financial Summary

The summary consolidated financial data is derived from the audited annual financial statements, for each of the periods indicated on the following table.

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd. on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd. equivalent. All per share ratios for 2018 have been adjusted to reflect the Exchange Ratio.

(in US $millions, unless otherwise noted)	Quarterly Results			Yearly Results		
	Q4 2019	Q4 2018	Change	2019	2018	Change
Profitability						
Net income [a] attributable to common shareholders	**11.5**	8.0	44%	**44.0**	36.5	21%
Net income[a],[b]	**54.9**	8.0	586%	**87.4**	36.5	139%
Earnings per share:						
Basic earnings[a]	**15.0¢**	11.3¢	33%	**57.5¢**	51.7¢	11%
Basic earnings [a],[b]	**71.8¢**	N/A	-	**114.3¢**	N/A	-
Fully diluted [a]	**14.1¢**	11.1¢	27%	**54.1¢**	50.8¢	15%
Fully diluted[a],[b]	**67.5¢**	N/A	-	**107.5¢**	N/A	-
Return on shareholders' equity [a]	**6.2%**	5.4%	-	**6.8%**	6.2%	-
Return on shareholders' equity [a],[b]	**30.4%**	N/A	-	**14.0%**	N/A	-
Growth						
Revenue:						
Individual life, health and annuity	**288.5**	269.9	7%	**1,214.8**	856.4	42%
Group life, health and annuity	**78.7**	75.2	5%	**317.9**	284.3	12%
Property and casualty insurance	**23.5**	11.4	106%	**61.9**	44.2	40%
Banking and investment management	**54.9**	51.6	6%	**192.2**	167.8	15%
Hospitality	**46.9**	8.1	479%	**41.7**	8.1	415%
Farming and unallocated revenues	**(20.8)**	4.5	(562%)	**38.8**	25.8	50%
Total revenue	**471.7**	420.7	12%	**1,867.3**	1,386.6	35%

(a) From continuing operations

(b) Excluding Alignvest transaction cost

(in US $millions, unless otherwise noted)	Quarterly Results			Yearly Results		
	Q4 2019	Q4 2018	Change	2019	2018	Change
Growth *(continued)*						
Net premium revenue:						
Life insurance	**111.8**	110.0	2%	**430.6**	412.0	5%
Annuity	**125.5**	170.8	(27%)	**592.1**	440.1	35%
Health insurance	**45.2**	45.7	(1%)	**173.1**	168.1	3%
Property and casualty insurance	**18.0**	7.5	140%	**45.7**	33.9	35%
Total net premium revenue	**300.5**	334.0	(10%)	**1,241.5**	1,054.1	18%
Assets from continuing operations	**8,728.9**	7,308.2	19%	**8,728.9**	7,308.2	19%
Total assets	**8,728.9**	7,325.4	19%	**8,728.9**	7,325.4	19%
Operating liabilities	**6,461.3**	5,699.7	13%	**6,461.3**	5,699.7	13%
Notes and loans payable	**517.7**	490.3	6%	**517.7**	490.3	6%
Book value per common share	**$7.81**	$8.50	-	**$7.81**	$8.50	-
Financial strength						
Debt to capital ratio	**N/A**	N/A	N/A	**22.8%**	30.2%	-
Dividend pay-out ratio	**N/A**	N/A	N/A	**37.6%**	41.8%	-
Dividend pay-out ratio [b]	**N/A**	N/A	N/A	**18.9%**	N/A	-
Dividends paid per common share	**2.5¢**	2.5¢	-	**5.0¢**	5.0¢	-
Total capital	**2,266.3**	1,621.7	40%	**2,266.3**	1,621.7	40%
Average common shares outstanding (000's)	**N/A**	N/A	N/A	**76,452**	70,680	-
Outstanding shares, at end of period (000's)	**147,789**	306,115	-	**147,789**	306,115	-
MCCSR, at end of period	**N/A**	N/A	N/A	**253%**	234%	-

Profitability

Group net income excluding Alignvest transaction expenses amounted to US $147.5 million compared to US $102.9 million in the prior year. Net income from continuing operations attributable to common shareholders, excluding Alignvest transaction expenses, closed the year at US $87.4 million compared to US $36.5 million in the prior year. Both Group net income and income attributable to Shareholders from continuing operations were affected by the Government of Barbados debt restructuring in 2018. Management estimates that net income attributable to shareholders from continuing operations, excluding the Government of Barbados restructuring, would have been US $72.6 million, in the prior year.

Earnings per share (basic) before Alignvest transaction costs for the year ended December 31, 2019 and December 31, 2018, was US $1.143 and US $0.517, respectively.

Refer to the Profitability section of this Management's Discussion and Analysis for additional information on the Company's profitability in 2019.

Profitability	**Yearly Results**		
(in US $millions, unless otherwise noted)	**2019**	**2018**	**Change**
Net income attributable to common shareholders before Alignment transaction expenses	**87.4**	36.5	139%
Alignvest transaction expenses	**(43.4)**	-	-
Net income attributable to common shareholders	**44.0**	36.5	21%
Earnings per common share (EPS) – (basic) before Alignvest transaction expenses	**US $1.143**	N/A	-
Earnings per common share (EPS) – (basic)	**US $0.575**	US $0.517	11%

Business Growth

Net premiums, net investment income and other revenue all showed growth at the end of 2019. Overall, the Group closed the year with revenue growth of 35% when compared to 2018. Growth in net premium revenue was driven by the life and annuity line of business which showed growth in all operating segments, with our USA segment demonstrating significant growth.

Net investment income also experienced growth and benefited from capital gains on our international portfolio. Growth in banking and investment management fees in our Jamaica segment, were significant contributors to the overall growth in our other revenue.

In 2018, the Group recorded US $95.5 million in credit impairment losses mainly associated with the Government of Barbados debt restructuring. There were no significant credit impairment losses in 2019.

The following table summarises the revenue growth by operating segment.

Total Revenue by Business Segment	**Quarterly Results**			**Yearly Results**		
(in US $millions, unless otherwise noted)	**Q4 2019**	**Q4 2018**	**Change**	**2019**	**2018**	**Change**
Growth						
Sagicor Life	**162.2**	112.1	45%	**533.3**	340.1	57%
Sagicor Jamaica	**194.3**	157.9	23%	**735.3**	585.9	26%
Sagicor Life USA	**102.9**	142.4	(28%)	**561.5**	420.7	33%
Head office, Other and adjustments	**12.3**	8.3	48%	**37.2**	39.9	(7%)
Total revenue	**471.7**	420.7	12%	**1,867.3**	1,386.6	35%

Refer to the sections that follow for more information the business growth.

Financial Strength

The consolidated Minimum Continuing Capital and Surplus Requirement (MCCSR - a Canadian risk-based assessment measure), for the life insurers of the Sagicor Group as of December 31, 2019 has been estimated at 253% (2018 - 234%), exceeding the minimum standard recommended by the Canadian regulators for companies of 150%.

The debt to capital ratio was 22.8% at December 31, 2019 compared 30.2% at December 31, 2018, while the coverage ratio excluding the Alignvest transaction expenses was 5.7 times at the end of December 2019, compared to 5.0 times for the same period in 2018. The significant change in the debt to capital ratio was the result of the impact of the Alignvest transaction in 2019 which raised additional capital.

As of December 31, 2019, capital resources totalled US $2,266.3 million compared to US $1,621.7 million reported at the end of December 2018 again driven by the Alignvest transaction.

For detailed comments on financial strength, refer to the Financial Position section of the Management's Discussion and Analysis.

Dividends

On February 3, 2020, the Board of Directors declared a dividend of US $0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on February 10, 2020.

The dividends declared and paid in respect of Sagicor common shares in respect of 2019 totalled US $15.3 million and represented US $0.05 per common share.

Quality of Investments

As of December 31, 2019, Sagicor held US $6,685.6 million (2018 – US $5,347.7 million) of diversified financial assets and net investment income of US $419.8 million (2018 - US $293.8 million). The net investment return was 7.2% (2018 – 6.1%). Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at December 31, 2019, Sagicor held US $5,064.9 million in debts securities (76% of the total financial investments on hand).

Investment Income Summary	**Yearly Results**		
(in US $millions, unless otherwise noted)	**2019**	**2018**	**Change**
Interest income (AC)	**175.5**	177.5	(1%)
Interest income (FVOCI)	**132.5**	113.5	17%
Income from FVTPL investments	**112.8**	4.5	2,407%
Other income measured on IFRS 9 basis	**0.3**	0.8	(63%)
Other investment income	**7.6**	5.9	29%
Investment expenses	**(8.9)**	(8.4)	6%
	419.8	293.8	43%

Litigation or Other Matters

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

In respect to 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, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and the results of operations.

Significant matters are outlined below:

1. Suit has been filed by a customer against one of the Group's, subsidiaries for breach of contract, and breach of trust in the amount of US $8.9 million being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the outcome of this matter cannot be properly assessed until it has been heard.

2. Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US $300,000,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties coupled with the assessment by the Group of a probable favourable outcome.

Board of Directors

As of December 23, 2019, the directors of the Company were as follows:
1. Timothy Hodgson, Chairman (new)
2. Archibald Campbell (new)
3. Keith Duncan (new)
4. Stephen Facey (new)
5. Mahmood Khimji (new)
6. Douglas Fridrik (Rik) Parkhill (new)
7. Reza Satchu (new)
8. Aviva Shneider (new)
9. Stephen McNamara
10. Sir Hilary Beckles
11. Peter Clarke
12. Monish Dutt
13. Dodridge Miller
14. John Shettle Jr

Changes to Accounting Policies in 2019 and Future Changes in Accounting

As disclosed in the Company's annual financial statements for the year ended December 31, 2019, as of January 1, 2019, the Sagicor Group adopted IFRS 16. The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Reclassifications and adjustments arising from the new leasing rules are therefore recognised on January 1, 2019 (see note 49).

This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. For further details on the impacts of the application of IFRS 16, including the description of accounting policies, refer to notes 2.10 and 49 of the annual financial statements. Refer to note 2.26 of the annual financial statements for details on future accounting developments and reporting changes.

Amendments to existing IFRS and IAS effective January 1, 2019

The Group has adopted the following amendments to IFRS and IAS:

- IFRS 9 - Financial Instruments
- IFRIC 23 – Uncertainty over Income Tax Treatments
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 19 – Employee Benefits
- Annual Improvements

None of these amendments had a material effect on the Group's financial statements. Refer to note 2.1 of the annual financial statements for further details on amendments to existing IFRS and IAS effective January 1, 2019.

Outlook for 2020

The Group's outlook for 2020 is uncertain. While the Group exceeded its operating targets in 2019 and is robustly capitalized following its transaction with Alignvest, we believe the macroeconomic environment will be materially affected in all of the jurisdictions in which we operate by the COVID-19 pandemic and related economic contraction. We therefore will not set out specific guidance for financial targets for the year. Refer to the Subsequent Events section for more details on the potential impact of the COVID-19 pandemic.

Economic Environment

Global economic activity for 2019 was estimated at 2.9%, the weakest growth rate since the global financial crisis a decade ago. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In the USA, GDP growth of 2.3% was estimated for 2019. The U.S labor market remained strong and economic activity has risen at a moderate rate. The unemployment rate stood at 3.6% in December 2019 down from December 2018 where it stood at 3.9%. The US Federal Reserve (Fed) in July 2019 decided to lower interest rates, this was the first rate cut since December 2008. This change in direction of interest rates was described by the Fed as a "mid-course correction" and was the result of trade policy uncertainties. Interest rates were cut three times during the year from a range of 2.25% - 2.50% as at December 2018 to a range of 1.50% - 1.75% as at December 2019. Oil prices remained subdued during 2019 with WTI oil prices closing at US $61.06 per barrel.

Europe and Japan experienced growth estimated at 1.4% and 1.0%, respectively, as their respective Central Banks generally continued accommodative fiscal and monetary policies throughout 2019. The Bank of England maintained its short-term interest rate at 0.75% while Japan's short-term rates remained unchanged at - 0.1% during 2019.

2019 was an exceptional year for the global equity markets. In the US market, the S&P 500 index was up 31.49% for the year which was its

best year since 2013. The NASDAQ Composite and Dow Jones Industrial Average Index were up 36.7% and 25.3%, respectively. The MSCI Emerging Market Index was up 18.42% for the year. However, treasury yields continued to decline with the 10-year treasury yield starting 2019 at 2.69% and ended the year at 1.92%.

Growth in the Eastern Caribbean was expected to improve during 2019 as a result of increased activity in the tourism and construction sectors. Dominica and Anguilla continued their post-hurricane rebuilding and recovery drive which resulted in accelerated construction activity and some spill-off activity in the tourism sector. This activity placed their growth trajectory on an upward path. In 2018 Dominica's real GDP growth was 4% and it was expected that there will be a further growth of approximately 9% in 2019. Anguilla's real GDP was expected to grow by 8.8% in 2019 compared to 10.8% in 2018. However, growth in Barbados remained flat and Jamaica's growth began to slow down during the third quarter of 2019. Inflation remained suppressed for the Eastern Caribbean territories although there were marginal increases in five countries.

In Barbados, real economic activity is estimated to have declined during 2019 by 0.1%. However, the international reserves increased by BDS$481 million which is equivalent to 18 weeks of import cover. This increase in international reserves reflected borrowings from the international financial institutions, the on-going suspension of commercial external debt payments and an active foreign exchange market that allowed commercial banks to sell foreign exchange to the Central Bank. During the year there was an improvement in the debt-to-GDP ratio which now stands at 119.5%. The lowering of the debt-to-GDP ratio can be attributed to the completion of the external debt restructuring in December 2019.

During December 2019, Barbados' Long-term Foreign Currency credit rating was upgraded to B- from Selective Default (SD) by Standard and Poor's. This six-notch upward movement on the rating scale is a significant step in restoring investor confidence and lowering the cost of funds for the private and public sector over the medium-term. There was no change in the average unemployment rate which stood at 10.1% at the end of December 2019, compared to 2018. However, inflation trended upwards to 4.1% this was primarily as a result of the impact of persistent drought conditions on non-sugar agriculture, the influx of sargassum seaweed on fish catches and policy measure implementation at some state-owned enterprises.

As Trinidad and Tobago's energy sector recovers, it is estimated that the economy expanded by 1.8% in 2019, compared to revised annual GDP growth rate of -0.2% in 2018. As at September 30th, 2019, headline and core inflation were subdued at 1.1% and 1.0%, respectively. The Central Bank of Trinidad and Tobago kept the repo rate steady at 5% for the year 2019. At the end of October 2019, gross official reserves were approximately US $7,110.0 million, equivalent to 7.9 months of prospective imports of goods and services which was US $465.0 million lower than the value recorded at the end of 2018. There was a significant improvement in the domestic stock market for the financial year ending September 2019 where the major Composite Price Index increased by 14.9% and the total stock market capitalization was up 14.8%.

In the quarter ended September 2019, the Jamaica economy grew by 0.6% compared to 1.3% in the second quarter of 2019. On September 27, 2019, Standard and Poor's rating agency upgraded the Government of Jamaica's long-term ratings to B+ from B and affirmed the short-term debt at B, as well as, affirmed a stable outlook. Similarly, Moody's upgraded the Government of Jamaica's long-term issuer and senior unsecure rating from B3 to B2. The key drivers for these upgrades were Jamaica's commitment to structural reform, fiscal consolidation and its improving debt structure. The Bank of Jamaica continued along the path of monetary easing and reduced its policy interest rate from 1.75% to a historic low of 0.50% during the year 2019. Inflation of 6.2% was recorded in 2019 which falls marginally above the Bank of Jamaica's target of between 4% to 6%. The labour market continued to improve as the unemployment rate declined to 7.2% as at October 2019, compared to 8.7% in 2018. Similar to the international equity markets, the Jamaica Stock Exchange exhibited extraordinary returns and was up 34.26% for 2019. However, the fixed income market yields trended downwards as the GOJ 180-day Treasury Bill declined to 1.75% at the end of September 2019 from 2.07% at the end of 2018.

2. PROFITABILITY

Highlights

Net income before the Alignvest transaction, attributable to common shareholders for the year ended December 31, 2019 totalled US $87.4 million, compared to the US $36.5 million reported in 2018, an increase of US $50.9 million. Return on equity for the 2019 year-end was 14.0%, before the Alignvest transaction, compared to 6.2% in 2018, and reflected higher profitability. The Earnings per Share (EPS - basic) moved similarly, closing at US $1.143 (before Alignvest transaction expenses) in 2019. In 2018, Earnings per share was US $0.517. The difference in Earnings per share reflects the change in capital structure implemented in 2019 and strong operating results.

Net income attributable to Common shareholders from continuing operations	**Yearly Results**		
(in US $millions, unless otherwise noted)	**2019**	**2018**	**Change**
Sagicor Life	**60.9**	39.6	54%
Sagicor Jamaica	**61.4**	55.7	10%
Sagicor Life USA	**35.4**	18.3	93%
Head office, Other and adjustments	**(70.3)**	(77.1)	9%
Net income before Alignvest transaction costs	**87.4**	36.5	139%
Alignvest transaction costs	**(43.4)**	-	-
Net income	**44.0**	36.5	21%
Earnings per common share (EPS):			
Basic	**57.5¢**	51.7¢	11%
Basic – excluding Alignvest transaction costs	**114.3¢**	N/A	-
Diluted	**54.1¢**	50.8¢	7%
Diluted – excluding Alignvest transaction costs	**107.5¢**	N/A	-
Return on common shareholders' equity (ROE)	**6.8%**	6.2%	-
Return on common shareholders' equity (ROE)– excluding Alignvest transaction costs	**14.0%**	N/A	-

Group net income for the year

The table below summarises Sagicor's net income for the years ended December 31, 2019 and 2018.

	Year ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Group net income			
Group net income before Alignvest transaction costs	**147.5**	102.9	43%
Alignvest transaction costs	**(43.4)**	-	-
Total	**104.1**	102.9	1%
Net income/(loss) is attributable to Common shareholders:			
From continuing operations before Alignvest transaction costs	**87.4**	36.5	139%
Alignvest transaction costs	**(43.4)**	-	-
From total continuing operations	**44.0**	36.5	21%
From discontinued operation	**0.5**	7.1	(93%)
	44.5	43.6	2%
Participating policyholders	**(1.9)**	7.2	(126%)
Non-controlling interest	**61.5**	52.1	18%
Group net income	**104.1**	102.9	1%

Group net income excluding Alignvest transaction expenses amounted to US $147.5 million compared to US $102.9 million in the prior year.

Net income from continuing operations attributable to common shareholders, excluding Alignvest transaction expenses, closed the year at US $87.4 million compared to US $36.5 million in the prior year. Both Group net income and income attributable to Shareholders from continuing operations were affected by the Government of Barbados debt restructuring in 2018. During 2018, the Group increased its provisions on the Government of Barbados debt for which the net impact on the Group's net income was US $39.2 million (shareholder net income – US $36.1 million). The Group also benefited from certain one-time positive earnings releases that did not recur in 2019 some relating to the impact of the Group's adoption of IFRS 9 in 2018.

Net income from discontinued operation totalled US $0.5 million for the year, compared to income of US $7.1 million for the same period in 2018. On February 12, 2019, The Group completed a review of the consideration related to the price adjustments to December 31, 2018 and entered into a Deed of Release to close this exposure. The final settlement amount was received on February 26, 2019.

Group net income from continuing operations

The table below summarises Sagicor's net income from continuing operations for the years ended December 31, 2019 and 2018.

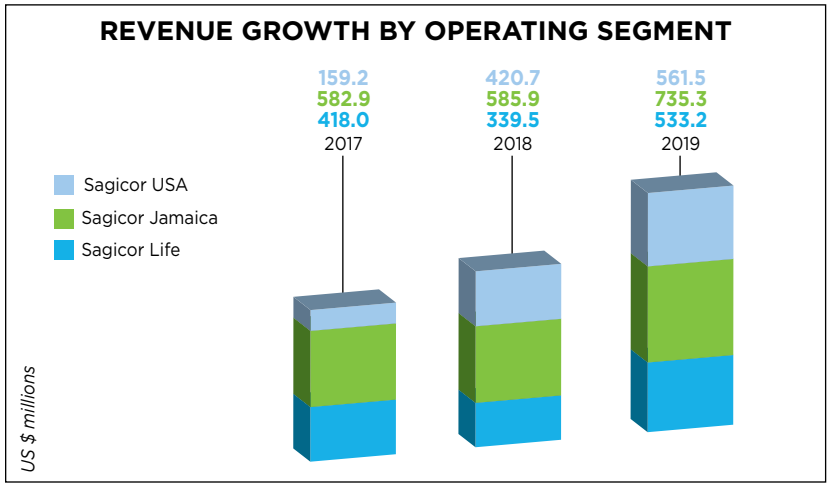
Group net income from continuing operations	**2019**	**2018**	**Change**
(in millions of US $)			
Revenue	**1,867.3**	1,386.6	35%
Benefits	**(1,116.5)**	(765.3)	(46%)
Expenses	**(547.1)**	(495.2)	(10%)
Other	**3.0**	20.4	(85%)
Income taxes	**(59.7)**	(50.7)	(18%)
Group net income from continuing operations before transactions expenses	**147.0**	95.8	53%
Alignvest transaction cost	**(43.4)**	-	-
Group net income from continuing operations	**103.6**	95.8	8%

Revenue

The following table summarises the main items of Sagicor's revenue for the periods ended December 31, 2019 and 2018.

	Year ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Revenue			
Net insurance premiums:			
Life and annuity	**1,022.7**	852.1	20%
Health	**173.1**	168.1	3%
Property and casualty	**45.7**	33.9	35%
	1,241.5	1,054.1	18%
Net investment income	**419.8**	293.8	43%
Gain on derecognition of amortised cost investments	**12.9**	10.4	24%
Gain reclassified to income from accumulated OCI	**30.0**	9.3	223%
Credit impairment losses	**(4.9)**	(95.5)	95%
Fees and other revenue	**168.0**	114.5	47%
Total	**1,867.3**	1,386.6	35%
Total Revenue by Operating Segment			
Sagicor Life	**533.2**	340.1	57%
Sagicor Jamaica	**735.3**	586.0	26%
Sagicor Life USA	**561.5**	420.7	34%
Head office, Other and Adjustments	**37.3**	40.4	(8%)
	1,867.3	1,386.6	35%

Revenue from continuing operations reached US $1,867.3 million for the year ended December 31, 2019, an increase of US $480.7 million (35%) from US $1,386.6 million reported for the same period in 2018. The 2018 financial year included US $95.5 million in credit impairment losses, as the Group impaired the Government of Barbados debt securities.



Net insurance premium revenue represented 66% (2018 – 76%) of total revenue, and closed the year at US $1,241.5 million, US $187.4 million (18%) above the US $1,054.1 million reported for the same period in 2018. Increased premium revenue was driven primarily by the Sagicor Life and Sagicor Life USA business segments which experienced significant premium growth in life and annuity business during the year.

Net premium revenue from health insurance business totalled US $173.1 million in 2019, a moderate increase from US $168.1 million in 2018. Net premium revenue from property and casualty insurance totalled US $45.7 million in 2019, a 35% increase from US $33.9 million in 2018, and includes net premiums for the fourth quarter related to the general insurance business - Advantage General Insurance Company Limited, acquired on September 30, 2019, in our Jamaica segment.

Net investment income reached US $419.8 million in 2019 compared to US $293.8 million in 2018, an increase of US $126.0 million. The increase in investment income was due in part to an increase in marked to market gains experienced on indexed options and equities, along with significant growth in investment assets in our Sagicor Life USA segment. Our Jamaica segment also experienced growth in investment income related to underlying growth in its investment portfolio, and gains arising from improvements in the Jamaica stock market, as the index grew by 34% year on year.

The interest yields and returns achieved on financial investments are disclosed in the following table.

	Year ended December 31	
	2019	**2018**
Interest yields		
Debt securities	**5.1%**	5.8%
Mortgage loans	**6.0%**	6.0%
Policy loans	**7.3%**	7.2%
Finance loans and leases	**11.6%**	11.4%
Securities purchased for resale	**6.2%**	7.5%
Deposits	**1.6%**	2.9%

The Group generated Fees and other revenues of US $168.0 million for the year ended December 31, 2019, compared to US $114.5 million for the same period in 2018, an increase of US $53.5 million. Fees and other revenues for the current year from our Jamaica segment now include US $39.7 million in hotel revenues associated with the consolidation of the Sagicor X Fund, compared to revenue of US $9.7 million (for October to December 2018) in the prior year. The Sagicor X Fund was deemed to be a subsidiary from October 1, 2018.

Benefits

Benefits totalled US $1,116.5 million in 2019, a 46% increase from US $765.3 million reported in 2018. The growth in benefits (which include actuarial provisions for future benefits) reflects and is consistent with our premium revenue growth in our operating segments. You will recall that there was significant growth in premiums in the Sagicor Life USA segment.

The following table summarises the benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the years ended December 31, 2019 and 2018.

(in millions of US $)	Year ended December 31 2019	2018	Change
Benefits			
Net insurance benefits:			
Life and annuity	**900.0**	571.0	58%
Health	**135.3**	122.8	10%
Property and casualty	**27.0**	19.0	42%
	1,062.3	712.8	49%
Interest cost	**54.2**	52.5	3%
Total	**1,116.5**	765.3	46%

Life and annuity benefits totalled US $900.0 million for the year ended December 31, 2019, of which US $414.6 million related to current benefits and US $485.4 million related to future benefits. The amounts for the corresponding period in 2018 were a total of US $571.0 million, of which US $392.7 million related to current benefits and US $178.3 million related to future benefits. The change in provision for future benefits from 2018 to 2019 represented an increase of US $307.1 million and was driven primarily by the strong growth in new business in our Sagicor Life USA segment. In 2018, benefits were impacted by one-time actuarial adjustments related to the Group's initial adoption of IFRS 9 and the impairment of the Government of Barbados debt.

Total health insurance benefits were US $135.3 million representing an overall claim to premium ratio of 78.2%. In 2018 the Group experienced health insurance benefits of US $122.8 million and an overall claim to premium ratio of 73.0%.

Property and casualty claims amounted to US $27.0 million in 2019, a US $8.0 million increase over US $19.0 million incurred in 2018. During the quarter, the newly acquired subsidiary Advantage General Insurance, acquired on October 1, 2019 in our Jamaica segment, contributed additional benefits during the fourth quarter.

Interest expense totalled US $54.2 million for the twelve-month period ended December 31, 2019, a marginal increase from US $52.5 million reported for the same period in 2018.

The following table summarises the interest returns to holders of insurance contracts, investment contracts and deposit and security liability contracts.

	Year ended December 31 2019	2018
Interest yields		
Investment contracts	**2.6%**	4.8%
Other funding instruments	**2.3%**	2.3%
Customer deposits	**1.3%**	1.6%
Securities sold for repurchase	**3.0%**	3.4%

Expenses and taxes

Expenses and taxes totalled US $650.2 million for 2019, up from US $545.8 million for 2018. The table below summarises Sagicor's expenses and taxes from continuing operations for the years ended December 31, 2019 and 2018.

(in millions of US $)	Year ended December 31 2019	2018	Change
Expenses and taxes			
Administrative expenses	**333.3**	303.1	(10%)
Commissions and related compensation	**120.1**	117.3	(2%)
Finance costs, depreciation and amortisation	**79.1**	60.8	(30%)
Premium, asset and income taxes	**74.3**	64.6	(15%)
Total	**606.8**	545.8	(11%)
Alignvest transaction costs	**43.4**	-	-
Total expenses and taxes	**650.2**	545.8	(19%)

Total expenses and taxes totalled US $606.8 million before the Alignvest transaction expense for the year under review, compared to US $545.8 million for the same period in 2018, an increase of US $61.0 million (11%).

Administration expenses totalled US $333.3 million for the year 2019 compared to US $303.1 million for the same period in 2018, an increase of US $30.2 million. For the 2019 financial year our Jamaica segment now includes US $31.2 million of hotel expenses associated with the consolidation of the Sagicor X Funds, representing twelve months of expenses. 2018 included three months of expenses (US $6.9 million) reflecting the fact that the XFund in Jamaica was deemed to be a

subsidiary from October 1, 2018. The Sagicor Life USA segment also incurred higher costs mainly related to increased interest expense on deposit and security liabilities.

Commissions and related compensation grew by 2% to US $120.1 million and this increase was related to new business growth.

Sagicor is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits. Sagicor is also subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions at a percentage of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions at a percentage of adjusted assets held at the end of the period.

Premium, asset and income taxes were US $74.3 million compared to US $64.6 million in the prior year, an increase of US $9.7 million. Of the total taxes, income taxes were US $59.7 million, compared to US $50.7 million in 2018, an increase of US $9.0 million, and was largely related to our Jamaica and USA segments, where we continue to experience business growth.

Discontinued operation

Sagicor's discontinued operation comprised the Sagicor at Lloyd's business, which consisted primarily of property and casualty insurance business written through Lloyd's of London Syndicate 1206. The Lloyd's of London franchise enabled the syndicate to write international business outside of the United Kingdom.

In December 2012, Sagicor made the decision to dispose of the Sagicor Europe Limited ("SEL") segment, which owns the Sagicor at Lloyd's operations. The disposal of this segment occurred on December 23, 2013. In accordance with IFRS, the results of SEL have been separated from Sagicor's continuing operations and presented as a discontinued operation.

The following tables summarise Sagicor's discontinued operation for the years ended December 31, 2019 and 2018.

(in millions of US $)	Year ended December 31		
Net income - discontinued operation	**2019**	**2018**	**Change**
Currency translation gain realised on sale	**0.5**	(0.7)	171%
Movement in price adjustment	**-**	7.8	(100%)
Total	**0.5**	7.1	(93%)

(in millions of US $)	Year ended December 31		
Financial position - discontinued operation	**2019**	**2018**	**Change**
Assets	**-**	17.2	(100%)
Net assets	**-**	17.2	(100%)

On February 12, 2019, Sagicor Financial Corporation Limited completed a review of the consideration related to the price adjustments to December 31, 2018 and entered into a Deed of Release with AmTrust to close this exposure. The final settlement amount of £13.5 million was received on February 26, 2019. The Group has no further exposure to this business.

Shareholder returns

Sagicor's net income and comprehensive income are allocated to the equity owners of Sagicor's respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in the Sagicor Jamaica operating segment, the net income is allocated accordingly between holders of Sagicor common shares and the minority interest shareholders. There is also an allocation to Sagicor Life Inc.'s policyholders who hold participating policies, an arrangement which was established at the demutualization of the Barbados Mutual Life Assurance Society (now Sagicor Life), and of its amalgamation with Life of Barbados Limited.

For the 2019 financial year, US $87.4 million of net income, from continuing operations and before the Alignvest transaction expenses, was allocated to the holders of Sagicor common shares, which corresponded to earnings per share for continuing operations of US $1.143. The comparative amounts for the 2018 fiscal year were US $36.5 million of net income from

continuing operations allocated to the holders of common shares, which corresponded to earnings per share for continuing operations of US $0.517. The respective annual returns on average shareholders' equity were 14.0% for 2019 and 6.2% for 2018 (before the Alignvest transaction expenses).

The dividends declared and paid in respect of Sagicor common shares in respect of 2019 totalled US $15.3 million and represented US $0.0.5 per common share. Dividends of US $0.05 per share were declared and paid in 2018. The table below summarises Sagicor's profitability, dividends and returns in respect of common shareholders for the years ended December 31, 2019 and 2018.

	Year ended December 31	
Common shareholder returns	**2019**	**2018**
Net income [a] attributable to common shareholders	**$44.0m**	$36.5m
Net income [a] [b] attributable to common shareholders	**$87.4m**	$36.5m
Basic earnings [a] per share	**57.5¢**	51.7¢
Basic earnings [a] [b] per share	**114.3¢**	N/A
Fully diluted earnings [a] per share	**54.1¢**	50.8¢
Fully diluted earnings [a] [b] per share	**107.5¢**	N/A
Return [a] on shareholders' equity	**6.8%**	6.2%
Return [a] [b] on shareholders' equity	**14.0%**	N/A
Dividend pay-out ratio	**37.6%**	41.8%
Dividend pay-out ratio [b]	**18.9%**	N/A
Dividends paid	**$15.3m**	$15.3m
Dividends paid per common share	**5.0 ¢**	5.0¢

(a) From continuing operations.

(b) Before Alignvest transaction expenses

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the years ended December 31, 2019 and 2018.

	Year ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Other comprehensive income:			
Items net of tax that may be reclassified subsequently to income:			
Fair value assets measured at fair value through other comprehensive income:			
Gains/(losses) on revaluation	**168.7**	(82.9)	304%
Gains transferred to income	**(20.4)**	(1.8)	(1,033%)
Net change in actuarial liabilities	**(95.0)**	41.6	(328%)
Retranslation of foreign currency operations	**(16.6)**	(25.2)	33%
Other items	**(3.2)**	-	-
	33.5	(68.3)	149%
Items net of tax that will not be reclassified subsequently to income:			
Gains arising on revaluation of ownership occupied property	**(1.0)**	6.9	(115%)
Net gains on equity securities designated at fair value through other comprehensive income	**-**	0.1	(100%)
Gains/(losses) on defined benefits plans	**11.2**	(2.7)	515%
	10.2	4.3	137%
Other Comprehensive Income from continuing operations	**43.7**	(64.0)	168%

	Year ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Total comprehensive income			
Group net income before Alignvest transaction costs	**147.5**	102.9	43%
Other comprehensive income	**43.7**	(64.0)	168%
Total comprehensive income for the year, before Alignvest transaction costs	**191.2**	38.9	392%
Alignvest transaction costs	**(43.4)**	-	-
Total comprehensive income for the year	**147.8**	38.9	280%
Total comprehensive income attributable to:			
Common shareholders:			
From continuing operations before Alignvest transaction expenses	**124.1**	3.0	4,037%
Alignvest transaction costs	**(43.4)**	-	-
From continuing operations	**80.7**	3.0	2,590%
From discontinued operation	**0.5**	7.1	(93%)
	81.2	10.1	704%
Participating policyholders	**(2.7)**	6.4	(142%)
Non-controlling interests	**69.3**	22.4	209%
	147.8	38.9	280%

Items recorded within other comprehensive income arise from gains and losses on employee defined benefit pension plans, from fair value changes of certain asset classes and from the related movements in actuarial liabilities, and from the retranslation of foreign currency operations.

Other comprehensive income for year ended December 31, 2019 totalled US $43.7 million, a significant increase from the loss of US $64.0 million reported in 2018.

During the year, the Group reported net gains on financial assets totalling US $168.7 million resulting from marked-to-market gains financial assets in our international portfolio. This was offset by a net change in actuarial liabilities reserve of US $95.0 million. Other comprehensive income for the period also included a loss of US $16.6 million on the retranslation of foreign currency operations and largely related to the impact of the depreciation of the Jamaican dollar when compared to the United States dollar.

Overall total comprehensive income for the year ended December 31, 2019 totalled US $147.8 million and included the impact of the Alignvest transaction expenses of US $43.4 million. Total comprehensive income allocated to shareholders from continuing operations was US $80.7 million. Absent the Alignvest transaction expenses of US $43.4 million total comprehensive income allocated to shareholders from continuing operations would have been income of US $124.1 million. Total comprehensive income of US $3.0 million was reported for the same period in 2018.

Statement of financial position

The table below summarises Sagicor's consolidated statement of financial position as at December 31, 2019 and 2018, respectively.

	December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Sagicor Group			
Financial investments	**6,685.6**	5,347.7	25%
Other assets	**2,043.3**	1,960.5	4%
Assets of discontinued operation	**-**	17.2	(100%)
Total assets	**8,728.9**	7,325.4	19%
Policy liabilities	**4,316.0**	3,662.4	18%
Other operating liabilities	**2,145.4**	2,037.2	5%
Borrowings	**517.7**	490.3	6%
Total liabilities	**6,979.1**	6,189.9	13%
Shareholders' equity	**1,154.1**	600.9	92%
Participating accounts	**1.2**	4.1	(71%)
Non-controlling interests	**594.5**	530.5	12%
Total equity	**1,749.8**	1,135.5	54%
Total liabilities and equity	**8,728.9**	7,325.4	19%

Fourth Quarter 2019 Profitability

Group net income for the three-month period ended December 31, 2019

The table below summarises Sagicor's net income for the three-month periods ended December 31, 2019 and 2018.

	Quarter ended December 31		
(in millions of US $)	**Q4 2019**	**Q4 2018**	**Change**
Group net income			
From continuing operations before Alignvest transaction costs	**67.9**	40.0	70%
Alignvest transaction costs	**(43.4)**	-	-
From continuing operations	**24.5**	40.0	(39%)
From discontinued operation	**-**	3.9	(100%)
Total	**24.5**	43.9	(44%)
Net income/(loss) is attributable to Common shareholders:			
From continuing operations	**54.8**	8.0	585%
Alignvest transaction costs	**(43.4)**	-	-
	11.4	8.0	43%
From discontinued operation	**-**	3.9	(100%)
	11.4	11.9	(4%)
Participating policyholders	**(1.1)**	14.9	(107%)
Non-controlling interest	**14.2**	17.1	(17%)
Group net income	**24.5**	43.9	(44%)

Group net income before the Alignvest expenses, from continuing operations, for the three-month period to December 31, 2019 was US $67.9 million compared to net income of US $40.0 million for the same period in 2018; an increase of US $27.9 million (70%). The group experienced a strong performance across all operating segments during the fourth quarter.

Net income attributable to shareholders for continuing operations for Q4 2019 was US $54.8 million before Alignvest transactions costs, significantly above the US $8.0 million net income reported for the same period in 2018.

Net income from discontinued operation was nil during the fourth quarter, compared to net income of US $3.9 million, for the same period in 2018. On February 12, 2019, Sagicor Financial Corporation Limited completed a review of the consideration, related to the price adjustments to December 31, 2018, and entered into a Deed of Release with AmTrust to close this exposure. The final settlement amount of £13.5 million was received on February 26, 2019.

Group net income from continuing operations

The table below summarises Sagicor's net income from continuing operations for the three-month periods ended December 31, 2019 and 2018.

(in millions of US $)	Quarter ended December 31		
Group net income from continuing operations	**Q4 2019**	**Q4 2018**	**Change**
Revenue	471.7	420.7	12%
Benefits	(228.5)	(228.0)	-
Expenses	(147.9)	(148.2)	-
Other	(5.4)	13.6	(140%)
Income taxes	(22.0)	(18.1)	(22%)
Group net income from continuing operations before Alignvest transaction costs	67.9	40.0	70%
Alignvest transaction costs	(43.4)	-	-
	24.5	40.0	(39%)

Overall, Group net income before Alignvest transaction expenses, closed at US $67.9 million for the quarter compared to net income of US $40.0 million for the same period ended December 31, 2018; an increase of US $27.9 million or 70%.

Revenue

The following table summarises the main items of Sagicor's revenue for the three-month periods ended December 31, 2019 and 2018.

	Quarter ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Revenue			
Net insurance premiums:			
Life and annuity	237.3	280.8	(16%)
Health	45.2	45.7	(1%)
Property and casualty	18.0	7.5	140%
	300.5	334.0	(10%)
Gain on derecognition of amortised cost investments	10.0	7.7	30%
Gain reclassified to income from accumulated OCI	19.5	-	-
Interest income earned from financial assets measured at amortised cost and FVOCI	79.9	75.6	6%
Other investment income	27.8	(27.6)	201%
Credit impairment (losses)/gains	(10.4)	0.5	(2,180%)
Fees and other revenue	44.3	30.5	45%
Total	471.7	420.7	12%

	Quarter ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Total Revenue attributable to Operating segments:			
Sagicor Life	162.2	112.1	45%
Sagicor Jamaica	194.3	157.9	23%
Sagicor Life USA	102.9	142.4	(28%)
Head office and Other	12.3	8.3	48%
Total	471.7	420.7	12%

Revenue from continuing operations reached US $471.7 million for the three-month period ended December 31, 2019, an increase of US $51.0 million (12%) from US $420.7 million reported for the same period in 2018.

Net Life and annuity insurance premiums closed the period at US $237.3 million, a US $43.5 million (16%) decrease from US $280.8 million reported for the same period in 2018 and was driven primarily by the USA segment which experienced lower premium growth (US $80.1 million) in life and annuity business, as the segment scaled back new business production in the quarter in response to relative net interest margins.

Net premium revenue from health insurance totalled US $45.2 million in 2019 and was slightly below the US $45.7 million reported for the three-month period ended December 31, 2018. Net premium revenue from property and casualty insurance totalled US $18.0 million in 2019, closing US $10.5 million above the US $7.5 million reported for the same period in 2018, as the group benefited from premiums from the recently acquired 60% share of Advantage General Insurance company Limited, in our Jamaica segment.

Net investment income was US $107.7 million in 2019 compared to US $48.0 million in 2018, an increase of US $59.7 million and was primarily due an increase in marked to market changes on indexed options in our USA segment, commensurate with the investment market gains year to date in the US. In our Jamaica segment, the group benefited from underlying growth in our investment portfolio along with gains arising from the strong performance of the Jamaica stock market.

The Group generated Fees and other revenue of US $44.3 million for the three-month period ended December 31, 2019, compared to US $30.5 million for the same period in 2018, an increase of US $13.8 million. This was largely driven by the Jamaica segment which experienced growth in the payments business.

Benefits

The table below summarises benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the three-month periods ended December 31, 2019 and 2018.

	Quarter ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Benefits			
Net insurance benefits:			
Life and annuity	**174.0**	179.0	(3%)
Health	**33.4**	28.2	18%
Property and casualty	**8.4**	5.8	45%
	215.8	213.0	1%
Interest cost	**12.7**	15.0	(15%)
Total	**228.5**	228.0	-

Life and annuity benefits totalled US $174.0 million for the three-month period ended December 31, 2019, of which US $108.0 million related to current benefits and US $66.0 million related to future benefits. Benefits for the corresponding period in 2018 were a total of US $179.0 million, of which US $102.2 million related to current benefits and US $76.8 million related to future benefits. The change to future benefits from 2018 to 2019 represented a decrease of US $10.8 million and occurred mainly as a result of lower growth in new business in the fourth quarter when compared to 2018 in USA segment.

Total health insurance benefits were US $33.4 million representing an overall claim to premium

ratio of 75.7%. Total health insurance benefits in 2018 amounts were US $28.2 million and an overall claim to premium ratio of 85.9%.

Property and casualty claims amounted to US $8.4 million in 2019, a US $2.6 million increase from US $5.8 million in 2018. Property and casualty benefits now include claims on the Advantage General Insurance acquired on October 1, 2019.

Interest expense incurred was US $12.7 million for the three-month period ended December 31, 2019, a 15 % decrease from US $15.0 million reported for the three-month period in 2018.

Expenses and taxes

The table below summarises Sagicor's expenses and taxes from continuing operations for the three-month periods ended December 31, 2019 and 2018.

	Quarter ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Expenses and taxes			
Administrative expenses	**91.1**	90.5	1%
Commissions and related compensation	**32.4**	37.9	(15%)
Finance costs, depreciation and amortisation	**22.0**	17.5	26%
Premium, asset and income taxes	**24.3**	20.4	19%
Total expenses before Alignvest transaction costs	**169.8**	166.3	2%
Alignvest transaction costs	**43.4**	-	-
Total expenses	**213.2**	166.3	28%

Total expenses and taxes before Alignvest transaction expenses totalled US $169.8 million for the three-month period ended December 31, 2019 compared to US $166.3 million for the same period in 2018, an increase of US $3.5 million (2%).

Administration expenses was US $91.1 million before the Alignvest transaction expenses for the three-month period ended December 31, 2019, compared to US $90.5 million for the same period 2018, a slight increase of US $0.6 million.

Commissions and related compensation declined by US $5.5 million to close at US $32.4 million for the three-month period ended December 31, 2019, trending in line with the decline in net premium revenue earned for the period under review.

Premium, asset and income taxes were US $24.3 million for the three-month period ended December 31, 2019 compared to US $20.4 million for the same period in 2018, an increase of US $3.9 million. Of the total taxes, income taxes were US $22.0 million, with increases being recorded across all segments.

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the three-month periods ended December 31, 2019 and 2018.

	Quarter ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Other comprehensive income:			
Items net of tax that may be reclassified subsequently to income:			
Fair value assets measured at fair value through other comprehensive income:	17.7	(25.2)	170%
Losses on revaluation	(13.7)	(1.0)	(1,270%)
(Gains)/losses transferred to income	-	-	-
Net change in actuarial liabilities	(10.7)	14.3	(175%)
Retranslation of foreign currency operations	4.6	9.8	(53%)
Other items	(3.2)	-	-
	(5.3)	(2.1)	(152%)
Items net of tax that will not be reclassified subsequently to income:			
Gains arising on revaluation of ownership occupied property	1.5	6.1	(75%)
Net gains on equity securities designated at fair value through other comprehensive income	-	0.2	(100%)
Gains/(losses) on defined benefits plans	11.2	(2.7)	515%
	12.7	3.6	253%
Other Comprehensive Income from continuing operations	7.4	1.5	393%

Other comprehensive income for the three-month period ended December 31, 2019 was US $7.4 million, an increase from the US $1.5 million reported for the same period in 2018. During the quarter, the Group reported net gains on financial assets totalling US $17.7 million resulting from marked to market gains on financial assets in our international portfolio. This was offset by a net change in actuarial liabilities reserve of US $10.7 million. Retranslation of foreign currency operations generated gains of US $4.6 million for the quarter and largely related to the impact of the depreciation of the Jamaican dollar when compared to the United States dollar.

	Quarter ended December 31		
(in millions of US $)	**2019**	**2018**	**Change**
Total comprehensive income			
Group net income	67.9	44.0	54%
Other comprehensive income	7.4	1.5	347%
Total comprehensive income for the year	75.3	45.5	65%
Alignvest transaction costs	(43.4)	-	-
	31.9	45.5	(30%)
Total comprehensive income attributable to:			
Common shareholders:			
From continuing operations before Alignvest transaction costs	61.6	13.0	374%
Alignvest transaction costs	(43.4)	-	-
	18.2	13.0	40%
From discontinued operation	-	3.9	(100%)
	18.2	16.9	8%
Participating policyholders	(2.1)	14.7	(114%)
Non-controlling interests	15.8	14.0	13%
	31.9	45.5	(30%)

Overall, total comprehensive income for the three-month period ended December 31, 2019 totalled US $31.9 million and included Alignvest transaction expenses of US $43.4 million. Overall, total Comprehensive income before the Alignvest transaction expenses was US $75.3 million.

Quarterly Financial Disclosures

The following table provides a summary of Sagicor's results from continuing operations for the eight most recently completed quarters. A more complete discussion of our historical quarterly results can be found in our interim and annual MD&A for the relevant periods.

(in US $millions, unless otherwise noted)	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Net premium revenue	300.5	263.3	312.7	365.0	334.0	310.0	222.7	187.3
Net investment and other income	171.2	148.2	155.7	150.7	86.6	84.1	61.1	100.7
Total revenue	471.7	411.5	468.4	515.8	420.6	394.1	283.8	288.0
Benefits and expenses	(376.4)	(379.3)	(429.3)	(478.7)	(376.2)	(356.9)	(279.2)	(248.2)
Other	(5.4)	-	0.6	7.7	13.6	(2.1)	1.8	7.1
Income before tax	89.9	32.2	39.7	44.8	58.0	35.1	6.4	46.9
Income tax	(22.0)	(11.1)	(14.2)	(12.4)	(18.1)	(15.4)	(8.8)	(8.4)
Net income before Alignvest transaction costs	67.9	21.1	25.5	32.4	39.9	19.7	(2.4)	38.5
Alignvest transaction costs	(43.4)	-	-	-	-	-	-	-
Net income	24.5	21.1	25.5	32.4	39.9	19.7	(2.4)	38.5
Income attributable to shareholders before Alignvest transaction costs	54.9	6.3	11.1	15.1	8.0	7.0	2.0	19.5
Income attributable to shareholders	11.5	6.3	11.1	15.1	8.0	7.0	2.0	19.5

Quarterly Financial Disclosures, (continued)

(in US $millions, unless otherwise noted)	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Basic EPS before Alignvest transaction costs	71.8¢	8.9¢	15.7¢	21.3¢	11.3 ¢	9.9 ¢	2.9¢	27.5¢
Basic EPS	15.0¢	8.9¢	15.7¢	21.3¢	11.3 ¢	9.9 ¢	2.9¢	27.5¢
Diluted EPS before Alignvest transaction costs	67.5¢	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Diluted EPS	14.1¢	8.6¢	15.3¢	21.0¢	11.1 ¢	9.7¢	2.8¢	27.0¢
Annualised return on shareholders' equity before Alignvest transaction costs	30.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annualised return on shareholders' equity	6.2%	3.8%	6.9%	9.9%	5.4%	4.7%	1.3%	12.7%
Dividends paid per share	2.5 ¢	-	2.5 ¢	-	2.5 ¢	-	2.5 ¢	-
Total assets (a)	8,728.9	8,056.4	7,861.7	7,639.8	7,308.2	6,821.4	6,942.9	6,895.9
Total equity attributable to shareholders (a)	1,154.1	660.4	658.6	640.4	600.9	598.1	596.7	622.9
Income before Alignvest transaction costs, attributable to shareholders by operating segment:								
Sagicor Life	29.4	10.5	9.8	11.2	5.5	1.1	5.2	27.8
Sagicor Jamaica	18.2	18.4	14.3	10.4	20.9	12.6	11.7	10.6
Sagicor Life USA	16.5	6.0	6.0	6.9	6.6	12.1	2.8	(3.2)
Head office, other & inter-segment eliminations	(9.2)	(28.6)	(19.0)	(13.4)	(25.0)	(18.8)	(17.7)	(15.7)
Total	54.9	6.3	11.1	15.1	8.0	7.0	2.0	19.5

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd equivalent. The earnings per share ratio for 2018 has been adjusted to reflect the Exchange Ratio.

Quarterly Financial Disclosures (continued)

Third Quarter 2019

Results for third quarter of 2019 reflected moderate aggregate growth in our core operating segments, offset somewhat with the effect of Hurricane Dorian.

Net income from continuing operations attributable to shareholders was US $6.3 million for the three-month period ended September 30, 2019, (three-month period end September 30, 2018 – US $7.0 million), a decrease of US $0.7 million. During Q3 2019, Sagicor took a provision of US $2.5 million, representing our maximum potential impact from Hurricane Dorian. During Q3 2018, the Group increased its provisions on the Government of Barbados (GoB) debt. The net impact on the net income was US $16.4 million. Net income in 2018, also benefitted from certain one-time positive earnings releases that did not recur in 2019.

Second Quarter 2019

Net income from continuing operations attributable to shareholders was US $11.1 million for the three-month period ended June 30, 2019, (three-month period end June 30, 2018 – US $2.0 million), an increase of US $9.1 million. The Group benefited from net premium growth in our USA segment. Benefits and expenses also grew over the prior year's levels driven by business growth. In the June quarter of 2018 the Group also experienced the net impact of increased provisions for expected credit impairment losses on the Government of Barbados debt (US $19.8 million).

First Quarter 2019

Net income from continuing operations attributable to shareholders was $15.1 million for the three months ended March 31, 2019, (first quarter March 2018 – US $19.5 million). While the Group benefited from net premium growth through our USA segment, benefits and expenses also grew over the prior year-to-date levels and was consistent with premium growth due to the provisions for future benefits on new business. During the first quarter of 2019, the Group also benefited from increased investment income due to marked to market changes on equities and indexed options in our Jamaica and USA segments. During the first quarter of 2018 the results included a one-time gain of US $5.3 million on the acquisition of the British American insurance portfolio.

Fourth Quarter 2018

Net income from continuing operations attributable to shareholders was US $8.0 million for the three months ended December 31, 2018, compared to US $15.7 million for the three-month period ended December 31, 2017. The Group was impacted by lower realised gains on the sale of securities and lower interest rates in our Jamaica Segment in 2018. In addition, in 2017, the Group recognised a tax benefits in our Sagicor USA segment, arising from the 2017 US Federal tax law changes.

Third Quarter 2018

Net income from continuing operations attributable to shareholders was US $7.0 million in the three-month period ended September 30, 2018, compared to a profit of US $28.6 million for the same period in 2017. The Group benefitted from increased new annuity business growth in our USA segment. The Group was also impacted by lower realised gains on the sale of securities and lower interest rates in our Jamaica Segment.

In addition, on September 7, 2018 the Government of Barbados entered into a staff-level agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the Government of Barbados launched a debt exchange offer for Government of Barbados Domestic Barbados-dollar debt holders on September 7, 2018 and announced on October 15, 2018 that its debt exchange offer received unanimous support from the domestic creditors. A restructuring plan had not been announced for external US dollar denominated debt. The Sagicor Group held approximately US $337 million in Government of Barbados debt, of which US $278 million was domestic Barbados-dollar debt. The net impact of credit events on Government of Barbados debt to shareholders for Q3 2018 was US $16.4 million. The year to date impact to shareholders was US $36.1 million, at the end of the period.

Second Quarter 2018

Net income from continuing operations attributable to shareholders was US $2.0 million in the second quarter of 2018, compared to US $5.6 million for the same period in 2017. The Group reported revenue growth which was mainly due to growth in premiums in the USA segment. Benefits also increased, driven largely by growth in new business.

First Quarter 2018

Net income from continuing operations, attributable to shareholders, was US $19.5 million in the first quarter of 2018 (first quarter March 2017 – US $12.4 million). The Group benefited from net premium growth and lower net benefits when compared to the same period in 2017, however net investment income fell short of that reported for the same period in 2017. The 2018 first quarter results also included a one-time gain of US $5.3 million on the acquisition of the British American insurance portfolio from the Government of Barbados.

Key Factors Affecting Results

A variety of factors affect Sagicor's results, including:

(i) sales of core products and services;
(ii) life insurance and annuity policy lapse experience;
(iii) insurance claims experience;
(iv) investment yields;
(v) asset default;
(vi) country inflation and taxes;
(vii) Sagicor's expansion into new geographic markets (in the United States) and product markets (in Jamaica) through portfolio and / or company acquisitions; and
(viii) the continuing availability of appropriately priced reinsurance treaties for life, health and property and casualty insurance

Sales of core products and services

Growth in sales enables Sagicor to allocate its fixed operating expenses over larger revenues and subsequently increases its profitability. The impact is very significant for the Sagicor Life and Sagicor Jamaica operating segments which sell significant amounts of periodic premium life insurance and annuity policies. The pricing of such products is either fixed at the issue of each policy or may limit the extent of cost recovery over the duration of the policy which can extend over decades. Growth in sales enables Sagicor to contain the growth in unit policy operating expenses.

Lapse experience

With respect to periodic premium life insurance and annuity policies, lapse experience is a factor of profitability. Many of these polices have up-front commission, policy issue and medical underwriting costs which are only recovered in full if the policy is premium paying for the initial years of its duration. If the policy lapses during the initial years, Sagicor will not fully recover its up-front costs and incur a loss on that policy.

For the same reasons that the quantum of sales of insurance policies is an important factor in maintaining insurance policy unit costs of administration, the rates of lapse or termination of inforce policies impacts the policy unit costs incurred. The lower the lapse or termination rate, the more policies are inforce, enabling Sagicor to contain growth in unit policy administrative costs.

Insurance claims experience

Across all lines of insurance, claims experience is a factor in profitability. In establishing rates of premium, Sagicor provides for appropriate levels of claims experience, be it rates of mortality for life insurance, rates of longevity for annuities, rates of morbidity for disability and health insurance, or rates of contingent losses for property and casualty insurance. Claims rates incurred in excess of pricing have adverse consequences for profitability, and conversely, claims rates incurred at levels below pricing impact profitability positively.

Investment yields

Across applicable lines of insurance and across financial contracts issued by Sagicor, investment yield is important to the profitability of the Group. Higher investment yields enable Sagicor to achieve higher interest margins (defined as the difference between interest earned and payable) on applicable insurance contracts and financial contracts. With lower investment yields, the interest margins are generally lower and may be eliminated if Sagicor is not able to earn a guaranteed rate of interest which is payable under the insurance or financial contract.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in rates of investment return on re-invested assets. These rates, including the ultimate rates of return, affect the quantum of actuarial liability determined, with higher re-investment rates resulting in a lower actuarial liability, and with lower re-investment rates resulting in a higher actuarial liability.

Asset default

The recognition of an un-anticipated default from an invested asset, may have immediate negative consequences for profitability. Sagicor maintains

certain invested assets for which the full return (of capital and of interest) is borne by insurance and /or financial contract-holders. In such instances, Sagicor is generally not exposed to asset default risk. However, for other invested assets, for which Sagicor is exposed to default risk, the default risk may be entirely borne by Sagicor's shareholders, or the risk is shared by Sagicor's shareholders and insurance and /or financial contract-holders. In such instances, the impact on profitability will be negative.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in the expected rates of asset default. Should asset default rates over time be lower than expected, profitability is impacted positively. Conversely, if asset default rates over time are higher than expected, profitability is impacted negatively.

Country inflation and taxes

As with other key factors affecting profitability, changes in the level of country inflation and taxes impact the operating costs of the Sagicor Group, immediately and in the longer term.

Actuaries within the Group determine each segment's actuarial liabilities as of December 31 after factoring in expected levels of operating expenses. Higher inflation and taxation levels result is adverse consequences for profitability and lower inflation and taxation levels result in positive consequences for profitability.

Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to the assumptions made. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used
- the margins for adverse deviations

Under Canadian accepted actuarial standards, the AA is required to test the actuarial liability under economic scenarios. The scenarios developed and tested by insurers were as follows:

Sensitivity	Scenario		
	Sagicor Life Inc segment	**Sagicor Jamaica Segment**	**Sagicor USA segment**
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		Lapse rates were increased or reduced by 30%, and the more adverse result was selected.
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% increase was applied to the investment portfolio rate.
Sensitivity	**Scenario**		
	Sagicor Life Inc segment	**Sagicor Jamaica Segment**	**Sagicor USA segment**
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% decrease was applied to the investment portfolio rate.
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.		For life insurance and deferred annuity products, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For pay-out annuity products only, the mortality rates were decreased by 3% cumulatively over the next 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

To illustrate the potential impact of some of the foregoing key factors, the following table presents the estimated sensitivity using the economic scenarios outlined above, relating to (i) worsening rate of lapse, (ii) higher interest rate (on invested assets), (iii) lower interest rate (on invested assets), (iv) worsening rate of mortality and morbidity, and (v) higher operating expenses, to the net actuarial liabilities of each of operating segments of the Group, as of December 31, 2019 and 2018.

(in US $millions)	2019	2018
Sagicor Life Segment		
Base net actuarial liability	1,038.7	926.1
Scenario	**Increase (decrease) in actuarial liability**	
Worsening rate of lapse	177.6	156.2
Higher interest rate	(97.6)	(97.6)
Lower interest rate	163.3	170.0
Worsening mortality / morbidity	42.6	39.7
Higher expenses	20.4	20.6
Sagicor Jamaica Segment		
Base net actuarial liability	360.0	345.2
Scenario	**Increase (decrease) in actuarial liability**	
Worsening rate of lapse	78.5	66.6
High interest rate	(116.6)	(115.8)
Low interest rate	97.1	110.2
Worsening mortality / morbidity	56.9	48.3
Higher expenses	20.9	16.6
Sagicor Life USA Segment		
Base net actuarial liability	1,212.2	816.8
Scenario	**Increase (decrease) in actuarial liability**	
Worsening rate of lapse	18.4	12.1
High interest rate	(72.2)	(49.7)
Low interest rate	83.1	57.5
Worsening mortality / morbidity	17.0	16.0
Higher expenses	2.9	3.0

Expansion into new markets and company acquisitions

While Sagicor has endured for 178 years, its product offerings and geographic markets have evolved. Markets often have different preferences for certain products and any successful venture into new markets need to adapt to market tastes. Sagicor only ventures into new markets or offers new products after extensive research and appraisal.

Company acquisitions has been a strategy employed by the Sagicor Group over the last twenty years. As a result of these acquisitions, Sagicor's assets include goodwill and other intangibles acquired on company acquisitions. The goodwill carried by operating segments as of December 31, 2019 and 2018 respectively, is summarised in the following table.

(in US $millions)	2019	2018
Goodwill		
Sagicor Life segment	**26.6**	26.5
Sagicor Jamaica segment	**31.0**	24.2
Sagicor General Insurance	**5.7**	5.7
Total goodwill	**63.3**	56.4

Goodwill is subject to an annual impairment test, whereby the carrying value of the business unit including the associated goodwill is compared to the fair value of the business. As long as the fair value of the business exceeds the carrying value of the business and its associated goodwill, the goodwill is un-impaired. If it is not, the goodwill is impaired to the extent of the excess of the carrying value plus goodwill over its fair value, and the resulting impairment charge is recorded in the income statement.

In this test, fair value is defined as the higher of 'value in use' and 'fair value less costs to sell'. The computation of fair value includes the use of management prepared income and cash flow forecasts, and independently determined market discount and residual growth rates. For some life insurance elements of the carrying value, the Group uses an actuarially determined 'embedded value' to determine fair value, as this is an appropriate methodology to determine fair value of long-term insurance business.

As income and cash flow forecasts and market discount and residual factors vary from year to year, there is the possibility of a significant impairment charge. For the years ended December 31, 2019 and 2018 respectively, there was no goodwill impairment charge recorded in the income statement.

Reinsurance treaties

In order to offer useful insurance coverages to potential customers, the Group holds reinsurance coverages that allow potential policy benefits to exceed amounts which are prudent for Sagicor to undertake the claims risk. Reinsured amounts may be on a per policy basis, (i.e. in excess of a pre-determined insured amount) or may be based on the aggregation of the insured's coverages (i.e. the insured has several policies and the amount reinsured is the aggregate exceeding a pre-determined amount).

The tables below illustrate the gross and net (of reinsurance) total life insurance coverages and annuity liabilities for individual and group polices as of December 31, 2019 and 2018, respectively.

(in US $millions)	**2019**	**2018**
Total life insurance coverage		
Individual contracts - gross	**33,486.9**	31,820.2
Individual contracts - net	**27,482.8**	25,655.5
Group contracts – gross	**12,350.6**	11,667.0
Group contracts - net	**11,853.5**	11,240.1

(in US $millions)	**2019**	**2018**
Total actuarial liability for annuity contracts		
Individual contracts - gross	**2,016.2**	1,542.9
Individual contracts - net	**1,335.0**	862.0
Group contracts – gross	**428.1**	414.3
Group contracts - net	**414.2**	399.4

3. ANALYSIS BY BUSINESS SEGMENT

Sagicor operates its business primarily through three reporting operating segments. These segments are: Sagicor Life, Sagicor Jamaica and Sagicor Life USA. A summary analysis of revenue and net income by operating segment are presented on a three-month quarterly basis and on a yearly basis for 2019 and 2018, as follows:

	Fourth Quarter (three-month period) – December 2019					
(in millions of US $)	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjustments**	**Total**
Revenue						
Net premium revenue	126.0	93.7	70.9	9.9	-	300.5
Net gain/(losses) on derecognition of financial assets measured at amortised cost	0.5	10.3	-	(0.8)	-	10.0
Gains reclassified to income from accumulated OCI	2.9	15.1	1.5	-	-	19.5
Interest income	15.5	38.8	15.8	0.6	-	70.7
Other investment income	7.7	10.7	16.2	2.8	(0.3)	37.1
Credit impairment losses	(0.4)	(9.5)	(0.5)	-	-	(10.4)
Fees and other revenues	4.9	35.1	(0.9)	5.8	(0.6)	44.3
Inter-segment revenues	5.1	-	-	18.5	(23.6)	-
Segment revenue	162.2	194.2	103.0	36.8	(24.5)	471.7
Benefits and expenses	(131.2)	(139.8)	(81.7)	(48.0)	24.3	(376.4)
Inter-segment expenses	(1.4)	(0.9)	(0.4)	(5.0)	7.7	-
Gain arising on business combinations, acquisitions and divestitures	0.1	-	-	-	-	0.1
Gain/(Loss) arising on acquisition of insurance business	-	-	-	-	-	-
Share of operating income of associates and joint ventures	0.3	(5.7)	-	-	-	(5.4)
Segment income before tax	30.0	47.8	20.9	(16.2)	7.5	90.0
Income taxes	(1.8)	(15.5)	(4.4)	(0.5)	0.2	(22.0)
Segment net income/(loss) from continuing before Alignvest transaction costs	28.2	32.3	16.5	(16.7)	7.7	68.0
Alignvest transaction costs	-	-	-	(43.4)	-	(43.4)
Segment net income/(loss) from continuing operations	28.2	32.3	16.5	(60.1)	7.7	24.6
Net income attributable to shareholders	29.4	18.2	16.5	(34.1)	(18.5)	11.5
Net income attributable to shareholders before Alignvest transaction costs	29.4	18.2	16.5	9.3	(18.5)	54.9

	Fourth Quarter (three-month period) – December 2018					
(in millions of US $)	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjustments**	**Total**
Revenue						
Net premium revenue	89.7	85.3	151.5	7.5	-	334.0
Net gain/(losses) on derecognition of financial assets measured at amortised cost	(0.3)	7.5	-	0.4	-	7.6
Gains reclassified to income from accumulated OCI	0.5	8.4	0.8	-	(0.4)	9.3
Interest income	20.2	38.5	15.8	1.1	-	75.6
Other investment income	(3.2)	(9.3)	(24.5)	(0.4)	0.6	(36.8)
Credit impairment losses	0.4	0.5	(0.6)	0.2	-	0.5
Fees and other revenues	1.0	27.0	(0.4)	3.6	(0.7)	30.6
Inter-segment revenues	4.4	-	-	55.1	(59.5)	(0.0)
Segment revenue	112.7	157.9	142.5	67.5	(60.0)	420.7
Benefits and expenses	(90.1)	(117.7)	(133.9)	(60.9)	26.5	(376.0)
Inter-segment expenses	(1.0)	(0.8)	(0.2)	(4.2)	6.2	-
Gain arising on business combinations, acquisitions and divestitures	-	11.8	-	-	-	11.8
Gain/(Loss) arising on acquisition of insurance business	1.1	-	-	-	-	1.1
Share of operating income of associates and joint ventures	0.1	0.5	-	-	-	0.6
Segment income before tax	22.8	51.8	8.4	2.5	(27.2)	58.2
Income taxes	(2.0)	(11.9)	(1.8)	(2.4)	(0.1)	(18.2)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	20.8	39.9	6.6	0.1	(27.3)	40.0
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	20.8	39.9	6.6	0.1	(27.3)	40.0
Net income attributable to shareholders	5.5	20.9	6.6	27.2	(52.2)	8.0
Net income attributable to shareholders before Alignvest transaction costs	5.5	20.9	6.6	27.2	(52.2)	8.0

	Change December 2019 Quarter vs December 2018 Quarter (%)					
	Sagicor Life	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjustments**	**Total**
Revenue						
Net premium revenue	40%	10%	(53%)	32%	-	(10%)
Net gain/(losses) on derecognition of financial assets measured at amortised cost	267%	37%	-	(300%)	-	32%
Gains reclassified to income from accumulated OCI	480%	80%	88%	-	(100%)	110%
Interest income	(23%)	1%	0%	(45%)	-	(6%)
Other investment income	341%	215%	166%	800%	(150%)	201%
Credit impairment losses	(200%)	(2,000%)	17%	(100%)	-	(2,180%)
Fees and other revenues	390%	30%	(125%)	61%	14%	45%
Inter-segment revenues	16%	-	-	(66%)	60%	-
Segment revenue	44%	23%	(28%)	(45%)	(59%)	12%
Benefits and expenses	(46%)	(19%)	39%	21%	(8%)	0%
Inter-segment expenses	(40%)	(13%)	(100%)	(19%)	24%	-
Gain arising on business combinations, acquisitions and divestitures	-	(100%)	-	-	-	(99%)
Gain/(Loss) arising on acquisition of insurance business	(100%)	-	-	-	-	(100%)
Share of operating income of associates and joint ventures	200%	(1,240%)	-	-	-	(1,000%)
Segment income before tax	32%	(8%)	149%	(748%)	128%	55%
Income taxes	10%	(30%)	(144%)	79%	300%	(21%)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	36%	(19%)	150%	(16,800%)	128%	70%
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	36%	(19%)	150%	(60,200%)	128%	(39%)
Net income attributable to shareholders	435%	(13%)	150%	(225%)	65%	44%
Net income attributable to shareholders before Alignvest transaction costs	435%	(13%)	150%	(66%)	65%	586%

(in millions of US $)	Year ended December 31, 2019					
	Sagicor Life	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjustments**	**Total**
Revenue						
Net premium revenue	409.2	350.1	444.7	37.5	-	1,241.5
Net gain/(losses) on derecognition of financial assets measured at amortised cost	0.5	13.3	-	(0.9)	-	12.9
Gains reclassified to income from accumulated OCI	6.2	21.3	2.5	-	-	30.0
Interest income	74.2	160.3	70.2	3.3	-	308.0
Other investment income	10.8	52.1	46.9	2.6	(0.6)	111.8
Credit impairment losses	1.4	(6.1)	(0.4)	0.2	-	(4.9)
Fees and other revenues	11.0	144.3	(2.4)	17.2	(2.1)	168.0
Inter-segment revenues	20.0	-	-	41.7	(61.7)	-
Segment revenue	533.3	735.3	561.5	101.6	(64.4)	1,867.3
Benefits and expenses	(465.1)	(568.2)	(515.4)	(107.0)	(7.9)	(1,663.6)
Inter-segment expenses	(5.0)	(2.5)	(1.3)	(19.3)	28.1	-
Gain arising on business combinations, acquisitions and divestitures	(0.4)	-	-	-	-	(0.4)
Gain/(Loss) arising on acquisition of insurance business	-	-	-	-	-	-
Share of operating income of associates and joint ventures	4.0	(0.6)	-	-	-	3.4
Segment income before tax	66.8	164.0	44.8	24.7	(44.2)	206.7
Income taxes	(7.9)	(40.4)	(9.4)	(2.2)	0.2	(59.7)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	58.9	123.6	35.4	(26.9)	(44.0)	147.0
Alignvest transaction costs	-	-	-	(43.4)	-	(43.4)
Segment net income/(loss) from continuing operations	58.9	123.6	35.4	(70.3)	(44.0)	103.6
Net income attributable to shareholders	60.9	61.4	35.4	(69.6)	(44.1)	44.0
Net income attributable to shareholders before Alignvest transaction costs	60.9	61.4	35.4	(26.2)	(44.1)	87.4

	Year ended December 31, 2018					
(in millions of US $)	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjustments**	**Total**
Revenue						
Net premium revenue	320.5	309.7	390.0	33.9	-	1,054.1
Net gain/(losses) on derecognition of financial assets measured at amortised cost	(0.3)	10.3	-	0.4	-	10.4
Gains reclassified to income from accumulated OCI	0.5	8.3	0.8	-	(0.3)	9.3
Interest income	74.1	155.9	54.2	6.7	-	290.9
Other investment income	3.4	13.8	(14.8)	0.6	(0.1)	2.9
Credit impairment losses	(82.3)	(10.2)	(0.6)	(2.4)	-	(95.5)
Fees and other revenues	8.5	98.1	(8.9)	17.4	(0.6)	114.5
Inter-segment revenues	15.7	-	-	94.1	(109.8)	-
Segment revenue	340.1	585.9	420.7	150.7	(110.8)	1,386.6
Benefits and expenses	(290.0)	(451.0)	(396.9)	(120.6)	(1.8)	(1,260.4)
Inter-segment expenses	(2.9)	(2.2)	(0.7)	(15.1)	20.9	-
Gain arising on business combinations, acquisitions and divestitures	0.5	11.8	-	(0.5)	-	11.8
Gain/(Loss) arising on acquisition of insurance business	6.4	-	-	-	-	6.4
Share of operating income of associates and joint ventures	2.6	(0.5)	-	-	-	2.1
Segment income before tax	56.7	144.0	23.1	14.5	(91.9)	146.5
Income taxes	(9.6)	(33.2)	(4.8)	(3.2)	0.1	(50.7)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	47.1	110.8	18.3	11.3	(91.8)	95.8
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	47.1	110.8	18.3	11.3	(91.8)	95.8
Net income attributable to shareholders before Alignvest transaction costs	39.6	55.7	18.3	14.3	(91.4)	36.5
Net income attributable to shareholders	39.6	55.7	18.3	14.3	(91.4)	36.5

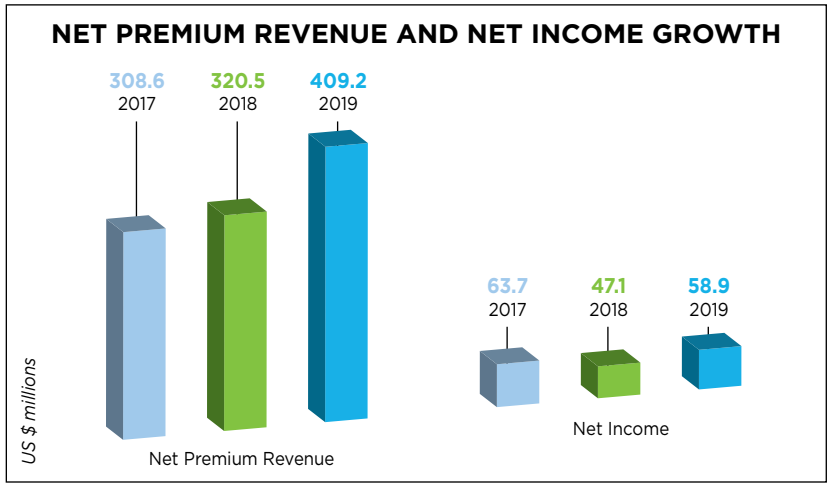
	Change December 31, 2019 vs December 31, 2018 (%)					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjustments	Total
Revenue						
Net premium revenue	27%	13%	14%	11%	-	18%
Net gain/(losses) on derecognition of financial assets measured at amortised cost	267%	29%	-	(300%)	-	25%
Gains reclassified to income from accumulated OCI	1,140%	157%	213%	-	(100%)	219%
Interest income	0%	3%	27%	(51%)	-	5%
Other investment income	218%	278%	397%	317%	500%	6,106%
Credit impairment losses	102%	40%	33%	108%	-	95%
Fees and other revenues	29%	47%	73%	(2%)	(250%)	47%
Inter-segment revenues	27%	-	-	(56%)	44%	-
Segment revenue	57%	25%	33%	(33%)	42%	35%
Benefits and expenses	(60%)	(26%)	(30%)	11%	(316%)	(32%)
Inter-segment expenses	(72%)	(14%)	(86%)	(28%)	34%	-
Gain arising on business combinations, acquisitions and divestitures	(180%)	(100%)	-	100%	-	(103%)
Gain/(Loss) arising on acquisition of insurance business	(100%)	-	-	-	-	(100%)
Share of operating income of associates and joint ventures	54%	(20%)	-	-	-	62%
Segment income before tax	18%	14%	94%	70%	52%	41%
Income taxes	18%	(22%)	(96%)	31%	100%	(18%)
Segment net income/(loss) from continuing operations before Alignvest transaction costs	25%	12%	93%	(338%)	52%	54%
Alignvest transaction costs	-	-	-	-	-	-
Segment net income/(loss) from continuing operations	25%	12%	93%	(722%)	52%	8%
Net income attributable to shareholders	54%	10%	93%	(587%)	52%	21%
Net income attributable to shareholders before Alignvest transaction costs	54%	10%	93%	(283%)	52%	139%

The performance of these reporting segments in 2019 compared to 2018 is discussed in the following sections.

Sagicor Life segment

The Sagicor Life segment conducts life, health insurance, property & casualty insurance, pensions, annuities, and asset management service in Barbados, Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America. Sagicor Life has a diversified customer base providing financial solutions to both individuals and corporations through mainly a captive distribution network, and local brokers. Sagicor Life's strong corporate image, people, financial strength, and diverse insurance solutions has contributed to Sagicor Life's lead position in the insurance market in the Caribbean. Sagicor Life has an "A-stable" rating from A.M. Best.

Sagicor Life Highlights



	Return on Total Equity			Return on Investments		
	2019	2018	2017	2019	2018	2017
Sagicor Life segment	12.2%	9.5%	12.7%	6.1%	5.7%	6.5%

The following table summarises the results of the Sagicor Life segment for the years ended December 31, 2019 and 2018.

	Quarterly Results			Year ended December 31		
(in millions of US $)	Q4 2019	Q4 2018	Change	2019	2018	Change
Sagicor Life segment						
Net premium revenue	126.0	89.7	40%	409.2	320.5	27%
Gains/(losses) on derecognition of financial assets measured at AC.	0.5	(0.3)	267%	0.5	(0.3)	267%
Gains/(losses) on derecognition of financial assets measured at FVOCI	2.9	0.5	480%	6.2	0.5	1,140%
Interest income	15.5	20.2	(23%)	74.2	74.1	-
Other investment income	7.7	(3.2)	341%	10.8	3.4	218%
Credit impairment (losses) /gains	(0.4)	0.4	(200%)	1.4	(82.3)	102%
Fees and other revenue	4.9	1.0	390%	11.0	8.5	29%
Inter-segment revenues	5.1	4.4	16%	20.0	15.7	27%
Total revenue carried forward	**162.2**	**112.7**	**44%**	**533.3**	**340.1**	**57%**

(in millions of US $)	Quarterly Results Q4 2019	Q4 2018	Change	Year ended December 31 2019	2018	Change
Total revenue brought forward	**162.2**	**112.7**	**44%**	**533.3**	**340.1**	**57%**
Benefits	(94.6)	(54.1)	(75%)	(331.4)	(166.9)	(99%)
Expenses and taxes	(34.5)	(34.0)	(1%)	(126.3)	(116.3)	(9%)
Depreciation and amortisation	(2.1)	(2.0)	(5%)	(7.4)	(6.8)	(9%)
Inter-segment expenses	(1.4)	(1.0)	(40%)	(5.0)	(2.9)	(72%)
Other	0.4	1.2	(67%)	3.6	9.5	(62%)
Segment income before taxes	30.0	22.8	32%	66.8	56.7	18%
Income taxes	(1.8)	(2.0)	10%	(7.9)	(9.6)	18%
Net segment income from continuing operations	28.2	20.8	36%	58.9	47.1	25%
Income attributable to shareholders	29.4	5.5	435%	60.9	39.6	54%

Fourth quarter (three-month period) results of the Sagicor Life Segment analysis

Q4 2019 results for the Sagicor Life reflected robust organic growth, with net income showing an improved performance over the corresponding period in the prior year.

The net income attributable to shareholders was US $29.4 million for the three-month period, $23.9 million higher than the US $5.5 million recorded for the same period in 2018.

Net income attributable shareholders in the fourth quarter of 2019 benefited from a significant growth in new business particularly in annuity business, gains on the derecognition of, and revaluation of financial assets, along with better asset liability matching.

The Sagicor Life segment generated revenue totalling US $162.2 million for the three-month period ended December 31, 2019, a US $49.5 million (44%) increase from US $112.7 million reported for the same period in 2018. Net premium revenue increased to US $126.0 million for the three-month period ended December 31, 2019 compared to US $89.7 million for the same period in 2018 with premium growth seen particularly in single premium business.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US $26.6 million for the three-month period ended December 31, 2019, US $9.9 million above the US $16.7 million reported for the same period in 2018 with gains on the derecognition of and revaluation of financial assets contributing to this increase.

Fees and other revenues also increased by US $4.9 million when compared to the prior year. The prior year included exchange losses on the translation, largely related to the depreciation of the Trinidad dollar when compared to the United States dollar.

Benefits incurred for the Sagicor Life segment totalled US $94.6 million for the three-month period ended December 31, 2019 compared to benefits of US $54.1 million reported for the same period in 2018. The increase in benefits incurred was mainly due to net changes in actuarial liabilities which totalled US $34.5 million for the three-month period for 2019, compared to a reduction of US $10.0 million in the prior year. This represents an increase of US $44.5 million. The increase in actuarial liabilities was partially due to the higher provisions for future benefits for new business.

Total expenses and taxes for the Sagicor Life segment totalled US $34.5 million for the three-month period ended December 31, 2019, slightly above the US $34.0 million reported for the same period in 2018. Administrative expenses closed US $1.2 million lower in 2019, when compared to the December 31, 2018 three-month period. Commissions and premium taxes increased by US $1.8 million and was driven by the new business growth.

Year-to-date (twelve-month period) results of the Sagicor Life Segment analysis

The Sagicor Life segment reported strong results for the year ended December 31, 2019, largely fuelled by organic growth. The net income attributable to shareholders was US $60.9 million for the year and was 54% higher than the US $39.6 million for the same period in 2018. The result for 2018 was affected by the impairment of Government of Barbados debt.

The Sagicor Life segment generated revenue of US $533.3 million for the year ended December 31, 2019, compared to revenue of US $340.1 million reported for the same period in 2018 and represented a 57% or US $193.2 million increase when compared to the same period in 2018. Net premium revenue which represented 77% of total revenue, grew by 28% (US $88.7 million) to US $409.2 million up from US $320.5 million reported in 2018. The segment benefitted from higher new business in both insurance and annuities. In 2018, the segment reported gross credit impairment losses amounting to US $82.3 million, as the segment impaired its Government of Barbados debt securities. The segment experienced a credit impairment gain of US $1.4 million in 2019.

Net investment income including, interest income gains on derecognition of financial assets and other investment income totalled US $91.7 million for the year ended December 31, 2019, US $14.0 million above the US $77.7 million reported for the same period in 2018 with gains on the derecognition of and revaluation of financial assets contributing to this increase.

Fees and other revenues also increased by US $2.5 million when compared to the prior year. The prior year included exchange losses on the translation, largely related to the depreciation of the Trinidad dollar when compared to the United States dollar

Benefits incurred for the Sagicor Life segment totalled US $331.4 million for the year ended December 31, 2019, compared to US $166.9 million reported for the same period in 2018 an increase of 99% (US $164.5 million). The increase in benefits incurred was mainly due to net changes in actuarial liabilities which totalled US $94.1 million in 2019 compared to a release of US $62.1 million in the prior year, an increase of US $156.2 million. The increase in actuarial liabilities was due to higher new annuity business. In addition, during the same period in 2018, benefits were impacted by one-time actuarial adjustments related to the segment's initial adoption of IFRS 9 as well as refinements to the actuarial interest rate assumptions.

Total expenses and taxes for the Sagicor Life segment totalled US $126.3 million for the year under review, a US $10.0 million increase from US $116.3 million reported for the same period in 2018. Commissions and premium taxes closed the year at US $48.3 million compared to US $43.1 million for the year under review. The increase in expenses and taxes was largely due to new business growth.

In 2018, this segment also benefited from gains associated with the acquisition of an insurance portfolio amounting to US $6.9 million.

The following table summarises the financial position of the Sagicor Life segment as of December 31, 2019 and 2018.

Statement of Financial Position	**December 31**		
(in millions of US $)	**2019**	**2018**	**Change**
Sagicor Life segment			
Financial investments	1,438.6	1,418.0	2%
Other assets	341.4	324.4	5%
Inter-segment assets	335.8	266.1	26%
Total assets	2,115.8	2,008.5	5%
Policy liabilities	1,379.8	1,235.4	12%
Other liabilities	77.3	160.8	(52%)
Inter-segment liabilities	120.0	124.2	(3%)
Total liabilities	1,577.1	1,520.4	4%
Net assets	538.7	488.1	10%

Financial investments totalled US $1,438.6 million (2018 - US $1,418.0 million) and comprised 68% (2018 - 71%) of the segment's total assets, and policy liabilities totalled US $1,379.8 million (2018 - US $1,235.4 million) and comprised 87% (2018 - 81%) of the segment's total liabilities at the end of 2018. Overall, net assets increased by 10% mainly due to strong operating results net of dividend distributions and unrealised gain on defined benefit plans.

New initiatives and developments

October 7, 2019 – Sagicor Financial Corporation Limited announced that, on September 30, 2019, Sagicor Life Inc. ("SLI"), its wholly-owned subsidiary, entered into agreements to acquire the traditional insurance portfolios, and investment assets, primarily, sovereign debt of the Government of the Republic of Trinidad and Tobago to support the liabilities of both Colonial Life Insurance Company (Trinidad) Limited ("CLICO") and British American Insurance Company (Trinidad) Limited ("BAT"). In addition, contracts with respect to CLICO's pension fund administration, management and investment services operations (as well as supporting investment assets) will be acquired and assumed by SLI.

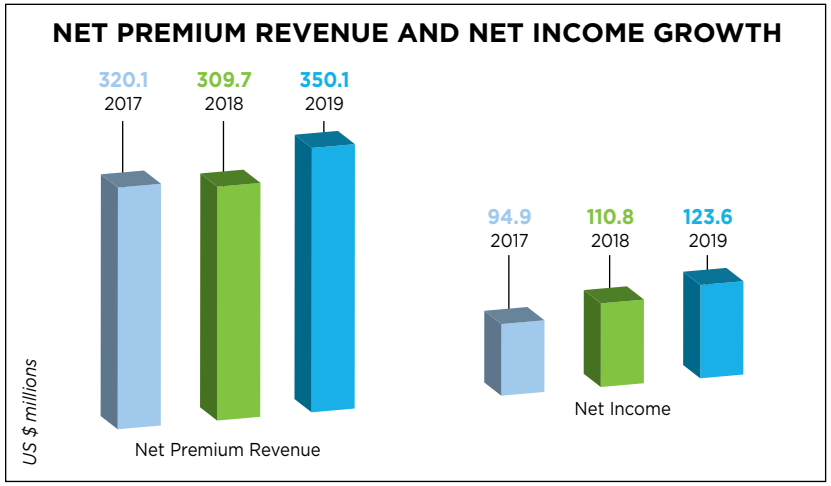
Approximately US $1.2 billion of total investment assets are proposed to be acquired to fund a similar amount of actuarial liabilities.

The completion of the transaction is subject to regulatory approval.

Sagicor Jamaica segment

The Sagicor Jamaica segment offers life, health, annuity, property and casualty insurance, pension administration services, commercial banking, investment banking, hospitality and real estate investment services in the markets of Jamaica, Cayman Islands and Costa Rica. Sagicor Jamaica's strong brand, together with its wide range of products and highly skilled work force, has allowed it to maintain a leading position in all market segments in which it operates. Its commercial banking services are offered through a network of sixteen (16) branches. Sagicor Life Jamaica Limited, a life insurance subsidiary within the Sagicor Jamaica segment, currently holds a financial strength rating of B++ stable and an issuer credit rating of bbb+ stable, with A.M. Best.

Sagicor Jamaica Highlights



	Return on Total Equity			Return on Investments		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
Sagicor Jamaica segment	15.1%	17.4%	20.6%	8.8%	8.0%	9.6%

The Sagicor Jamaica Group performed well in 2019, producing profits attributable to shareholders of US $61.4 million compared to US $55.7 million in the prior year, a 10 % improvement over prior year.

The Sagicor Jamaica segment saw significant growth during the year. In addition to strong organic growth across major business lines, the Group expanded their investment in Property and Casualty Insurance with the acquisition of a 60% interest in Advantage General Insurance Company Limited (AGI). In addition, the 2019 results also include activities for a full year relating to the Sagicor X-Fund Group (X-Fund) of which the group was deemed to have effective control from the 4th quarter of 2018. The Group also acquired TravelCash Jamaica Limited ("TravelCash") effective December 1, 2018.

	Quarterly Results			Year ended December 31		
(in millions of US $)	**Q4 2019**	**Q4 2018**	**Change**	**2019**	**2018**	**Change**
Sagicor Jamaica segment						
Net premium revenue	**93.7**	85.3	10%	**350.1**	309.7	13%
Gains/(losses) on derecognition of financial assets measured at AC.	**10.3**	7.5	37%	**13.3**	10.3	29%
Gains/(losses) on derecognition of financial assets measured at FVOCI	**15.1**	8.4	80%	**21.3**	8.3	157%
Interest income	**38.8**	38.5	1%	**160.3**	155.9	3%
Other investment income	**10.7**	(9.3)	215%	**52.1**	13.8	278%
Credit impairment (losses)/gains	**(9.5)**	0.5	(2,000%)	**(6.1)**	(10.2)	40%
Fees and other revenue	**35.1**	27.0	30%	**144.3**	98.1	47%
Total revenue carried forward	**194.2**	157.9	23%	**735.3**	585.9	25%

(in millions of US $)	Quarterly Results			Year ended December 31		
	Q4 2019	**Q4 2018**	**Change**	**2019**	**2018**	**Change**
Total revenue brought forward	**194.2**	157.9	23%	**735.3**	585.9	25%
Benefits	**(65.1)**	(54.1)	(20%)	**(308.9)**	(245.9)	(26%)
Expenses and taxes	**(69.2)**	(59.7)	(16%)	**(238.9)**	(193.8)	(23%)
Depreciation and amortisation	**(5.5)**	(3.9)	(41%)	**(20.4)**	(11.3)	(81%)
Inter-segment expenses	**(0.9)**	(0.8)	(13%)	**(2.5)**	(2.2)	(14%)
Other	**(5.7)**	12.3	(146.3%)	**(0.6)**	11.3	(105%)
Segment income before taxes	**47.8**	51.8	(8%)	**164.0**	144.0	14%
Income taxes	**(15.5)**	(11.9)	(30%)	**(40.4)**	(33.2)	(22%)
Net segment income from continuing operations	**32.3**	39.9	(19%)	**123.6**	110.8	12%
Income attributable to shareholders (a)	**18.2**	20.9	(13%)	**61.4**	55.7	10%

Fourth quarter (three-month period) results of the Sagicor Jamaica Segment analysis

Net income for the Sagicor Jamaica segment for the three-month period ended December 31, 2019 was US $32.3 million compared to US $39.9 million in the prior year. This segment benefited from growth in its insurance portfolios including a recently acquired property & casualty business, fee-based income and other revenue from the banking business.

This segment generated revenue of US $194.2 million for the three-month compared to US $157.9 million for the same period in the prior year. This represented an increase of US $36.3 or 23%. Premium income totalled US $93.7 million compared to US $85.3 million in 2018 an increase of US $8.4 million.

Interest income was US $38.8 million compared to US $38.5 million in the prior period as interest rates declined. Other investment income was US $10.7 million compared to a loss of US $9.3 million for the same period in 2018, as the segment benefitted from gains arising from appreciations in the Jamaica capital market. In 2018, this segment recorded credit impairment losses which did not repeat at the same level in 2019.

Fees and other revenue were US $35.1 million compared to US $27.0 million in 2018 an increase of US $8.1 million or 30%. During the period under review, the segment benefited from growing fee-based revenue in the banking lines.

Benefits totalled US $65.1 million compared to US $54.1 million reported for the same period in 2018 an increase of US $11.0 million. Benefits were impacted by business growth and lower interest rates. Net policy benefits totalled US $58.3 million for the three-month period, compared to the US $50.1 million reported in 2018. Net change in actuarial liabilities was US $0.1 million compared to a release of US $4.4 million reported in 2018.

Expenses and taxes incurred amounted to US $69.2 million for the three-month period compared to US $59.7 million for the same period in 2018, an increase of US $9.5 million over the prior year-to-date levels, driven in part by increased earnings from the acquisitions of Q4 2018 and Q4 2019.

Earnings from other sources was a loss of US $5.7 million for the fourth quarter of 2019, compared to income of US $12.3 million for the same period in 2018. During Q4, 2019, the segment incurred losses from its associated company Playa, totalling US $5.9 million. In 2018, the segment benefited from gains totalling US $12.3 million associated with the acquisition of the XFund.

Year-to-date (twelve-month period) results of the Sagicor Jamaica Segment analysis

Net segment income for the year closed at US $123.6 million, compared to US $110.7 million in the prior year. This represents an increase of US $12.9 or 12%. As indicated before, the Sagicor Jamaica segment saw significant growth during the year. In addition to strong organic growth across major business lines, the Group expanded their investment in Property and Casualty Insurance with the acquisition of a 60% interest in Advantage General Insurance Company Limited (AGI). The 2019 results also include activities for a full year relating to the Sagicor X-Fund Group (X-Fund) of which the group was deemed to have effective control from the 4th quarter of 2018. The Group also acquired TravelCash Jamaica Limited ("TravelCash") effective December 1, 2018.

The Jamaica segment generated revenue of US $735.3 million in 2019 compared to revenue of US $585.9 million in the prior year, an increase of US $149.4 million. Premium income totalled US $350.1 million for the year, compared to US $309.7 million in 2018, an increase of US $40.4 million, with growth in the life insurance and annuity business, in particular.

Despite the downward trend in interest rates in Jamaica, interest income closed the year slightly above that reported for 2018. Interest income was US $160.3 million for the year, compared to US $155.9 million in the prior year, an increase of US $4.4 million.

Other investment income in Jamaica was US $52.1 million, compared to US $13.8 million in the prior year, an increase of US $38.3 million. This segment benefited from underlying growth in its investment portfolio along with gains arising from appreciations in the Jamaica capital market. The JSE Index moved from 379,790.86 points on December 31, 2018 to 509,916.44 points at December 31, 2019, an increase of 34%.

Fees and other revenue were US $144.3 million compared to US $98.1 million, an increase by US $46.2 million or 47%. Fees and other revenue now include hotel revenues of US $39.7 million for 2019, associated with the consolidation of the Sagicor XFund. The Group was deemed to have effective control of the Sagicor X Fund effective October 1, 2018; hence 2018's results included only three months of income amounting to US $9.7 million. In addition, the segment benefited from the expansion of the fee-based services in the banking business, recording growth of US $11.3 million (20%) over the prior year to close at US $ 69.1 million.

Benefits totalled US $308.9 million and was higher than the prior year amount of US $245.9 million, by US $63.0 million, reflecting business growth. Net policy benefits totalled US $219.1 million for the year compared to US $198.2 million reported in 2018 and represented an increase of US $20.9 million. Net change in actuarial liabilities totalled US $59.3 million compared to US $13.9 million reported in 2018 an increase of US $45.4 million. In 2019 the increase in actuarial liabilities was driven by inforce portfolio growth and lower yields. In addition, in 2018 the net change in actuarial liabilities included actuarial releases from experience gains which were not repeated at the same level in 2019.

Expenses and taxes incurred totalled US $238.9 million in 2019 compared to US $193.8 million in 2018, an increase of US $45.1 million over the prior year. Our Jamaica segment now includes hotel expenses totalling US $32.4 million associated with the consolidation of the Sagicor X Fund, representing a full year's expenses. As previously indicated, the 2018 results included only three months of expenses totalling US $6.9 million. 2019 also reflects twelve months expenses for Travel Cash Jamaica Limited when only one month was carried in 2018. Further, there are three months of cost in 2019 for Advantage General Insurance Company Limited which was acquired (60%) on September 30, 2019 Expenses associated with banking and investment management business, also increased by US $3.9 million over the prior year's levels, as the business continues to expand.

On September 30, 2019, the Jamaica segment acquired 60% of the share capital of Advantage General Insurance Company Limited. Consequently, the segment benefited from net premium growth during the last quarter of 2019 and well as an increase in benefits and administrative expenses associated with this portfolio. Overall the Property & Casualty business contributed approximately US $1.1 million to segment's net income. The fair value of net assets acquired was US $39.0 million equivalent, of which our share was US $23.4 million.

The following table summarises the financial position of the Sagicor Jamaica segment as of December 31, 2019 and 2018.

Statement of Financial Position	**December 31**		
(in millions of US $)	**2019**	**2018**	**Change**
Sagicor Jamaica segment			
Financial investments	**2,670.3**	2,344.1	14%
Other assets	**795.8**	745.3	7%
Inter-segment assets	**15.9**	15.0	6%
Total assets	**3,482.0**	3,104.4	12%
Policy liabilities	**865.9**	753.8	15%
Other liabilities	**1,673.1**	1,526.2	10%
Inter-segment liabilities	**6.1**	5.6	9%
Total liabilities	**2,545.1**	2,285.6	11%
Net assets	**936.9**	818.8	14%

Financial investments totalled US $2,670.3 million (2018 – US $2,344.1 million) and comprised 77% (2018 - 76%) of the segment's total assets. Total assets closed at US $3,482.0 million, an increase of 12% (US $377.6 million), due to normal business growth coupled with the acquisition of AGI at September 30, 2019. Assets acquired totalled US $ 105.4 million. Policy liabilities totalled US $865.9 million (2018 – US $753.8 million) and other liabilities totalled US $1,673.1 (2018 – US

$1,526.2 million), representing 34% (2018 - 33.0%) and 66% (2018 - 67%) of the segment's total liabilities at the end of 2019, respectively.

Overall net assets grew by 14% from US $818.8 million in 2018 to US $936.9 million at the end of 2019, driven by a strong financial performance net of dividends distributed along with unrealised gains on financial assets classified as FVOCI and currency translation gains

New initiatives and developments

On 30 September 2019, the Sagicor Jamaica segment acquired 60% of the share capital of Advantage General Insurance Company Limited. Our share net assets of US $23.4 million were acquired for a consideration of US $31.2 million. Refer to note 37.1 to the SFCL's 2019 audited financial statements for details.

The acquired business contributed revenues of US $11.0 million and net profits attributable to Group net income of $0.7 million for the year ended 31 December 2019. Had the company been acquired at the beginning of the year, it would have contributed revenues of approximately US $44.0 million and net profits of approximately US $5.4 million to the Group for the year ended 31 December 2019.

Sagicor Life USA segment

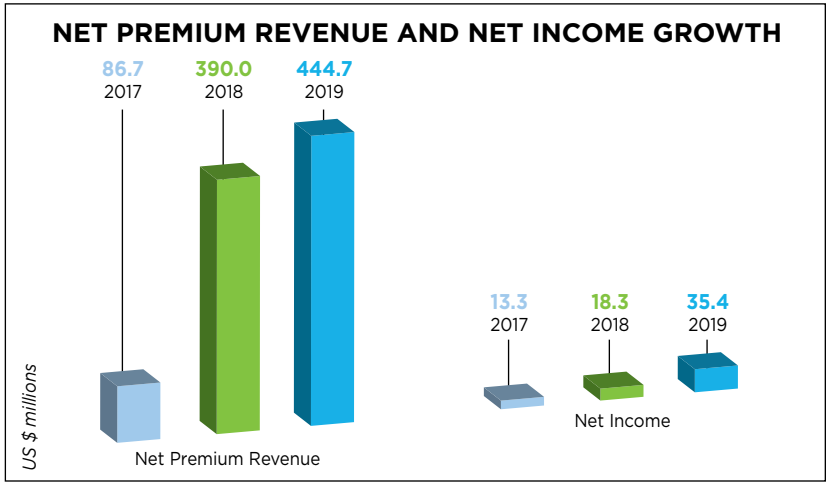
Sagicor USA, Inc. and its operating entity, Sagicor Life Insurance Company, (collectively, Sagicor USA) operate in 45 states and the District of Columbia. Sagicor USA is focused on providing life and annuity products to middle market America through independent producers and direct-to-consumer platforms (SagicorNOW.com and PeaceAssured.com). Middle market America has been defined broadly as individuals and families with household incomes of $40,000 to $100,000 or retirees or near-retirees with retirement portfolios of $100,000 to $1,000,000.

Sagicor USA's products can be broadly placed in three categories:

- Periodic premium – This would include products such as several variations of term insurance, non-participating whole life, indexed universal life and no-lapse universal life. All of these products usually allow the owner to pay premiums on a monthly, quarterly, or annual basis.
- Single premium life – This category includes two products developed to support an older demographic who are looking principally to provide a larger legacy upon their death, while having access to funds to assist if they need critical care. We offer a standard interest crediting whole life product as well as an indexed universal life product.
- Annuities – Currently all of Sagicor USA's annuity offerings are single premium products including such products as multi-year guaranteed, fixed interest crediting, indexed crediting as well as immediate annuities. Most of the products are focused on helping the customer accumulate assets with little to no market risk to their initial premium.

Sagicor USA worked with approximately 5,570 independent agents in 2018 and 6,750 independent agents in 2019 across the United States.

Sagicor Life USA Highlights



	Return on Total Equity			Return on Investments		
	2019	2018	2017	2019	2018	2017
Sagicor Life USA segment	14.0%	7.8%	6.0%	6.8%	3.1%	7.1%

The following table summarises the results of the Sagicor Life USA segment for the years ended December 31, 2019 and 2018.

	Quarterly Results			Year ended December 31		
(in millions of US $)	**Q4 2019**	**Q4 2018**	**Change**	**2019**	**2018**	**Change**
Sagicor Life USA segment						
Net premium revenue	**70.9**	151.5	(53%)	**444.7**	390.0	14%
Gains/(losses) on derecognition of financial assets measured at FVOCI	**1.5**	0.8	88%	**2.5**	0.8	213%
Interest income	**15.8**	15.8	-	**70.2**	55.2	27%
Other investment income	**16.2**	(24.5)	166%	**46.9**	(15.8)	397%
Credit impairment losses	**(0.5)**	(0.6)	17%	**(0.4)**	(0.6)	33%
Fees and other revenue	**(0.9)**	(0.4)	(125%)	**(2.4)**	(8.9)	73%
Total revenue	**103.0**	142.6	(28%)	**561.5**	420.7	33%
Benefits	**(64.5)**	(113.8)	43%	**(448.3)**	(331.8)	(35%)
Expenses and taxes	**(15.9)**	(19.2)	18%	**(62.4)**	(62.2)	-
Depreciation and amortisation	**(1.3)**	(0.9)	(44%)	**(4.7)**	(3.0)	(57%)
Inter-segment expenses	**(0.4)**	(0.2)	(100%)	**(1.3)**	(0.6)	117%
Segment income/(loss) before taxes	**20.9**	8.4	149%	**44.8**	23.1	94%
Income taxes	**(4.4)**	(1.8)	(144%)	**(9.4)**	(4.8)	(96%)
Net segment income from continuing operations	**16.5**	6.6	150%	**35.4**	18.3	93%
Income attributable to shareholders	**16.5**	6.6	150%	**35.4**	18.3	93%

Fourth quarter (three-month period) results of the Sagicor Life USA Segment analysis

Sagicor Life USA performed well with net income improving over the same period in the prior year. Net income for the Sagicor Life USA segment totalled US $16.5 million and represented a 150% increase from the US $6.6 million reported for the same period in 2018.

The latter half of 2019 was impacted by falling crediting rates on Sagicor USA's principal annuity products as the United States Federal Reserve lowered the key lending rate three times during the year and corporate bond yields saw precipitous declines. The US annuity industry saw the consumer take a pause to evaluate the market. Instead of reducing the margins that we would be willing to accept, Sagicor USA chose to reduce crediting rates throughout the latter half of 2019 to maintain margins.

The Sagicor Life USA segment generated revenue of US $103.0 million for the three-month period ended December 31, 2019, compared US $142.6 million reported for the same period in 2018 representing a 28% (US $39.6 million) decrease. While the lower crediting rates did slow the amount of new annuity premiums submitted in the 4th quarter, Sagicor USA saw the value of its investment portfolio, including the derivatives, increase in value during the 4th quarter, in comparison to a decline in market value of those assets during the same quarter of 2018.

Benefits, including specifically the net change in actuarial liabilities, were significantly down in 2019 as compared to the same period in 2018. This decrease was due to the lower annuity premium written in the 4th quarter of 2019 as well as lower actuarial provisions needed to support the current in force business due to improved market values.

Total expenses and taxes decreased by 18% due to the lower commission levels related to lower new business compared to the same period in the prior year.

Overall, net income was positively impacted by the significant improvement in the net investment income results, the lower actuarial provisions and the overall 18% drop in expenses.

Year-to-date (twelve-month period) results of the Sagicor Life USA Segment analysis

The net segment income for the Sagicor Life USA segment closed at US $35.4 million for the year ended December 31, 2019, a US $17.1 million increase from US $18.3 million reported for the same period in 2018.

Revenue for the Sagicor Life USA segment closed the period at US $561.5 million in 2019 compared to US $420.7 million an increase of 33%. This increase was driven by a 14% increase in net premiums as Sagicor USA discontinued the third-party reinsurance on annuities during the 1st quarter of 2018 and sales of new annuity products introduced into the market in 2018 remained strong in 2019. Investment income closed the period at US $119.6 million compared to US $40.2 million in the prior year. This represented an increase of 197% and was driven by a reversal of the 2018 marked-to-market losses in the investment portfolio as well as growth in the overall size of the portfolio due to new business growth. The derivatives portfolio and a portion of the investment portfolio supports the liabilities associated with the indexed business written by the company and so related movements can be found in the net changes in actuarial liabilities impacting total benefits.

Benefits including change in actuarial reserves was US $448.3 million compared to US $331.8 million an increase of US $116.5 million or 35%. The net change in actuarial liabilities was US $ 325.9 million compared to US $222.5 million and was driven by the 14% increase in premiums (majority were annuities) and the previously discussed increase due to the market movement of the indices associated with the indexed products and the supporting derivatives.

Total expenses and taxes of US $62.4 million compared to US $62.1 million in the prior year.

The Sagicor Life USA segment had net assets of US $295.6 million in 2019 compared to US $246.5 million in 2018, an increase of 20%

Statement of Financial Position	**Year ended December 31**		
(in millions of US $)	**2019**	**2018**	**Change**
Sagicor Life USA segment			
Financial investments	**2,040.8**	1,499.9	36%
Other assets	**735.7**	789.3	(7%)
Inter-segment assets	**65.2**	3.9	1,572%
Total assets	**2,841.7**	2,293.1	24%
Policy liabilities	**1,997.4**	1,602.6	25%
Other liabilities	**437.9**	374.0	17%
Inter-segment liabilities	**110.8**	70.1	58%
Total liabilities	**2,546.1**	2,046.6	24%
Net assets	**295.6**	246.5	20%

Financial investments totalled US $2,040.8 million and comprised 72% of the segment's total assets, and policy liabilities totalled US $1,997.4 million and comprised 79% of the segment's total liabilities at the end of 2018.

Financial investments totalled US $1,499.9 million and comprised 65% of the segment's total assets, and policy liabilities totalled US $1,602.6 million and comprised 78% of the segment's total liabilities at the end of 2018.

Overall, Sagicor USA experienced a 24% increase in its total assets due to its strong premium levels in 2019 and the positive market movements of its investment portfolio.

Shareholders' equity grew 20% due to the strong financial results, the reversal of the unrealized losses in the portfolio at the end of 2018 and strong unrealized gains in 2019.

4. FINANCIAL POSITION

Capitalisation and Solvency

Capitalisation

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders;
- To maintain a strong capital base to support the future development of Group operations.

Capital resources

The principal capital resources of the Group are as follows:

	2019	2018	2017 Restated	2016 Restated	2015
$'000s					
Shareholders' equity	**1,154,051**	600,869	624,592	537,080	506,046
Non-controlling interests	**594,506**	530,514	311,766	261,144	231,735
Notes and loans payable	**517,732**	490,275	413,805	395,213	475,517
Total financial statement capital resources	**2,266,289**	1,621,658	1,350,163	1,193,437	1,213,298

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

At December 31, 2019, the Company's capital closed US $2,266.3 million, an increase of US $644.6 million over the December 31, 2018 position. The significant increase resulted from the fact that on December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US $450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in the Sagicor have been transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which has been renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group also experienced organic increases in capital due to operating income and investment gains.

Financial Leverage and Coverage Ratio

As of December 31, 2019, Sagicor had a debt to equity ratio of 29.6%, compared to 43.2% as of December 31, 2018, respectively. To determine the debt to equity ratio, loans and notes payable, as presented note 16 to the annual financial statements, is divided by total equity.

The Debt to Capital ratio was 22.8%, at December 31, 2019, compared to 30.2% as of December 31, 2018. To determine the debt to capital ratio, notes and loans payable as presented in note 16 to the financial statements, is divided by total capital, where capital is the summation of total equity (as presented in the statement of Financial Position in the annual financial statements) and notes and loans payable, as at the reporting date.

Both the debt to equity ratio and the debt to capital ratio experienced improvements due to the new capital raised in 2019 from the Alignvest transaction.

As at December 31, 2019, the coverage ratio excluding the Alignvest transaction expenses was 5.7 times, compared to 5.0 times at December 31, 2018. The coverage ratio represents the Group's earnings for the year before interest and income taxes, divided by its interest and dividend expenses.

Debt Ratios and Coverage Ratio

	2019	2018	2017	2016	2015
Debt ratios					
Notes and Loans Payable/capital	**22.8%**	30.2%	30.6%	33.1%	39.1%
Notes and Loans Payable/equity	**29.6%**	43.2%	44.2%	49.4%	64.3%
Coverage ratio (times) (number of times)	**5.7[(a)]**	5.0	4.6	4.9	4.3

(a) Excludes the Alignvest transaction expenses

Capital adequacy

Capital adequacy is managed at the operating company level. It is calculated by the company's Appointed Actuary and reviewed by executive management, the audit committee and the board of directors of the company. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian MCCSR standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, Sagicor has adopted the Canadian MCCSR standard. Jamaica and the United States have recognised capital adequacy standards.

Sagicor's consolidated MCCSR as of December 31, 2019 has been estimated at 253%, compared to 234% at December 31, 2018, respectively. This is the principal standard of capital adequacy used to assess Sagicor's overall strength. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Sagicor Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

Sagicor Life Jamaica Limited

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime (based on Canadian standards in effect in 2001), which requires an insurer to maintain a minimum ratio of 150%. For the year ended December 31, 2018, this ratio was 184%. At December 31, 2019, the ratio was 179%.

Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model have been adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life USA looks to maintain at least 300% of the risk-based capital amount and has maintained these ratios as of December 31, 2018 and December 31, 2017, respectively.

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective regulatory authorities at stipulated intervals. The Bank of Jamaica and the FSC require each regulated entity to hold the minimum level of regulatory capital, and

to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account, any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the capital adequacy ratios. During 2019 and 2018, all applicable externally imposed capital requirements were complied with.

	2019	2018
Sagicor Investments		
Actual capital base to risk weighted assets	20%	14%
Required capital base to risk weighted assets	10%	10%
Sagicor Bank		
Actual capital base to risk weighted assets	14%	15%
Required capital base to risk weighted assets	10%	10%

Notes and Loans Payable

As of December 31, 2019, Sagicor had US $517.7 million in notes and loans payable compared to US $490.3 million as of December 31, 2018.

Summary details of carrying values and fair values of notes and loans payable as of December 31, 2019 and 2018, respectively are set out in the following tables.

	December 31, 2019	
(in millions of US $)	**Carrying value**	**Fair value**
Notes and loans payable		
8.875% senior notes due 2022vii	318.2	330.2
8.25% convertible redeemable preference shares due 2020 i	-	-
4.85% notes due 2019iv	-	-
5.10% unsecured bond due 2020ii	33.7	34.3
5.95% unsecured bond due 2020iii	42.9	44.8
5.00% notes due 2020v	16.9	17.3
6.75 notes due 2024v	16.6	15.8
Mortgage loans viii	75.0	77.0
Bank loans & other funding instruments vi	14.4	14.4
Total	517.7	533.8

	December 31, 2018	
(in millions of US $)	**Carrying value**	**Fair value**
Notes and loans payable		
8.875% senior notes due 2022 vii	318.9	334.6
8.25% convertible redeemable preference shares due 2020 i	11.1	11.1
4.85% notes due 2019 iv	75.0	74.1
Mortgage loans viii	77.0	77.0
Bank loans & other funding instruments vi	8.3	8.3
Total	490.3	505.1

i. On March 2, 2017, Sagicor Bank Jamaica Limited issued Cumulative redeemable preference shares with a tenor of three (3) years at 8.25% interest per annum. These were redeemed June 3, 2019.

ii. On September 18 and 26, 2019, Sagicor Financial Corporation Limited issued US $30.6 million and US $3.4 million notes respectively, carrying an annual rate of 5.10% with a maturity date of October 26, 2020.

iii. On September 26, 2019, Sagicor Financial Corporation Limited issued Jamaican $ notes in the amount of J$5,731,140,000.00

carrying an annual interest rate of 5.95% per annum with a maturity date of October 26, 2020.

iv. On August 12, 2019, Sagicor Financial Corporation Limited entered into a US $76.0 million bridging loan carrying an annual interest rate of 5.1% per annum, this loan was repaid from the proceeds of the notes in (ii) and (iii) above. Also, on August 12, 2019, Sagicor Financial Corporation Limited used the bridging loan to repay the US $75 million 4.85% notes which were due to mature on August 14, 2019.

v. On August 16, 2019, Sagicor Investments Jamaica Limited issued J$4.4 billion in two Tranches, Tranche A J$2.22 billion and Tranche B J$2.18 billion, carrying an annual rate of 5.00% and 6.75% with a maturity date of September 16, 2020 and August 16, 2024 respectively.

vi. On May 24, 2019 Sagicor General Insurance Inc entered into a US $12 million loan agreement. The interest rate is 3.50% per annum and matures on July 31, 2024.

Valuation of Call Option Embedded Derivative

As at December 31, 2019 the company had US $320 million principal amount of senior unsecured notes (the "Notes"). The Notes are due August 11, 2022 and bear interest at an annual rate of 8.875%. Pursuant to the terms of the Notes, the Group may redeem the Notes under various scenarios as summarized below and described in more detail herein:

Optional Redemption with an Applicable Premium (equal to a percentage of the principal amount based on redemption date) - At any time prior to August 11, 2019, the Group may redeem the Notes in whole or in part, at a redemption price equal to 100% of the principal amount of such Notes redeemed plus, the greater of

(i) 1% of the principal amount of the Notes to be redeemed; and,
(ii) the Applicable Premium, plus in each case accrued and unpaid interest, if any, to the applicable date of redemption, to but excluding the date of redemption (the "Redemption Date");

Optional Redemption with Proceeds of Equity Offerings - At any time prior to August 11, 2018, the Group may redeem the Notes with the net cash proceeds received by the Group from any Equity Offering at a redemption price equal to 108.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the Redemption Date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes); and,

Optional Redemption without an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of this embedded derivative at US $2.8 million as at December 31, 2019.

Mortgage loans

Sagicor Group Jamaica was deemed to have effective control of Sagicor X Fund Group from October 1, 2018 based on its shareholding and influence and from that date has accounted for Sagicor X Fund as a subsidiary as required by IFRS 10. These amounts represent mortgage loans acquired on that date. Refer to note 16 to the 2019 financial statements for details.

Outstanding Common Shares

The authorised share capital of the Company is US$200,000,000 divided into 10,000,000,000 common shares of US$0.01 each and 10,000,000,000 preference shares of US$0.01 each.

The number of issued and outstanding common shares at December 31, 2019 was 147,789,000.

Common Shares

(In millions)	**2019**	**2018**	**2017 Restated**	**2016 Restated**	**2015**
Number of common shares outstanding	**147.8**	306.6	306.6	304.5	302.2

On December 5, 2019 Sagicor and Alignvest completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US $450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in the Sagicor have been transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares

in Alignvest, which has been renamed Sagicor Financial Company Ltd. The following table shows the movement in outstanding common shares for 2019.

	Number of shares in millions
Issued and fully paid:	
Balance, beginning of year	306.6
Exchange of shares and repurchase of shares	(238.6)
New shares issued	79.8
Allotments arising from LTI	-
Balance, end of year	147.8

Securities convertible, exercisable or exchangeable into common shares

- The number of issued and outstanding options at December 31, 2019 was 4,673.
- The number of issued and outstanding warrants at December 31, 2019 was 34,774,993.

Share Price and Market Capitalization

The Company's share price closed the 2019 yearend at US $7.50, with market capitalisation exceeding US $1,108.5 million.

Share Price and Market Capitalisation

	2019	2018	2017 Restated	2016 Restated	2015
Share price	**$7.50**	$0.980	$1.020	$1.005	$0.895
Market capitalisation	**$1,108.5**	$467.5m	$321.9m	$306.0m	$272.5m

Book Value per Common Shares

	2019	2018	2017 Restated	2016 Restated	2015
Book value per common shares	**$ 7.81**	$8.50	$2.04	$1.77	$1.66

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd equivalent. The book value per share for 2018 has been adjusted to reflect the Exchange Ratio.

Dividends

In total, the Group paid out US $15.3 million in dividends to common shareholders in 2019, closing the year with a dividend pay-out ratio of 37.6% before Alignvest transaction expenses.

Dividends

	2019	2018	2017 Restated	2016 Restated	2015
Dividends declared and paid during the year, per common share	5.0 ¢	5.0 ¢	5.0 ¢	4.5 ¢	4.0 ¢
Dividend pay-out ratio before Alignvest transaction costs	37.6%	41.8%	42.0%	23.1%	22.0%
Dividend pay-out ratio	18.9%	41.8%	42.0%	23.1%	22.0%

On February 3, 2020, the Board of Directors declared a dividend of US $0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on February 10, 2020.

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not purchased for cash, were exchanged for common

shares of Sagicor Financial Company Ltd on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2018 outstanding shares to the Sagicor Financial Company Ltd equivalent. The dividend pay-out ratio for 2018 has been adjusted to reflect the Exchange Ratio.

Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 36 of the annual financial statements.

Liquidity sources immediately available to the Sagicor Group include: (i) existing cash and cash equivalents; (ii) the Group's portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include net premiums receipts, fee income and investment income; and (iv) borrowing facilities. These funds are used primarily to pay current benefits and operating expenses, service the Group's long-term debt, purchase investments to support future benefits and maturing obligations, and for distribution of dividends. Sagicor expects to have sufficient liquidity to fund its operations and to meet its current business plans. However, should the need arise, additional liquidity sources include further bank loans and new issuances of debt or shares in the private or public markets.

Cash flow

The following table summarise the Group's cash flows for the years ended December 31, 2019 and 2018, respectively.

(in US $millions)	**Q4 2019**	**Q4 2018**	**Change**	**2019**	**2018**	**Change**
Net cash flows from						
Operating activities	**26.0**	(40.2)	165%	**41.5**	46.3	(10%)
Investing activities	**(5.5)**	19.0	129%	**(44.4)**	(8.0)	(455%)
Financing activities	**438.6**	(29.3)	1,597%	**443.9**	(51.3)	965%
Effect of exchange rate changes	**2.5**	4.8	(48%)	**(4.9)**	(3.7)	(32%)
	461.6	(45.6)	1,112%	**436.1**	(16.7)	2,711%
Net change in cash and cash equivalents - discontinued operation	**-**	-		**17.8**	-	
Cash and cash equivalents:						
Beginning of year	**313.9**	367.1	(15%)	**321.6**	338.3	(5%)
End of year	**775.5**	321.6	141%	**775.5**	321.6	141%

Fourth quarter (three-month period) - Cash flows analysis

For the three-month period ended December 31, 2019, Sagicor's net cash inflows associated with operating activities was US $26.0 million compared to outflows of US $40.2 million for the same period in 2018. This increase of US $66.2 million, or 165%, was primarily due to increased operating cash inflows generated in the Company's Jamaica and USA segments. Our Jamaica segment benefitted from increased inflows from customer deposits as the banking business continues to expand. In addition, lower spends on the purchase of securities in both our Jamaica and USA segments, contributed to the overall increase operating cash inflows.

Sagicor's net cash used in investing activities was US $5.5 million compared to inflows of US $19.0 million for the same period ended December 31, 2018, a decrease of US $24.5 million. During the three-month period, our Jamaica Segment increased its capital expenditure on property, plant and equipment (US $9.1 million). In addition, in 2018, our Jamaica segment benefited from net cash inflows associated with the "Acquisition" of its subsidiary, Sagicor X Funds in October 2018.

Sagicor's net cash inflows from financing activities was US $438.6 million during the 4th quarter of 2019, compared to outflows of US $29.3 million for the same period in 2018, an increase of US $509.0 million. On December 5, 2019 Sagicor and Alignvest completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US $450 million in new capital for the Group, thereby contributing to the significant increase cash inflows from financing activities. In November 2018, the Sagicor Life segment increased its interest in Sagicor General Inc for a cash payment of US $12.6 million.

For the 2019 period under review, the effect of exchange rate changes was a gain of US $2.5 million compared to a gain of US $4.8 million in the same period in 2018.

Year-to-date (twelve-month period)- cash flows analysis

For the year ended December 31, 2019, Sagicor's net cash from operating activities was US $41.5 million compared to US $46.3 million for the same period in 2018.

Sagicor's net cash used in investing activities was US $44.4 million compared to US $8.0 million for 2018, an increase of US $36.4 million. During the year, our Jamaica Segment acquired a subsidiary company (US $31.5) million, while during the same period in 2018, the Group recorded net outflows associated with the disposal a subsidiary (US $14.5 million).

Sagicor's net cash inflows from financing activities was US $443.9 million for 2019, compared to outflows of US $51.3 million for the prior year, an increase of US $495.2 million. The increase in cash flows was related to the Alignvest transaction which raised capital of over US $450 million.

For the year ended December 31, 2019, net inflows from other notes and loans payable totalled US $31.7 million compared to net outflows of US $6.1 million in 2018. On June 3, 2019, our Jamaica segment early redeemed the outstanding 8.25% Cumulative Preference Shares Class B nominal value of US $10.8 million together with final dividend of US $0.2 million. On August 16, 2019, Sagicor Investments Jamaica Limited issued J$4.4 billion (US $32.7 million equivalent) in two Tranches, Tranche A J$2.22 billion and Tranche B J$2.18 billion, carrying an annual rate of 5.00% and 6.75% with a maturity date of September 16, 2020 and August 16, 2024, respectively.

In 2019, the effect of exchange rate changes was a loss of US $4.9 million compared to a loss of US $3.7 million in the same period in 2018.

In February 2019, the Group received cash flows of US $17.8 million from the close out of discontinued operations.

Ratings

Sagicor Financial Corporation Limited, its principal operating subsidiaries, and its debt financing vehicle, have been rated by the rating agencies AM Best, Standards and Poor's, or Fitch. The ratings as of the date of issue of the 2019 financial statements are as follows.

	AM Best Rating [a]
Sagicor Life Inc	
Financial Strength	A - Stable
Issuer Credit Rating	a- Stable
Sagicor Life Jamaica Limited	
Financial Strength	B++ Stable
Issuer Credit Rating	bbb+ Stable
Sagicor Life Insurance Company (USA)	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable
Sagicor Financial Corporation Limited	
Issuer Credit Rating	bbb- Stable
Sagicor Finance (2015) Limited	
Senior Unsecured	bbb Stable
Sagicor General Insurance Inc	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable

[a] Updated September 20, 2019.

	S&P Rating [b]	Fitch Rating [c]
Sagicor Financial Corporation Limited		
Issuer Credit Rating	BB (Positive)	
Long-term Issuer Default Rating		BB (Stable)
Sagicor Finance (2015) Limited		
Senior Unsecured	BB (Positive)	BB- (Stable)

[b] Updated November 15, 2019
[c] Updated March 17, 2020.

Critical Accounting Estimates and Judgments

Certain accounting estimates and judgements are recognised as critical because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and significantly different amounts could be reported under different conditions or using different assumptions.

These accounting estimates and judgements are discussed in the sections below. The notes to the annual financial statements outline the relevant accounting policies or give specific relevant disclosure to the matters identified in these sections. These notes are also referred to below.

1. *Impairment of financial assets – IFRS 9*
   (note 2.9 of the financial statements)

In determining ECL (Expected Credit Losses), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions.

a) Establishing staging for debt securities and deposits

The Group's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

b) Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts.

Exposures are considered to have resulted in a significant increase in credit risk and are moved to Stage 2 when:

Qualitative test

- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop Criteria

- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

c) Forward looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

d) Impairment of Government of Barbados debt securities

As further disclosed in note 41.3 (f) of the 2018 financial statements, the Group participated in a debt exchange following the implementation of a debt restructuring programme by the Government of Barbados. The replacement debt securities are classified as purchased or originated credit-impaired assets (POCI) and have been valued using an internally generated yield curve derived from the Central Bank of Barbados base-line yield curve to which management has applied a risk premium.

2. *Fair value of securities not quoted in an active market*
   (note 41.8 of the financial statements)

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement on the quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3. *Recognition and measurement of intangible assets*
   (note 2.7 of the financial statements)

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles may be marketing related, customer related, contract-based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

4. *Impairment of intangible assets*
   (note 2.7 of the financial statements)

a) Goodwill

The assessment of goodwill impairment involves the determination of the value of the cash generating business units to which the goodwill has been allocated. Determination of the value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units and / or to the Group as a whole. For the Sagicor Life reporting segment, the Group uses the value in use methodology for testing goodwill impairment. For the Sagicor Jamaica operating segment, the Group uses the fair value less cost to sell methodology, and for Sagicor General Insurance Inc the value in use methodology.

The Group updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation.

b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

5. *Valuation of actuarial liabilities*

(note 2.15 of the financial statements)

a) Canadian Actuarial Standards

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items in the financial statements, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the timing of future asset and liability cash flows.

The actuarial liabilities are determined as the present value of liability cash flows discounted at effective interest rates resulting in a value equivalent to the market value of assets supporting these policy liabilities under an adverse economic scenario, to which margins for adverse deviations are added.

The Appointed Actuary (AA) identifies a conservative economic scenario forecast, and together with the existing investment portfolio as at the date of the actuarial valuation and assumed reinvestment of net asset and policy liability cash flows, calculates the actuarial liabilities required at the date of valuation to ensure that sufficient monies are available to meet the liabilities as they become due in future years.

The methodology produces the total reserve requirement for each policy group fund. In general, the methodology is used to determine the net overall actuarial liabilities required by the insurer. Actuarial liabilities are computed by major group of policies and are used to determine the amount of reinsurance balances in the reserve, the distribution of the total reserve by country, and the distribution of the reserve by policy, and other individual components in the actuarial liabilities.

b) Best estimate reserve assumptions & provisions for adverse deviations

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. The latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate. The assumption for operating expenses and taxes is in some instances split by universal life and unit linked business.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardised across geographical areas. Provisions are determined within a specific range established by Canadian standards of practice.

The principal assumptions and margins used in the determination of actuarial liabilities are summarised sub-sections c) to i) which follow. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

c) Process used to set actuarial assumptions and margins for adverse deviations

At each date for valuation of actuarial liabilities, the AA of each insurer reviews the assumptions made at the last valuation date. The AA reviews the validity of each assumption by referencing current data, and where appropriate, changes the assumptions for the current valuation. A similar process of review and assessment is conducted in the determination of margins for adverse deviations. Any changes in actuarial standards and practice are also incorporated in the current valuation.

d) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population. Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including tables from the Canadian Institute of Actuaries (CIA). Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after taking into account insurer and industry experience.

e) Assumptions for lapse

Policyholders may allow their policies to lapse prior to the maturity date either by choosing not to pay premiums or by surrendering their policy for its cash value. Lapse studies are updated annually by insurers to determine the persistency of the most recent period. Assumptions for lapse experience are generally based on moving averages.

f) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are, however, assumed to decrease and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

g) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for the long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs are updated annually and are applied on a per policy basis.

Taxes reflect assumptions for future premium taxes and income taxes levied directly on investment income. For income taxes levied on net income, actuarial liabilities are adjusted for policy related recognised deferred tax assets and liabilities.

h) Asset default

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Sagicor's experience and includes specific margins, where appropriate, for assets backing the actuarial liabilities, e.g. for investment property, equity securities, debt securities, mortgage loans and deposits.

i) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuations. The application of these margins resulted in provisions for adverse deviations being included in the actuarial liabilities as set out in the following table:

	December 31	
(in US $millions)	**2019**	**2018**
Provisions for adverse deviations		
Mortality and morbidity	95.2	103.6
Lapse	76.4	78.5
Investment yield and asset default	66.0	62.4
Operating expenses and taxes	10.0	11.0
Other	13.9	11.1
Total	261.5	266.6

6. *Investment in associate*

As at July 1, 2018 Sagicor Jamaica Group has a shareholding in Playa of 15%. From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has two representatives out of twelve on the Board who are also members of two strategic Board committees.

Management has concluded, given its participation in the policy-making decisions, significant involvement in, and influence over decision making of Playa, this allows them to clearly demonstrate influence over Playa's financial and operating results even though Sagicor owns less than 20% of Playa's shares - rebuttable presumption.

Management has concluded after taking the above into consideration that it has significant influence over Playa through its holding and as such is of the view that its strategic investment in Playa should be treated as an investment in associate in accordance with IAS 28.

7. Fair value of shares issued to Alignvest Acquisition II Corporation shareholders, contingent shares and warrants issued.

Management determined the fair value of the common shares issued to the SPAC shareholders. We considered various valuation methodologies including observing the quoted un-adjusted price of SFCL prior to the transaction being announced; the stated transaction price; the quoted price of both the SPAC and SFCL prior to the transaction closing; the price of the shares post closing of the transaction; the prices at which various major investors invested in the SPAC; and the fairness opinion to the board of directors given by an independent expert. Given the wide dispersion of values, we have chosen to utilize the value that, in our judgement, reflects the price at which valuation was most heavily negotiated for a significant investment, that being the private placement by investors which enabled Alignvest Acquisition II Corporation to satisfy its condition precedent to deliver its minimum cash proceeds to the transaction and effectively unlocked the transaction. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of shares.

The fair value of contingent shares issued were determined using market-based valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These estimates include share price, future volatility of the share price and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value of contingent shares.

As discussed in note 1, a listing expense arises to reflect the difference between the estimated fair value of the SFC common shares, escrow shares and warrants deemed to have been issued to the shareholders of Alignvest less the fair value of the net assets acquired from Alignvest. A change in fair value of shares issued has a direct impact on the listing expense as outlined below:

Sensitivity – Listing expense

	Revised Listing expense expense / (income) 2019
Per Note 1 of the 2019 Financial Statements	18,777
Scenario	
10% reduction in fair value ($6.19) of share	(28,584)
10% increase in fair value ($6.19) of share	66,139
20% increase in fair value of ($6.19) share	113,502

5. FINANCIAL INVESTMENTS

Each principal operating entity within the group has an investment policy that provides a framework of maximizing investment yield subject to the management of the ALM risks described above and the investment regulations of each country.

As of December 31, 2019, Sagicor had US $6.7 billion of diversified financial assets and net investment income of US $419.8 million, a net investment

return of 7.2%. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance.

Carrying Values

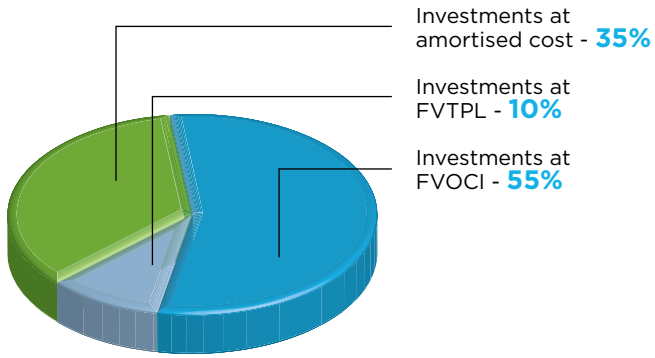
The first table below shows the carrying value of Sagicor's investment portfolio for the years ended December 31, 2019 and 2018. The second table below shows Sagicor's net investment return for the years ended December 31, 2019 and 2018.

Analysis of Financial Investments

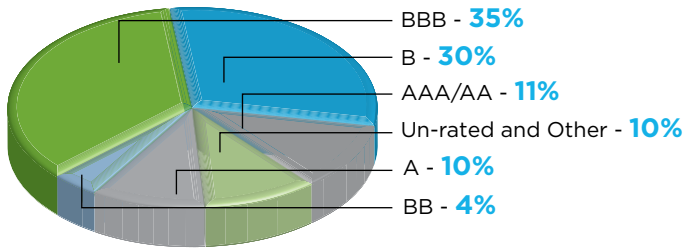
	2019		2018	
(in millions of US $, except percentages)	**Carrying value**	**% of Total**	**Carrying value**	**% of Total**
Investments at FVOCI:				
Debt securities and money market funds	**3,673.4**	**55%**	2,633.6	49%
Equity securities	**1.3**	**-**	0.3	-
	3,674.7	**55%**	2,633.9	49%
Investments at FVTPL:				
Debt securities	**243.1**	**4%**	198.8	4%
Equity securities	**370.2**	**5%**	267.2	5%
Derivative financial instruments	**36.9**	**1%**	7.7	-
Mortgage loans	**28.9**	**1%**	30.1	-
	679.1	**11%**	503.8	9%
Investments at amortised cost:				
Debt securities	**1,148.7**	**17%**	1,097.2	21%
Mortgage loans	**362.5**	**5%**	337.0	6%
Policy loans	**151.5**	**2%**	147.0	3%
Finance loans	**595.3**	**9%**	514.5	10%
Securities purchased for re-sale	**10.9**	**-**	7.2	-
Deposits	**62.8**	**1%**	107.1	2%
	2,331.7	**34%**	2,210.0	42%
Total financial investments	**6,685.5**	**100%**	5,347.7	100%

The pie charts below represent a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of December 31, 2019.

INVESTMENTS PORTFOLIO AS OF DECEMBER 31, 2019 CARRYING VALUE (AS % OF TOTAL)



INVESTMENTS PORTFOLIO RISK EXPOSURE



AAA/AA A BBB BB B Default Un-rated and other

NET INVESTMENT INCOME

(in millions of US $)	**2019**	**2018**
Income from financial investments		
Interest income:		
Debt securities	81.7	84.5
Mortgage loans	20.5	20.8
Policy loans	10.5	10.0
Finance loans and finance leases	60.9	58.3
Securities purchased for resale	0.5	0.8
Deposits, cash and other items	1.4	3.1
	175.5	177.5
Interest Income (FVOCI):		
Debt securities and money market funds	132.5	113.5
FVTPL investments:		
Fair value changes and interest income from debt securities	25.3	(0.9)
Fair value changes and dividend income from equity securities	49.3	15.8
Derivative financial instruments	35.7	(11.4)
Fair value changes and interest income from mortgage securities	2.5	0.9
	112.8	4.4
Other income measured on an IFRS 9 basis	0.3	0.8
Income from financial instruments	421.1	296.2

NET INVESTMENT INCOME (Continued)

	2019	2018
(in millions of US $)		
Income from financial investments		
IFRS 9 basis	421.1	296.2
Investment income		
Investment property income and fair value gains / (losses)	7.9	5.5
Other investment income	(0.3)	0.5
	428.7	302.1
Investment expenses:		
Direct operating expenses of investment property	6.3	6.0
Other direct investment expenses	2.6	2.3
	8.9	8.3
Net investment income	419.8	293.8

6. RISK MANAGEMENT

Sagicor is in the business of taking risks and must manage those risks effectively to generate profitable growth, safeguard its reputation and protect its solvency. In its management of risks, the Group seeks to optimize the relationship between risk and reward across the entire enterprise and to limit possible losses resulting from its risk exposure.

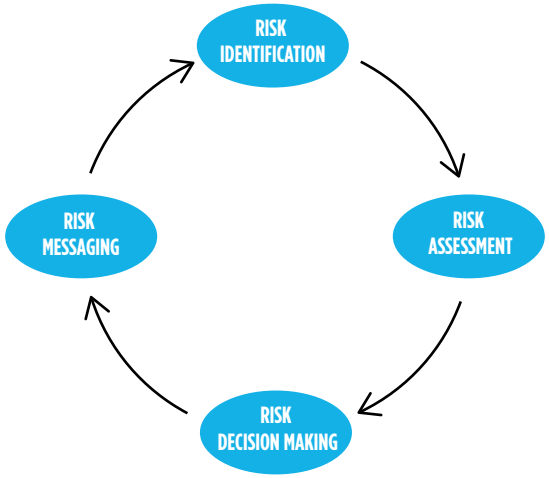
Enterprise Risk Management (ERM) at Sagicor has been ongoing for many years, having appointed its first Chief Risk Officer in 2005. For about a decade, a standardized risk taxonomy and dictionary has been utilized across the Group and group-wide exposures to key financial risks (credit, interest rate, liquidity and currency risks) have been aggregated and reported to the Board. Further, each of the Group's major operating segments has implemented ERM appropriate to the nature, scale and complexity of their operations. Sagicor continues to evolve its ERM especially as it relates to strategic and operational risks.

The Group defines risk is an event that causes a deviation from its strategic plan. Risk is also viewed holistically recognizing that one risk event may cause downside deviations in several business segments but also simultaneously causes upside deviations in one or more other business segments or may also be highly correlated with a second risk event. Lastly, the Group considers risks defined by source (e.g., data breach) as opposed to intermediate (e.g., reputation damage) or ultimate (e.g., lower

earnings) outcomes. This not only provides the necessary specific context for risk assessment but also facilitates complete assessment of any and all downstream outcomes resulting from the risk.

ERM Process

Sagicor's ERM process is depicted graphically below:



Identified risks are categorized as illustrated in the table below and further classified as key risks or non-key risks.

FINANCIAL	INSURANCE	OPERATIONAL	STRATEGIC
MARKET	PRICING	HUMAN RESOURCES	STRATEGY
CREDIT	UNDERWRITING	TECHNOLOGY	EXECUTION
LIQUIDITY	RESERVING	LITIGATION	COMPETITOR
ECONOMIC		COMPLIANCE	LEGISLATIVE/ REGULATORY
		FRAUD	SUPPLIER
		DISASTERS	GOVERNANCE
		PROCESSES	EXTERNAL RELATIONS
			STRATEGIC RELATIONSHIPS
			INTERNATIONAL

Non-key risks are monitored for any changes in likelihood and/or severity and, if warranted, elevated to key risk status.

Risk are assessed both qualitatively and quantitatively. Certain key financial risk exposures (credit, interest rate, currency and liquidity) are quantified quarterly and communicated to the Board. Credit risk exposures are tracked for each of the investment portfolio, the lending portfolio and the reinsurance portfolio. Credit concentration risk is also tracked by the ultimate parent of each counterparty. Liquidity risk exposures are tracked by both asset-liability maturity profile and 24-month cashflow projections. Interest rate risk exposures are tracked using asset and liability durations for each major yield curve exposure. Currency risk exposures are tracked by stress testing net currency positions for major currency exposure.

Risk information is regularly communicated to external stakeholders including regulators, rating agencies, and the public. The Group files an Own Risk Solvency Assessment (ORSA) Summary Report with the Texas Department of Insurance. It also meets regularly with rating agencies (S&P, Fitch and A.M. Best) providing them with a description of our ERM framework and key risk exposures. Sagicor also provides extensive risk disclosures in its Notes to the Financial Statements.

Roles and Responsibilities

Responsibility for ERM permeates the organization. Business and functional units are responsible for monitoring and managing risks within their respective areas. The Group's Corporate ERM teams' responsibilities include but are not limited to the key ERM tools and techniques, oversight over all key ERM activities, ensuring consistent ERM definitions, concepts, and terminology, acting as a central clearing house for coordinating ERM information, monitoring individual and enterprise risk exposures, and providing key ERM information to the Board Investment and Risk Committees (both Group and subsidiary level).

The Board Investment and Risk Committees oversee key risks and exposures and approve key ERM decisions and policies. Internal audit provides independent verification of policies and procedures.

1. *Credit risk*

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments and reinsurance contracts held. Credit risk is the possibility that counterparties may not be

able to meet payment obligations when they become due. As premiums, deposits and other receivables are received, these funds are invested to pay for future policyholder and other obligations.

The Group in most, but not all, instances bears the risk for investment performance, i.e. return of principal and interest. Any credit defaults or other reductions in the value of debt securities, loans, deposits and receivables could have a material adverse effect on Sagicor's business, results of operations and financial condition.

The investment committees of Group operating companies establish policies to manage credit risk. Specific limits are set for concentration by asset class and issuer, in addition to minimum standards for asset quality. Further, Sagicor deals only with highly rated reinsurers in to contain counterparty risk. The Group minimises credit risk from financial investments through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of borrowers, and placing deposits with financial institutions that have a strong capital base. Sagicor's policy is to not invest more than 10% of the debt of a single borrower, unless security is held for the debt.

However, many jurisdictions mandate that the operating companies invest a portion of the assets supporting the policy liabilities in government instruments such as treasury bills and bonds.

The Group has significant concentrations of credit risk with respect to its holding of bonds and treasury bills issued by the governments of Jamaica, Barbados and Trinidad and Tobago. In the United States, Sagicor has significant exposure to United States Government issued and/or government-backed investments (including state and local governments) and Guggenheim Partners reinsurance assets.

In Sagicor Jamaica's banking business, the Group is exposed to credit risk in both its securities and lending activities. In connection with securities activities, Sagicor Investments trades on a "delivery versus payment" policy where Government of Jamaica securities are accepted on a mark-to-market basis with its counterparties. Exposure limits are also established and monitored. In its lending activities, Sagicor Bank seeks to adequately collateralise its loans, particularly where they exceed certain thresholds. Loan applicants undergo a thorough screening and credit analysis process.

The following tables summarise credit exposure of the Group's financial investments as of December 31, 2019. It shows the gross carrying value, the accumulated loss allowance and the net carrying value, analysed by expected credit loss (ECL) staging (see critical accounting estimates and judgements – 1. impairment of financial assets).

	Credit exposure – December 31, 2019				
	ECL Staging				
(in US $millions)	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI (c)**	**Total**
FVOCI [b] debt securities:					
Gross value	3,458.2	70.7	-	30.1	3,559.0
Loss allowance	(2.5)	(5.7)	-	-	(8.2)
Net value	3,455.7	65.0		30.1	3,550.8
Debt securities [a]					
Gross value	988.3	4.6	-	158.4	1,151.3
Loss allowance	(1.4)	(0.8)	-	(0.4)	(2.6)
Net value	986.9	3.8	-	158.0	1,148.7
Policy loans[a]					
Gross value	151.7	-	-	-	151.7
Loss allowance	(0.2)	-	-	-	(0.2)
Net value	151.5	-	-	-	151.5

	Credit exposure – December 31, 2019				
	ECL Staging				
(in US $millions)	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI (c)	Total
Mortgage loans[a]					
Gross value	300.6	38.8	25.0	-	364.4
Loss allowance	(0.6)	(0.3)	(0.9)	-	(1.8)
Net value	300.0	38.5	24.1		362.6
Finance loans [a]					
Gross value	579.9	13.0	12.7	-	605.6
Loss allowance	(3.8)	(0.7)	(5.8)	-	(10.3)
Net value	576.1	12.3	6.9		595.3
Securities purchased for re-sale [a]					
Gross value	10.9	-	-	-	10.9
Loss allowance	-	-	-	-	-
Net value	10.9	-	-	-	10.9
Deposits [a]					
Gross value	62.5	0.6	-	-	63.1
Loss allowance	(0.3)	(0.1)	-	-	(0.4)
Net value	62.2	0.5	-	-	62.7

[a] Financial investments carried at amortised cost.
[b] FVOCI – fair value through other comprehensive income classification.
[c] POCI - purchased or originated credit impaired.

2. Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since Sagicor's financial assets and liabilities are denominated in a number of different currencies. In order to manage the risk associated with movements in currency exchange rates, Sagicor seeks to maintain investments and cash in each operating currency sufficient to match liabilities denominated in the same currency. Sagicor also invests limited amounts in United States dollar assets, which are held to pay liabilities in operating currencies. Management believes that this strategy adequately meets Sagicor's asset and liability management goals with respect to currencies and in the long-term is likely to either maintain capital value or provide satisfactory returns.

The Sagicor Group operates and issues contracts in the currencies prevailing in the countries where it conducts business. Most of these currencies are pegged to the US dollar and their rates of conversion to the US dollar have been stable for many years. However, there are exceptions. The exchange rates to the US dollar of the currencies which float against the US dollar, and which are significant to Sagicor's operations, are summarised in the following table for the periods indicated.

Currency exchange rate of US $1.00:	2019 closing rate	2018 closing rate
Barbados dollar	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000
Jamaica dollar	132.5324	127.3996
Trinidad & Tobago dollar	6.7624	6.7804
Currency exchange rate of US $1.00:	**2019 average rate**	**2018 average rate**
Barbados dollar	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000
Jamaica dollar	132.8772	128.5468
Trinidad & Tobago dollar	6.7510	6.7460

The following tables shows the Group's significant foreign exchange exposure as of December 31, 2019 and 2018 by presenting assets and liabilities by the currency in which they are denominated for its continuing operations.

December 31, 2019	**US $million equivalents of balances denominated in**						
(in US $millions)	**Barbados $**	**Jamaica $**	**Trinidad $**	**Eastern Caribbean $**	**US $**	**Other Currencies**	**Total**
ASSETS							
Financial investments [1]	341.2	1,344.1	474.2	150.1	3,879.2	125.4	6,314.2
Reinsurance assets	6.7	3.8	4.8	2.1	681.6	0.4	699.4
Receivables [1]	22.8	69.4	10.3	15.7	14.8	5.0	138.0
Cash resources	21.2	91.6	26.5	9.7	165.4	47.2	361.6
Total monetary assets	391.9	1,508.9	515.8	177.6	4,741.0	178.0	7,513.2
Other assets [2]	199.2	477.8	90.8	20.8	425.8	1.3	1,215.7
Total assets of continuing operations	591.1	1,986.7	606.6	198.4	5,166.8	179.3	8,728.9
LIABILITIES							
Actuarial liabilities	438.5	411.4	366.1	79.4	2,194.6	114.6	3,604.7
Other insurance liabilities [1]	80.6	55.8	32.8	12.2	31.7	14.7	227.9
Investment contracts	31.6	81.8	182.9	53.4	65.3	9.3	424.3
Notes and loans payable	14.4	104.4	-	-	398.9	-	517.7
Lease liabilities	2.8	23.3	2.3	0.1	6.4	0.8	35.7
Deposit and security liabilities	1.3	684.2	1.1	15.3	1,033.1	17.6	1,752.7
Provisions	11.9	25.2	12.9	0.0	2.3	7.4	59.8
Accounts payable and accruals	40.7	116.9	18.1	1.9	57.4	5.4	240.3
Total monetary liabilities	621.8	1,503.0	616.3	162.4	3,789.8	169.9	6,863.1
Other liabilities [2]	18.7	32.5	15.2	5.1	42.2	2.2	116.0
Total liabilities of continuing operations	640.5	1,535.5	631.5	167.4	3,832.0	172.1	6,979.1
Net position	(49.4)	451.2	(24.9)	31.0	1,334.8	7.2	1,749.8

[1] *Monetary balances only*

[2] *Non-monetary balances, income tax balances and retirement plan assets*

December 31, 2018	US $million equivalents of balances denominated in						
(in US $millions)	**Barbados $**	**Jamaica $**	**Trinidad $**	**Eastern Caribbean $**	**US $**	**Other Currencies**	**Total**
ASSETS							
Financial investments [1]	335.1	1,017.5	424.5	145.7	3,026.1	131.2	5,080.1
Reinsurance assets	6.6	3.2	6.1	4.1	679.1	0.7	699.8
Receivables [1]	12.1	50.2	8.9	9.0	14.8	4.7	99.7
Cash resources	9.1	84.5	51.3	10.0	159.6	44.2	358.7
Total monetary assets	362.9	1,155.4	490.8	168.8	3,879.6	180.8	6,238.3
Other assets [2]	194.2	360.4	76.1	21.0	419.5	(1.5)	1,069.7
Total assets of continuing operations	557.1	1,515.8	566.9	189.8	4,299.1	179.3	7,308.0
LIABILITIES							
Actuarial liabilities	393.7	362.2	318.8	59.3	1,791.9	98.6	3,024.5
Other insurance liabilities [1]	78.0	26.1	33.3	12.5	40.3	13.0	203.2
Investment contracts	32.9	63.6	162.3	48.7	75.6	7.3	390.4
Notes and loans payable	2.7	42.8	-	-	444.7	-	490.2
Deposit and security liabilities	2.2	560.5	1.2	15.1	1,078.4	16.6	1,674.0
Provisions	29.3	24.1	12.4	(0.6)	2.2	6.8	74.2
Accounts payable and accruals	40.7	92.2	20.5	27.2	55.8	4.3	240.7
Total monetary liabilities	579.5	1,171.5	548.5	162.2	3,488.9	146.6	6,097.2
Other liabilities (2)	17.7	17.3	23.0	4.3	28.0	2.3	92.6
Total liabilities of continuing operations	597.2	1,188.8	571.5	166.5	3,516.9	148.9	6,189.8
Net position	(40.1)	327.0	(4.6)	23.3	782.2	30.4	1,118.2

[1] *Monetary balances only*

[2] *Non-monetary balances, income tax balances and retirement plan assets*

3. Interest rate risk

Sagicor is exposed to interest rate risk, which arises when the returns earned from invested assets decrease.

The return on investments may be variable, fixed for a term or fixed to maturity. Upon reinvestment of a matured investment, the returns available on new investments may be significantly different from the returns formerly achieved. Sagicor guarantees minimum returns on the cash values of certain types of policies, for example universal life and annuity contracts, and decreased investment returns may be insufficient to pay these guaranteed returns.

Sagicor is thereby exposed to the effects of fluctuations in the prevailing levels of market interest rates on Sagicor's financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

Movements in short-term and long-term interest rates affect the level and timing of recognition of gains and losses on securities Sagicor holds, and cause changes in realised and unrealised gains and losses. Generally, Sagicor's investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, the market value of Sagicor's existing fixed income securities will generally decrease and Sagicor's realised gains on fixed income securities will likely be reduced. Realised losses will be incurred following significant increases in interest rates only if the securities are sold; otherwise the losses will be unrealised as assets are fairly matched to similar duration liabilities and may be held to maturity. Conversely, declining interest rates result in unrealised gains in the value of fixed income securities Sagicor continues to hold, as well as realised gains to the extent the relevant securities are sold.

Sagicor's primary interest rate exposures relate to Sagicor's long term insurance and annuities liabilities as well as funds on deposit. Sagicor may incur a loss on certain contracts where the investment return does not exceed the interest credited to the policyholder.

The tables following summarise the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities), for the years ended December 31, 2019 and 2018. They set out liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

	Interest exposure – December 31, 2019				
(in US $millions)	**Less than 1 year**	**1 to 5 years**	**After 5 years**	**Not exposed to interest**	**Total**
Other insurance liabilities	8.1	3.9	49.3	166.6	227.9
Investment contract liabilities	346.2	60.4	17.7	0.1	424.4
Notes and loans payable	419.6	27.1	71.5	(0.4)	517.8
Lease liabilities	6.5	19.0	4.2	5.9	35.6
Other funding instruments	395.4	9.8	12.6	0.2	418.0
Customer deposits	804.9	0.2	-	3.0	808.1
Structured products	6.8	-	-	-	6.8
Securities sold for re-purchase	511.3	-	-	1.5	512.8
Derivative liabilities	-	-	-	0.3	0.3
Bank overdrafts	6.6	-	-	-	6.6
Accounts payable and accrued liabilities	1.1	1.1	-	238.2	240.4
Total	2,506.5	121.5	155.3	415.4	3,198.7

	Interest exposure – December 31, 2018				
(in US $millions)	**Less than 1 year**	**1 to 5 years**	**After 5 years**	**Not exposed to interest**	**Total**
Other insurance liabilities	9.3	4.0	50.9	138.8	203.0
Investment contract liabilities	333.0	44.3	13.1	-	390.4
Notes and loans payable	96.0	338.2	56.1	(0.1)	490.2
Other funding instruments	439.7	10.9	10.4	0.6	461.6
Customer deposits	691.3	27.5	-	2.8	721.6
Structured products	48.0	16.7	-	-	64.7
Securities sold for re-purchase	422.8	-	-	1.0	423.8
Derivative liabilities	0.2	0.1	-	-	0.3
Bank overdrafts	2.2	-	-	-	2.2
Accounts payable and accrued liabilities	0.3	1.0	-	239.4	240.7
Total	2,042.8	442.7	130.5	382.5	2,998.5

	Interest exposure – December 31, 2019				
(in US $millions)	**Less than 1 year**	**1 to 5 years**	**After 5 years**	**Not exposed to interest**	**Total**
Debt securities	1,308.2	727.1	2,969.8	60.2	5,065.3
Equity securities	-	-	-	371.5	371.5
Mortgage loans	77.7	30.3	281.2	2.3	391.5
Policy loans	4.4	14.1	131.8	1.2	151.5
Finance loans	572.4	15.6	5.7	1.6	595.3
Securities purchased for re-sale	10.9	-	-	-	10.9
Deposits	57.9	2.7	1.8	0.3	62.7
Derivative assets	0.3	-	-	36.6	36.9
Reinsurance assets: other	0.2	-	0.2	37.3	37.7
Premiums receivable	0.1	-	-	57.5	57.6
Other assets and receivables	2.8	1.2	-	74.5	78.5
Cash resources	220.5	-	-	141.0	361.5
Total	2,255.4	791.0	3,390.5	784.0	7,220.9

The tables following summarise the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets, for the years ended December 31, 2019 and 2018. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

	Interest exposure – December 31, 2018				
(in US $millions)	**Less than 1 year**	**1 to 5 years**	**After 5 years**	**Not exposed to interest**	**Total**
Debt securities	621.3	632.0	2,618.9	57.3	3,929.5
Equity securities	-	-	-	267.5	267.5
Mortgage loans	57.6	39.7	267.7	2.2	367.2
Policy loans	3.7	13.5	125.3	4.5	147.0
Finance loans	489.9	17.0	5.4	2.1	514.4
Securities purchased for re-sale	7.2	-	-	-	7.2
Deposits	104.7	1.1	1.0	0.3	107.1
Derivative assets	-	-	-	7.7	7.7
Reinsurance assets: other	-	-	0.2	46.0	46.2
Premiums receivable	-	-	-	51.6	51.6
Other assets and receivables	2.2	1.1	-	44.9	48.2
Cash resources	152.7	-	-	206.0	358.7
Total	1,439.3	704.4	3,018.5	690.1	5,852.3

4. Liquidity risk

Liquidity risk is inherent in much of the Group's business. Liquidity risk is risk stemming from a lack of marketability in Sagicor's assets. Some liabilities may be surrendered at the call of the contract-holder, while some assets have low liquidity such as mortgage loans and real estate. In order to manage liquidity risks, the Group seeks to maintain levels of cash and short-term deposits in each of its operating currencies that can meet expected short-term obligations.

The Group is exposed to daily demands on its available cash resources for payment of policy benefits and withdrawals, operating expenses and taxes, loan drawdowns, repayment of borrowings, maturing deposit liabilities and other security obligations. The Group maintains cash resources to meet what it predicts it will have to pay as policy benefits. Demands on its cash resources may exceed the Group's projections.

The Group diversifies its liability portfolio by limiting concentrations of liabilities in each market segment. Where practical, given the Group's operating environment, Sagicor seeks to match maturities of assets and liabilities while maintaining a portfolio of short-term, highly liquid securities to meet funding gaps. The Group monitors its daily, weekly and monthly liquidity risk and manages its maturing asset and liability portfolios.

The Group purchases custom options (hedges) that are selected to materially replicate the policy benefits that are associated with the equity indexed components of certain of its products. These options are appropriate to reduce or minimise the risk of movements in the equity market (market risk). The hedging transactions are accounted for as call options and are originally valued at the premium paid, with the statement carrying value being adjusted to fair value. To minimise potential counterparty risk from the purchase of these customised contracts from broker dealers, the Group only transacts with banks and brokers carrying an unsecured debt rating of at least A or P-1 by either Standard and Poor's or Moody's.

The Group's monetary insurance liabilities mature in periods which are summarised in the following tables for the years ended December 31, 2019 and 2018. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

December 31, 2019	Expected discounted cash flows			
(in US $millions)	**Maturing within 1 year**	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Actuarial liabilities	260.0	1,004.3	2,340.3	3,604.6
Other insurance liabilities	127.1	30.5	70.3	227.9
Total	387.1	1,034.8	2,410.6	3,832.5

December 31, 2018 (Restated)	Expected discounted cash flows			
(in US $millions)	**Maturing within 1 year**	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Actuarial liabilities	201.4	769.8	2,053.3	3,024.5
Other insurance liabilities	107.0	44.2	51.9	203.1
Total	308.4	814.0	2,105.2	3,227.6

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

December 31, 2019	Contractual un-discounted cash flows			
(in US $millions)	**On demand or within 1 year**	**1 to 5 years**	**After 5 years**	**Total**
Financial liabilities:				
Investment contracts	347.9	66.5	22.2	436.6
Notes / loans payable	445.9	45.3	68.3	559.5
Lease liabilities	8.3	25.6	13.2	47.1
Other funding instruments	397.1	14.1	19.9	431.1
Customer deposits	815.4	0.3	-	815.7
Structured products	6.8	-	-	6.8
Securities sold for re-purchase	514.6	-	-	514.6
Derivative liabilities	0.3	-	-	0.3
Bank overdrafts	6.6	-	-	6.6
Accounts payable & accrued liabilities	238.6	1.3	0.4	240.3
Total liabilities	2,781.5	153.1	124.0	3,058.6
Off balance sheet commitments:				
Loan commitments	66.6	11.0	1.1	78.7
Non-cancellable lease and rental payments	0.5	-	-	0.5
Customer guarantees and letters of credit	14.4	9.0	11.4	34.8
Investments and Investment management fees	14.3	4.8	-	19.1
Capital commitments	17.9	-	-	17.9
Total commitments	113.7	24.8	12.5	151.0
Total	2,895.2	177.9	136.5	3,209.6

December 31, 2018	Contractual un-discounted cash flows			
(in US $millions)	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:				
Investment contracts	334.5	48.9	15.6	399.0
Notes / loans payable	114.7	445.2	67.1	627.0
Other funding instruments	402.6	55.5	17.7	475.8
Customer deposits	695.3	30.0	-	725.3
Structured products	48.6	17.1	-	65.7
Securities sold for re-purchase	424.7	-	-	424.7
Derivative liabilities	0.2	0.1	-	0.3
Bank overdrafts	2.2	-	-	2.2
Accounts payable & accrued liabilities	237.6	1.9	1.3	240.8
Total liabilities	2,260.4	598.7	101.7	2,960.8
Off balance sheet commitments:				
Loan commitments	42.6	11.6	8.3	62.5
Non-cancellable operating lease and rental payments	4.7	5.7	-	10.4
Customer guarantees and letters of credit	20.6	1.1	13.6	35.3
Capital commitments	19.4	-	-	19.4
Total commitments	87.3	18.4	21.9	127.6
Total	2,347.7	617.1	123.6	3,088.4

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following tables for the years ended December 31, 2019 and 2018. Amounts are stated at their carrying values recognised in the financial statements. For this table, monetary insurance assets comprise policy loans and reinsurance assets.

December 31, 2019	Contractual un-discounted cash flows			
(in US $millions)	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Financial assets:				
Debt securities	1,166.9	774.1	3,124.2	5,065.2
Mortgage loans	21.2	39.0	331.4	391.6
Policy loans	5.3	14.3	131.9	151.5
Finance loans and finance leases	184.4	286.6	124.3	595.3
Securities purchased for re-sale	10.9	-	-	10.9
Deposits	58.3	2.7	1.8	62.8
Derivative assets	36.9	-	-	36.9
Reinsurance assets: share of actuarial liabilities	70.6	279.5	311.7	661.8
Reinsurance assets: other	37.4	-	0.2	37.6
Premiums receivable	57.6	-	-	57.6
Other assets and receivables	75.9	2.1	0.5	78.5
Cash resources	361.5	-	-	361.5
Total	2,086.9	1,398.3	4,026.0	7,511.2

December 31, 2018	Contractual un-discounted cash flows			
(in US $millions)	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Financial assets:				
Debt securities	563.2	652.9	2,713.3	3,929.4
Mortgage loans	22.5	41.3	303.4	367.2
Policy loans	4.6	13.8	128.7	147.1
Finance loans and finance leases	193.3	243.4	77.9	514.6
Securities purchased for re-sale	7.2	-	-	7.2
Deposits	105.1	1.0	1.0	107.1
Derivative assets	7.6	0.1	-	7.7
Reinsurance assets: share of actuarial liabilities	75.3	260.1	318.3	653.7
Reinsurance assets: other	46.0	-	0.2	46.2
Premiums receivable	51.6	-	-	51.6
Other assets and receivables	47.3	-	0.6	47.9
Cash resources	358.7	-	-	358.7
Total	1,482.4	1,212.6	3,543.4	6,238.4

5. Insurance product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the Group. In the discussion below, the term insurer refers to the Group subsidiary issuing insurance contracts.

Risks are priced to achieve an adequate return on capital on the insurer's business. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors, from insurance market softening conditions, or from future changes in the economic environment.

The underwriting process has established pricing guidelines; and may include specific enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for property, casualty and health risks which will limit the potential claims incurred. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits. For long-term insurance contracts, Sagicor assesses the future cash flows attributable to the contract.

Sagicor carries significant underwriting risks concentrated in certain countries within the Caribbean, namely Antigua, Barbados, Cayman Islands, Curacao, Jamaica, St. Lucia and Trinidad and Tobago. In these countries, Sagicor insures a substantial proportion of the insured population (life, annuity, health).

6. Insurance claims risk

a) Life, annuity and health contracts

The principal claims risks for these contracts are mortality, longevity and morbidity risk. For long-term contracts, principal risks affecting claims and benefits also include lapse, expense and investment risk.

For long-term contracts in force, Sagicor invests in assets with cash flow characteristics that closely match the cash flow characteristics of the related policy liabilities. The primary purpose of this matching is to seek to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Policy benefits payable under long-term contracts may be triggered by an insurable event (such as a death, disability or critical illness claim) a specified time (such as for an annuity settlement or a policy maturity) or on the exercise of a surrender or withdrawal request by the policyholder. While settlement of these benefits is therefore expected over the remaining lives of the insureds and annuitants, Sagicor remains subject to uncertainty related to the timing of future benefit cash outflows.

For long-term insurance contracts, significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality (i.e. longevity) will lengthen the pay-out period of annuities.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e., a medical expense or a death claim. Settlement of these benefits is expected generally within a short period.

For Sagicor's health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

b) Property and casualty contracts

Claims payable under property and casualty contracts are triggered by an insurable event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which is refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in very many claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance. The Group takes reinsurance cover to mitigate the geographic concentrations of its property risks.

7. Reinsurance risk

To limit Sagicor's loss exposure on insurance policies, Sagicor may cede some risk to reinsurers that have well-established capability to meet their contractual obligations and that generally have high credit ratings, which ratings Sagicor monitors, or Sagicor requires that a trust account be maintained as collateral for the obligations.

Under reinsurance contracts, the Group retains some part of the risk (amounts below the "retention limit") and coverage in excess of these limits is ceded to reinsurers. The retention programs used are summarised in notes 42.3 and 43.3 of the annual financial statements. Sagicor also maintains catastrophic reinsurance coverage whereby reinsurance coverage is obtained for multiple claims arising from one event or occurring within a specified time period.

8. Fiduciary risk

Sagicor provides investment management, insurance and pension administration, and corporate trust services to corporate customers. Investment management services requires the Group to make allocation, purchase and sale decisions in relation to a wide range of investments on behalf of these corporate customers. These services may expose Sagicor to claims for maladministration or underperformance of these investments. As of December 31, 2019, the Group administered US $3,427.7 million in assets on behalf of these corporate customers.

Additional Financial Disclosures

1. Derivative Financial Instruments

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to seek to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. The contract or notional amounts of derivatives and their fair values are set out in the following table.

(in US $millions)	Contract/ notional amount	Fair Value	
		Asset	Liability
December 31, 2019:			
Equity indexed options	807.0	36.9	0.3
December 31, 2018:			
Equity indexed options	768.3	7.7	0.2

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17 to the annual financial statements), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, a Group subsidiary has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

2. Related Party Transactions

Note 47 of the annual financial statements provide additional information on related party transactions.

3. Breach of Insurance Regulations – Related Party Balances

As at December 31, 2019, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulator has not imposed any penalty.

4. Alignvest Acquisition

On December 5, 2019, the Company completed its proposed transaction between Alignvest Acquisition II Corporation ("Alignvest") and Sagicor Financial Corporation Limited ("SFCL") pursuant to which, among other things, Alignvest acquired all of the issued and outstanding shares of SFCL by way of an Ontario court approved plan of arrangement and a Bermuda court approved scheme of arrangement (the "Arrangement"). On closing, Alignvest changed its name to Sagicor Financial Company Ltd. ("Sagicor") and owns 100% of the shares in the capital of SFCL.

As part of this transaction, subject to certain limitations, each of SFCL's eligible previous shareholders (excluding the Company's management team and continuing directors, all of whom elected to roll 100% of their equity into this transaction) had the option of tendering up to 10,000 shares for $1.75 of cash, up to a total cash share purchase of $205,000 less certain other amounts, as per the Arrangement. SFCL common shares not purchased for cash were exchanged for common shares of Sagicor on an exchange ratio of one Sagicor common share for 4.328 of SFCL common shares ("Exchange Ratio").

On closing of the transaction, 11,548,327 common shares of SFCL were tendered for purchase by the previous shareholders of SFCL. Sagicor purchased 11,548,327 common shares of SFCL for total cash consideration of $20,046 and the remaining 295,007,317 common shares of SFCL were exchanged for 67,992,191 common shares of Sagicor in accordance with the Arrangement. All share and per share amounts for all periods presented in these financial statements have been adjusted retrospectively to reflect the Exchange Ratio.

On closing, the common shares and warrants of Sagicor were listed on the Toronto Stock Exchange and are traded under the symbols "SFC" and "SFC.WT", respectively. With a listing on the Toronto Stock Exchange, SFCL's common shares, formerly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and the London Stock Exchange, have ceased trading and are being delisted from these exchanges.

While Alignvest is the legal acquirer of SFCL, SFCL has been identified as the acquirer for accounting purposes. As Alignvest does not meet the definition of a business as defined in IFRS 3 - Business Combinations ("IFRS 3"), the acquisition is not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2 – Share-based Payments ("IFRS 2"). The consolidated financial statements represent the continuance of SFCL and reflects the identifiable

assets acquired and the liabilities assumed of Alignvest at fair value. Under IFRS 2, the transaction was measured at fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of SFCL acquiring 100% of Alignvest. Any difference in the fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL and the fair value of Alignvest's identifiable net assets acquired and liabilities assumed represents a listing expense.

As a result of this reverse asset acquisition, listing expense and transaction related expenses of US $43.4 million has been recorded to reflect the difference between the estimated fair value of the SFCL common shares, escrowed shares and warrants deemed issued to the shareholders of Alignvest less the net fair value of the assets of Alignvest acquired and common shares repurchased. Transaction related expenses of $24,619 were expensed as incurred. Transaction related expenses were comprised of professional fees of $6,279, cash bonus and other contact benefits paid to executives of $2,736, common shares issued to executives of $5,994, arranger's fee of $8,585 and other costs of $1,025. Details of the listing expense and transaction related expenses are shown at note 1 to the Sagicor Financial Company Ltd.'s 2019 audited financial statements.

The fair value of the consideration transferred to acquire Alignvest under reverse takeover accounting was $493,683 calculated as 72,433,368 common shares at $6.19 per common share, 6,444,877 escrowed common shares with fair value of $3.93 per escrowed common share and 34,774,993 warrants with fair value of $0.58 per warrant. The fair value per common share is based on the fair value of SFCL common shares.

The fair value of escrowed common shares was determined using probability weighted model with a market price per common share of $6.19 resulting in total fair value of $25,328.

The fair value of warrants was determined based on the market closing price of $0.58 per warrant.

As a result of the closing of this transaction, 147,938,907 common shares of Sagicor were issued and outstanding immediately after the closing.

5. Subsequent events

Subsequent to the end of the financial year, the World Health Organization declared COVID-19 a world health pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways.

As the COVID-19 situation evolves, many of the markets in which Sagicor operates have implemented public health safety protocols. Most Caribbean countries have largely shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere.

The COVID-19 pandemic has caused significant economic and financial turmoil both in the U.S. and around the world and has fuelled concerns that it will lead to a global recession. These conditions are expected to continue and worsen in the near term.

We believe that the pandemic will have a significant impact on our business, results of operations, financial condition and liquidity. The extent of these impacts will depend on future developments which cannot be accurately predicted at this time, as new information is emerging each day.

Increased economic uncertainty and increased unemployment resulting from the economic impacts of the spread of COVID-19 may also result in policyholders seeking sources of liquidity and withdrawing from insurance policy arrangements at rates greater than we previously expected. Accordingly, policyholder lapse and surrender rates could exceed our expectations, which could lead to an adverse effect on our business, financial condition, results of operations, liquidity and cash flows. The economic environment could also have an adverse effect on our sales of new policies.

Our investment portfolio and our investments matching our pension liabilities may be adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Changes in interest rates, reduced liquidity or a continued slowdown in global economic conditions may also adversely affect the values and cash flows of these investments. Investments in mortgages and finance loans could be negatively affected by delays or failures of borrowers to make payments of principal and interest when due. Equity investments have declined substantially in value. The Group has an investment in Playa Hotels and Resorts; travel restrictions, the impact on tour and holiday bookings and cancellations, may result in a downturn in revenues and profits which could result in a write-down of this asset.

The Group will continue to monitor the impact of COVID-19.

Historical Financial Disclosures

The following table provides a summary of Sagicor's results from continuing operations for the five most recently completed years.

In US $millions, unless otherwise noted	**2019**	**2018 Restated**	**2017 Restated**	**2016**	**2015**
Net premium revenue	**1,241.5**	1,054.1	745.6	664.0	673.9
Net investment and other income	**625.8**	332.5	463.2	464.7	424.9
Total revenue	**1,867.3**	1,386.6	1,208.8	1,128.7	1,098.8
Benefits and expenses	**(1,663.6)**	(1,260.4)	(1,095.8)	(984.5)	(980.6)
Other	**3.0**	20.3	12.1	5.4	5.4
Income before tax	**206.7**	146.5	125.1	149.6	123.6
Income tax	**(59.7)**	(50.7)	(19.3)	(41.7)	(25.1)
Net income before Alignvest transaction expenses	**153.9**	95.8	105.8	107.9	98.5
Alignvest transaction expenses	**(43.4)**	-	-	-	-
Net income	**103.6**	95.8	105.8	107.9	98.5
Net income attributable to common shareholders	**44.0**	36.5	62.3	60.3	56.3
Basic EPS before Alignvest transaction expenses	**114.3¢**	N/A	N/A	N/A	N/A
Basic EPS (a)	**57.5¢**	51.7¢	20.5 ¢	19.5¢	18.2¢
Diluted EPS before Alignvest transaction expenses	**107.5¢**	N/A	N/A	N/A	N/A
Diluted EPS(a)	**54.1¢**	50.8¢	20.0 ¢	18.7¢	17.3¢
Annualised return on common shareholders' equity before Alignvest transaction expenses	**14.0%**	N/A	N/A	N/A	N/A
Annualised return on common shareholders' equity	**6.8%**	6.2%	11.3%	12.3%	11.7%
Dividends paid per common share	**5.0 ¢**	5.0 ¢	5.0 ¢	4.5 ¢	4.0 ¢
Total assets	**8,728.9**	7,308.2	6,804.5	6,531.9	6,399.9
Total equity attributable to common shareholders	**1,154.1**	600.9	624.6	536.1	506.0

(a) – Earnings per share ratios for 2015 to 2017 have not been restated for the conversion to the current capital structure

Historical Financial Disclosures (continued)

In US $millions, unless otherwise noted	**2019**	**2018 Restated**	**2017 Restated**	**2016**	**2015**
Net income attributable to common shareholders by operating segment:					
Sagicor Life	**60.9**	39.6	64.7	64.8	69.5
Sagicor Jamaica	**61.4**	55.7	46.6	44.3	39.3
Sagicor Life USA	**35.4**	18.3	13.3	10.5	6.6
Head office, other & inter-segment eliminations	**(113.7)**	(77.1)	(62.3)	(59.3)	(59.1)
Net income attributable to common shareholders	**44.0**	36.5	62.3	60.3	56.3
Net income attributable to common shareholders before Alignment transaction expenses	**87.4**	36.5	62.3	60.3	56.3

As discussed in the "Introduction", the information above, in respect of the years 2016, 2015 and 2014, has not been restated to include certain prior year adjustments applied retrospectively to January 1, 2017. Management does not believe these adjustments are material to impact the ability of the users of the financial information, to assess the performance and/or the financial position of the Group. Further, as allowed, on adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers, on January 1, 2018, comparative figures in prior years, have not been adjusted. On January 1, 2019, the Group adopted IFRS 16 – Leases using the modified retrospective method with no restatement of comparative information as allowed by the standard.

INDEX TO FINANCIAL STATEMENTS

Financial Statements and Financia
Actual
Budget
434,251
411,322
407,60
396,5
61,265
36,522
ome tax expenses,

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Appointed Actuary's Report	142
	Independent Auditor's Report	143
	Consolidated Financial Statements:	148
	Consolidated Statements of Financial Position	148
	Consolidated Statements of Income	149
	Consolidated Statements of Comprehensive Income	150
	Consolidated Statements of Changes in Equity	151
	Consolidated Statements of Cash Flows	153
	Notes to the Consolidated Financial Statements	
1	General Information	154
2	Accounting Policies	156
3	Critical Accounting Estimates and Judgements	182
4	Segments	186
5	Investment Property	197
6	Associates and Joint Ventures	198
7	Property, Plant and Equipment	203
8	Intangible Assets	204
9	Financial Investments	207
10	Reinsurance Assets	209
11	Income Tax Assets	209
12	Miscellaneous Assets and Receivables	209
13	Actuarial Liabilities	210
14	Other Insurance Liabilities	213
15	Investment Contract Liabilities	214
16	Notes and Loans Payable	214
17	Deposit and Security Liabilities	217
18	Other Liabilities / Retirement Benefit Liabilities	217
19	Income Tax Liabilities	217
20	Accounts Payable and Accrued Liabilities	218
21	Common Shares	219
22	Reserves	220
23	Participating Accounts	222
24	Premium Revenue	222
25	Policy Benefits & Change in Actuarial Liabilities	222
26	Net Investment Income	223
27	Fees and Other Revenue	224
28	Interest and Finance Costs	225
29	Employee Costs	225
30	Equity Compensation Benefits	226
31	Employee Retirement Benefits	229
32	Income Taxes	233
33	Deferred Income Taxes	234
34	Earnings per Common Share	236
35	Other Comprehensive Income (OCI)	237
36	Cash Flows	238
37	Changes in Subsidiary and Associate Holdings	240
38	Discontinued Operation	244
39	Contingent Liabilities	245
40	Fair Value of Property	246
41	Financial Risk	246
42	Insurance Risk - Property & Casualty Contracts	294
43	Insurance Risk - Life, Annuity & Health Contracts	299
44	Fiduciary Risk	304
45	Statutory Restrictions on Assets	304
46	Capital Management	305
47	Related Party Transactions	310
48	Breach of Insurance Regulations – Related Party Balances	310
49	Transition to IFRS 16 - Leases	311
50	Reclassification of Comparative Figures	313
51	Subsequent Events	313

ACRONYMS

Certain acronyms have been used throughout the financial statements and notes thereto to substitute phrases.
The more frequent acronyms and associated phrases are set out below.

Acronym	Phrase
AA	Appointed Actuary
EAD	Exposure at Default
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS 9	International Financial Reporting Standard No.9 – Financial Instruments
IFRS 16	International Financial Reporting Standard No.16 – Leases
LGD	Loss Given Default
MCCSR	Minimum Continuing Capital and Surplus Requirement
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest

ACTUARY'S REPORT

ECKLER

Sagicor

SAGICOR FINANCIAL COMPANY LTD.
APPOINTED ACTUARY'S
2018 & 2019 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have performed or reviewed the valuation of the consolidated policy liabilities of Sagicor Financial Company Ltd. ("Sagicor") which includes the policy liabilities of its life insurance subsidiaries:

- A — Sagicor Life Inc. (Barbados) ("SLI"),
- B — Capital Life Insurance Company Bahamas Limited (Bahamas) ("CLIC"),
- C — Sagicor Life Aruba NV (Aruba),
- D — Sagicor Panamá SA (Panama),
- E — Nationwide Insurance Company Limited (Trinidad & Tobago),
- F — Sagicor Life (Eastern Caribbean) Inc. ("SLECI"),
- G — Sagicor Life Jamaica Limited (Jamaica) *,
- H — Sagicor Life of the Cayman Islands Limited (Cayman Islands) *, and
- I — Sagicor Life Insurance Company (USA) *,

for the balance sheets, at 31st December 2018 and at 31st December 2019, and their change in the respective consolidated statement of operations, for the years then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its Life Insurance Subsidiaries was conducted by myself, or other actuaries (indicated by a "*" above), using either the Policy Premium Method ("PPM") or the Canadian Asset Liability Method ("CALM") where appropriate, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Standards of Practice (Life) of the Canadian Institute of Actuaries. For those where other actuaries completed the valuation, I have reviewed and accepted their valuation and have relied on their work in order to issue this certificate.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

Sylvain Goulet

Sylvain Goulet, FCIA, FSA, MAAA
Affiliate Member of the Institute and Faculty of Actuaries
Member of the Caribbean Actuarial Association
Appointed Actuary for Sagicor Financial Company Ltd., and the above Life Subsidiaries A to F

26th March 2020

AUDITOR'S REPORT

Independent auditor's report

To the Shareholders of Sagicor Financial Company Ltd.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sagicor Financial Company Ltd. (the Company) and its subsidiaries (together 'the Group') as of December 31, 2019 and December 31, 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Sagicor Financial Company Ltd.'s consolidated financial statements comprise:

- the consolidated statements of financial position as of December 31, 2019 and December 31, 2018;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB11004, Barbados, West Indies
T: +246-626-6700, F:+246-436-1275, www.pwc.com/bb

Key audit matter	How our audit addressed the key audit matter
Actuarial methodologies and assumptions used in the valuation of actuarial liabilities *Refer to Note 3 Critical accounting estimates and judgements, and Note 13 Actuarial liabilities, to the consolidated financial statements.* The Group's total actuarial liabilities was $3.6 billion as at December 31, 2019 and is the most significant liability on the Group's statement of financial position. We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, such as investment return, associated discount rates and borrowing rates, policy expenses, and operating assumptions such as mortality, morbidity and persistency are the key inputs used by management to estimate these long-term liabilities. Management uses qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuing the actuarial liabilities.	Our approach to addressing the matter involved the following procedures, amongst others: • updated our understanding for any changes impacting the assumptions, specifically, investment returns, associated discount rates and borrowing rates, policy expenses and operating assumptions such as mortality, morbidity and persistency. • assessed the competence and capability of management's actuarial expert. • evaluated the methodologies and assumptions utilized by management's actuaries, considering published industry studies, market data and component specific facts and circumstances with the assistance of our actuarial experts. • for the Sagicor Life and Sagicor Jamaica segments, tested a sample of contracts to assess whether contract features corresponded to the data on the policy master file and tested the accuracy and completeness of the transfer of that data to the actuarial valuation systems. • for the Sagicor USA and Sagicor Life segments, tested a sample of contracts to assess whether policyholder data and contract features corresponded to the data in the actuarial valuation system. In addition, for the Sagicor USA segment, compared data on a sample basis between the policy administration system and the valuation system to test completeness.

AUDITOR'S REPORT

pwc

Key audit matter	How our audit addressed the key audit matter
Expected Credit Loss (ECL) - Probabilities of Default & Forward Looking Assumptions of financial investments *Refer to Note 3 Critical accounting estimates and judgements, and Note 41.3 Credit impairment losses – financial investments subject to impairment, to the consolidated financial statements.* The Group's total financial investments was $6.7 billion at December 31, 2019 and the related credit impairment losses in relation to those financial assets was $4.8 million for the year ended December 31, 2019. We have focused on the following areas because there are a number of significant management determined judgements within the ECL model, including the following: • Probabilities of default (PD): These represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. This is one of the three elements used in the ECL calculation. PDs are developed with reference to external data collated by international credit rating agencies, with specific adjustments for industries and country specific risks, where necessary. • Use of multiple forward looking economic scenarios. Management performed regression analysis to determine the impact of future economic conditions on probabilities of default in the countries and industries where the Group has investment securities. A macroeconomic indicator is determined, which is statistically linked to the credit risk of the sovereign exposure and/or corporate exposure. Management engaged a credit modeller expert to assist in the more complex aspects of the design of the expected credit loss model.	Our approach to addressing the matter involved the following procedures, amongst others: With the assistance of our valuation experts, we performed the following procedures: • updated our understanding of management's ECL model including any changes to source data, assumptions and tested the mathematical integrity of the model. • evaluated the design and tested the operating effectiveness of the relevant controls for the forward looking information in the ECL determination, by inspection of the review and approval of key assumptions, judgments and forward-looking assumptions prior to being incorporated within the ECL model. • on a sample basis, tested the critical data fields used in the ECL model for the PD determination, such as the credit rating, date of default (if any), and type of debt security by tracing back to source documents including external public information where available. • evaluated the appropriateness of management's judgements pertaining to forward looking information, including macroeconomic factors, which is the basis of the multiple economic scenarios used. Sensitised the various inputs and assumptions as part of our reasonability tests.

pwc

Key audit matter	How our audit addressed the key audit matter
Transaction between the Group and Alignvest Acquisition II Corporation *Refer to Note 3 Critical accounting estimates and judgements and Note 1 General information, to the consolidated financial statements.* On December 5, 2019, the Group completed its proposed transaction ('transaction') between Alignvest Acquisition II Corporation ('Alignvest') and Sagicor Financial Corporation Limited, which was accounted for as a share-based payment transaction in accordance with IFRS 2 - Share-based Payments. The transaction required management to estimate the fair value of the common shares, escrowed shares and warrants deemed to have been issued by the Group in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of the Group acquiring 100% of Alignvest. As a result of this transaction, a listing expense of $18.8 million was recorded to reflect the difference between the estimated fair value of the Group's common shares, escrowed shares and warrants deemed issued to the shareholders of Alignvest less the fair value of Alignvest's identifiable net assets acquired and liabilities assumed. Management considered various valuation methodologies to determine the fair value of the common shares. Given the wide dispersion of values that this exercise produced, management has chosen to utilize the value that, in their judgement, reflected the price at which valuation was most heavily negotiated for a significant investment, that being the private placement by investors which enabled Alignvest to satisfy its condition precedent to deliver its minimum cash proceeds to the transaction and effectively unlocked the transaction. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of shares.	Our approach to addressing the matter involved the following procedures, amongst others: With the assistance of our valuation experts we performed the following procedures on management's estimate of the fair value of the common and escrowed shares deemed issued as part of the transaction: • evaluated management's analysis to ensure that acceptable valuation methodologies were followed. • determined an independent range for the fair value of the common shares using various valuation methodologies and compared the results to management's estimates. • determined an independent fair value of the escrowed shares using independent assumptions and compared the results to management's estimates. • reperformed the calculation of the transaction expense for mathematical accuracy.

AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
We have focused on this matter because significant management judgement was required to determine the fair value of the common and escrowed shares issued by the Group as part of the transaction.	

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael Bynoe.

PricewaterhouseCoopers SRL
Bridgetown, Barbados
April 23, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and December 31, 2018

SAGICOR FINANCIAL COMPANY Ltd. *(formerly Sagicor Financial Corporation Limited)*

Amounts expressed in US $000

	Note	2019	2018
ASSETS			
Investment property	5	95,577	93,494
Property, plant and equipment	7	289,870	262,288
Associates and joint ventures	6	230,558	236,132
Intangible assets	8	106,864	97,312
Financial investments	9	6,080,758	4,794,399
Financial investments repledged	9	604,886	553,264
Reinsurance assets	10	724,237	714,597
Income tax assets	11	26,594	54,365
Miscellaneous assets and receivables	12	208,059	143,647
Cash		273,072	261,899
Restricted cash		88,396	96,788
Assets of discontinued operation	38	-	17,239
Total assets		**8,728,871**	**7,325,424**

	Note	2019	2018
LIABILITIES			
Actuarial liabilities	13	3,604,653	3,024,464
Other insurance liabilities	14	286,960	247,577
Investment contract liabilities	15	424,340	390,397
Total policy liabilities		4,315,953	3,662,438
Notes and loans payable	16	517,732	490,275
Lease liabilities	49	35,700	-
Deposit and security liabilities	17	1,752,689	1,674,033
Other liabilities / retirement benefit liabilities	18	59,795	74,287
Income tax liabilities	19	56,889	48,236
Accounts payable and accrued liabilities	20	240,333	240,694
Total liabilities		**6,979,091**	**6,189,963**
EQUITY			
Share capital	21	1,477	3,061
Share premium	21	762,015	300,665
Reserves	22	(9,023)	(76,995)
Retained earnings		399,582	374,138
Total shareholders' equity		1,154,051	600,869
Participating accounts	23	1,223	4,078
Non-controlling interests	4.4	594,506	530,514
Total equity		**1,749,780**	**1,135,461**
Total liabilities and equity		**8,728,871**	**7,325,424**

These financial statements have been approved for issue by the Board of Directors on April 23, 2020.

J Hodgson
.....
Director

D. Miller
.....
Director

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31, 2019 and December 31, 2018

SAGICOR FINANCIAL COMPANY Ltd. *(formerly Sagicor Financial Corporation Limited)*

Amounts expressed in US $000

	Note	2019	2018
REVENUE			
Premium revenue	24	1,323,252	1,141,429
Reinsurance premium expense	24	(81,708)	(87,388)
Net premium revenue		1,241,544	1,054,041
Gain on derecognition of amortised cost investments		12,920	10,434
Gain on derecognition of assets carried at FVOCI		29,954	9,339
Interest income earned from financial assets measured at amortised cost and FVOCI	26	308,014	290,988
Other investment income	26	111,800	2,832
Credit impairment losses		(4,877)	(95,519)
Fees and other revenue	27	167,971	114,482
Total revenue, net		**1,867,326**	**1,386,597**
BENEFITS			
Policy benefits and change in actuarial liabilities	25	1,169,640	728,360
Policy benefits and change in actuarial liabilities reinsured	25	(107,308)	(15,555)
Net policy benefits and change in actuarial liabilities		1,062,332	712,805
Interest costs	28.1	54,192	52,521
Total benefits		**1,116,524**	**765,326**
EXPENSES			
Administrative expenses		333,236	303,071
Commissions and related compensation		120,155	117,316
Premium and asset taxes		14,560	13,956
Finance costs	28.2	43,633	36,511
Depreciation and amortisation		35,506	24,277
Listing expense and other transaction costs	1	43,396	-
Total expenses		**590,486**	**495,131**

	Note	2019	2018
OTHER			
(Loss) / gain arising on business combinations, acquisitions and divestitures	37	(379)	11,820
Gain arising on acquisition of insurance business	13.2	-	6,418
Share of operating income of associates and joint ventures	6	3,347	2,145
Total other income		**2,968**	**20,383**
INCOME BEFORE TAXES FROM CONTINUING OPERATIONS		163,284	146,523
Income taxes	32	(59,710)	(50,702)
NET INCOME FROM CONTINUING OPERATIONS		**103,574**	**95,821**
Net income from discontinued operation	38	517	7,129
NET INCOME FOR THE YEAR		**104,091**	**102,950**
Net income is attributable to:			
Common shareholders:			
From continuing operations		43,981	36,521
From discontinued operation		517	7,129
		44,498	43,650
Participating policyholders		(1,937)	7,222
Non-controlling interests	4.1	61,530	52,078
		104,091	102,950
Basic earnings per common share:	34		
From continuing operations		57.5 cents	51.7 cents
From discontinued operation		0.7 cents	10.1 cents
		58.2 cents	61.8 cents
Fully diluted earnings per common share:	34		
From continuing operations		54.1 cents	50.8 cents
From discontinued operation		0.6 cents	9.9 cents
		54.7 cents	60.7 cents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2019 and December 31, 2018

SAGICOR FINANCIAL COMPANY Ltd. *(formerly Sagicor Financial Corporation Limited)*

Amounts expressed in US $000

OTHER COMPREHENSIVE INCOME	Note	2019	2018
Items net of tax that may be reclassified subsequently to income:	35		
Financial assets measured at FVOCI:			
Gains / (losses) on revaluation		168,707	(82,864)
Gains transferred to income		(20,374)	(1,891)
Net change in actuarial liabilities		(94,999)	41,614
Retranslation of foreign currency operations		(16,641)	(25,185)
Other reserves		(3,212)	-
		33,481	(68,326)
Items net of tax that will not be reclassified subsequently to income:	35		
(Losses) / gains on revaluation of owner-occupied and owner-managed property		(971)	6,894
Gains on equity securities designated at FVOCI		18	73
Gains / (losses) on defined benefit plans		11,198	(2,685)
		10,245	4,282
OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS		**43,726**	**(64,044)**

TOTAL COMPREHENSIVE INCOME	2019	2018
Net income	104,091	102,950
Other comprehensive income / (loss)	43,726	(64,044)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**147,817**	**38,906**
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	80,671	2,917
From discontinued operation	517	7,129
	81,188	10,046
Participating policyholders	(2,655)	6,356
Non-controlling interests	69,284	22,504
	147,817	38,906

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2019 and December 31, 2018

SAGICOR FINANCIAL COMPANY Ltd. *(formerly Sagicor Financial Corporation Limited)*

Amounts expressed in US $000

	Share Capital (note 21)	Share Premium (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2019								
Balance, December 31, 2018	3,061	300,665	(76,995)	374,138	600,869	4,078	530,514	1,135,461
Total comprehensive income from continuing operations	-	-	28,030	52,641	80,671	(2,655)	69,284	147,300
Total comprehensive income from discontinued operation	-	-	-	517	517	-	-	517
Transactions with holders of equity instruments:								
Exchange of shares (note 1)	(2,270)	2,270	-	-	-	-	-	-
Repurchase of shares (note 1)	(116)	(19,930)	-	-	(20,046)	-	-	(20,046)
New share issue (note 1)	798	478,818	-	-	479,616	-	-	479,616
Movements in treasury shares	4	192	-	-	196	-	-	196
Allocated to warrant reserve	-	-	20,062	-	20,062	-	-	20,062
Changes in reserve for equity compensation benefits	-	-	9,187	(938)	8,249	-	24	8,273
Dividends declared (note 21)	-	-	-	(15,316)	(15,316)	-	(21,539)	(36,855)
Acquisition/disposal of subsidiary and insurance business	-	-	-	-	-	-	17,070	17,070
Transfers and other movements	-	-	10,693	(11,460)	(767)	(200)	(847)	(1,814)
Balance, December 31, 2019	**1,477**	**762,015**	**(9,023)**	**399,582**	**1,154,051**	**1,223**	**594,506**	**1,749,780**

	Share Capital (note 21)	Share Premium (note 21)	Reserves (note 22)	Retained Earnings	Total Shareholders' Equity	Participating Accounts (note 23)	Non-controlling Interests	Total Equity
2018								
Balance, December 31, 2017	3,059	300,470	(47,388)	368,451	624,592	865	311,766	937,223
Transition adjustment on adoption of IFRS 9	-	-	(217)	(10,442)	(10,659)	(2,930)	(2,352)	(15,941)
Balance, January 1, 2018	3,059	300,470	(47,605)	358,009	613,933	(2,065)	309,414	921,282
Total comprehensive income from continuing operations	-	-	(29,634)	32,551	2,917	6,356	22,504	31,777
Total comprehensive income from discontinued operation	-	-	-	7,129	7,129	-	-	7,129
Transactions with holders of equity instruments:								
Movements in treasury shares	2	195	-	-	197	-	-	197
Changes in reserve for equity compensation benefits	-	-	(787)	-	(787)	-	(28)	(815)
Dividends declared (note 21)	-	-	-	(15,300)	(15,300)	-	(18,554)	(33,854)
Acquisition/disposal of subsidiary and insurance business	-	-	-	-	-	-	222,755	222,755
Changes in ownership interest in subsidiaries	-	-	-	(3,092)	(3,092)	-	(9,581)	(12,673)
Disposal of interest in subsidiaries	-	-	(935)	935	-	-	(2,221)	(2,221)
Transfers and other movements	-	-	1,966	(6,094)	(4,128)	(213)	6,225	1,884
Balance, December 31, 2018	**3,061**	**300,665**	**(76,995)**	**374,138**	**600,869**	**4,078**	**530,514**	**1,135,461**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2019 and December 31, 2018

SAGICOR FINANCIAL COMPANY Ltd. *(formerly Sagicor Financial Corporation Limited)*

Amounts expressed in US $000

	Note	2019	2018
OPERATING ACTIVITIES			
Income before taxes from continuing operations		163,284	146,523
Adjustments for non-cash items, interest and dividends	36.1	172,204	65,655
Interest and dividends received		318,564	303,371
Interest paid		(95,332)	(89,029)
Income taxes paid		(53,060)	(31,720)
Net increase in investments and operating assets	36.1	(582,684)	(580,553)
Net increase in operating liabilities	36.1	118,499	232,016
Net cash flows - operating activities		**41,475**	**46,263**
INVESTING ACTIVITIES			
Property, plant and equipment, net	36.2	(7,493)	(326)
Associates and joint ventures, net		-	(146)
Dividends received from associates and joint ventures		640	600
Purchase of intangible assets		(4,738)	(4,795)
Changes in subsidiary and associate holdings, net of cash and cash equivalents		(32,779)	10,422
Sale of subsidiaries, net		-	(13,795)
Net cash flows - investing activities		**(44,370)**	**(8,040)**

	Note	2019	2018
FINANCING ACTIVITIES			
Allotment of common shares		474,906	-
Repurchase of shares		(20,046)	-
Purchase of treasury shares		(371)	(202)
Redemption of SFCL preference shares		-	(1)
Shares issued to / (purchased from) non-controlling interests		(1,562)	1,967
Changes in ownership of subsidiaries		-	(12,673)
Notes and loans payable, net	36.3	31,695	(6,134)
Lease liability principal paid	36.5	(4,225)	-
Dividends paid to common shareholders		(15,003)	(14,959)
Dividends paid to non-controlling interests		(21,539)	(19,337)
Net cash flows - financing activities		**443,855**	**(51,339)**
Effects of exchange rate changes		(4,933)	(3,672)
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS		**436,027**	**(16,788)**
Net change in cash and cash equivalents – discontinued operation		17,756	-
Cash and cash equivalents, beginning of year		321,561	338,349
CASH AND CASH EQUIVALENTS, END OF YEAR	36.4	**775,344**	**321,561**

1 GENERAL INFORMATION

Sagicor Financial Company Ltd. (TSX: SFC, "SFC" or the "Company") is a leading financial services provider in the Caribbean, with almost 180 years of history. SFC's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda, with its principal office located at Cecil F De Caires Building, Wildey, St. Michael, Barbados.

On November 27, 2018, Sagicor Financial Corporation Limited ("SFCL") entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest"), a special purpose acquisition company ("SPAC") , pursuant to which on December 5, 2019, Alignvest acquired all of the issued and outstanding shares of SFCL by way of an Ontario court approved plan of arrangement and a Bermuda court approved scheme of arrangement (the "Arrangement"). On closing, Alignvest changed its name to Sagicor Financial Company Ltd. and owns 100% of the shares in the capital of SFCL whose operations continue as SFC.

As part of this transaction, subject to certain limitations, each of SFCL's eligible previous shareholders (excluding the Company's management team and continuing directors, all of whom elected to roll 100% of their equity into this transaction) had the option of tendering up to 10,000 shares for $1.75 of cash, up to a total cash share purchase of $205,000 less certain other amounts, as per the Arrangement. SFCL common shares not purchased for cash were exchanged for common shares of Sagicor on an exchange ratio of one Sagicor common share for 4.328 of SFCL common shares ("Exchange Ratio").

On closing of the transaction, 11,548,327 common shares of SFCL were tendered for purchase by the previous shareholders of SFCL. Sagicor purchased 11,548,327 common shares of SFCL for total cash consideration of $20,046 and the remaining 295,007,317 common shares of SFCL were exchanged for 67,992,191 common shares of Sagicor in accordance with the Arrangement. All earnings per share amounts for all periods presented in these financial statements have been adjusted retrospectively to reflect the Exchange Ratio.

1 GENERAL INFORMATION (continued)

On closing, the common shares and warrants of Sagicor were listed on the Toronto Stock Exchange and are traded under the symbols "SFC" and "SFC.WT", respectively. With a listing on the Toronto Stock Exchange, SFCL's common shares, formerly listed on the Barbados Stock Exchange, the Trinidad and Tobago Stock Exchange and the London Stock Exchange, have ceased trading and are being delisted from these exchanges.

While Alignvest is the legal acquirer of SFCL, SFCL has been identified as the acquirer for accounting purposes. As Alignvest does not meet the definition of a business as defined in IFRS 3 - Business Combinations ("IFRS 3"), the acquisition is not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2 – Share-based Payments ("IFRS 2"). These consolidated financial statements represent the continuance of SFCL and reflects the identifiable assets acquired and the liabilities assumed of Alignvest at fair value. Under IFRS 2, the transaction was measured at fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of SFCL acquiring 100% of Alignvest. Any difference in the fair value of the common shares, escrowed shares and warrants deemed to have been issued by SFCL and the fair value of Alignvest's identifiable net assets acquired and liabilities assumed represents a listing expense.

As a result of this reverse asset acquisition, listing expense of $18,777 has been recorded to reflect the difference between the estimated fair value of the common shares, escrowed shares and warrants deemed issued to the shareholders of Alignvest less the net fair value of the assets of Alignvest acquired. Transaction related expenses of $24,619 were expensed as incurred. Transaction related expenses were comprised of professional fees of $6,279, cash bonus and other contact benefits paid to executives of $2,736, common shares issued to executives of $5,994, arranger's fee of $8,585 and other costs of $1,025.

1 GENERAL INFORMATION (continued)

The details of the listing expense and transaction related expenses are as follows:

	2019
Fair Value of consideration transferred:	
Common shares	448,293
Escrowed common shares	25,328
Warrants	20,062
Total fair value of consideration transferred	493,683
Fair value of net assets acquired and shares repurchased:	
Cash	454,860
Cash for the repurchase of shares	20,046
Total fair value of net assets acquired and shares repurchased	474,906
Listing expense	18,777
Transaction related expenses	24,619
Listing expense and other transaction costs	43,396

The fair value of the consideration transferred to acquire Alignvest under reverse takeover accounting was $493,683 calculated as 72,433,368 common shares at $6.19 per common share, 6,444,877 escrowed common shares with fair value of $3.93 per escrowed common share and 34,774,993 warrants with fair value of $0.58 per warrant. The fair value per common share is based on the fair value of SFCL common shares.

The fair value of escrowed common shares was determined using probability weighted model with an estimated fair value per common share of $6.19 resulting in total fair value of $25,328.

The fair value of warrants was determined based on the market closing price of $0.58 per warrant.

As a result of the closing of this transaction, 147,838,907 common shares of the Company were issued and outstanding immediately after the closing.

1 GENERAL INFORMATION (continued)

Sagicor and its subsidiaries ("the Group") operate across the Caribbean and in the United States of America (USA). There was a discontinued operation in the United Kingdom. Details of Sagicor's holdings and operations are set out in notes 4 and 38.

The principal activities of the Sagicor Group are as follows:

- Life and health insurance,
- Annuities and pension administration services,
- Banking and investment management services,

and its principal operating companies are as follows:

- Sagicor Life Inc (Barbados and Trinidad & Tobago),
- Sagicor Life Jamaica Limited (Jamaica),
- Sagicor Bank Jamaica Limited (Jamaica),
- Sagicor Life Insurance Company (USA).

The Group also underwrites property and casualty insurance and provides hospitality services.

For ease of reference, when the term "insurer" is used in the following notes, it refers to either one or more Group subsidiaries that engages in insurance activities.

These consolidated financial statements for the year ended December 31, 2019 have been approved by the Board of Directors on April 23, 2020. Neither the Company's owners nor others have the power to amend the financial statements after issue.

2 ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

The Group has adopted accounting policies for the computation of actuarial liabilities of life insurance and annuity contracts using approaches consistent with the principles of the Canadian standards of practice. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that the Canadian standards of practice should continue to be applied. The adoption of IFRS 4 – Insurance Contracts, permits the Group to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately.

The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, financial assets carried at fair value through other comprehensive income, financial asset and liabilities held at fair value through income, discontinued operations, actuarial liabilities and associated reinsurance assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas when assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

All amounts in these financial statements are shown in thousands of United States dollars, unless otherwise stated.

2.1 Basis of preparation (continued)

Adoption of IFRS 16 - Leases

Effective January 1, 2019, the Sagicor Group adopted IFRS 16. The Group has implemented IFRS 16 – Leases using the modified retrospective method with no restatement of comparative information. As a result, the comparatives for 2018 have not been restated. For contracts entered into before January 1, 2019, the Group, as lessor, relied on its assessment made in applying IAS 17 - Leases and IFRIC 4 - Determining whether an arrangement contains a lease. Accordingly, the Group has also elected not to reassess whether a contract in effect before January 1, 2019, is, or contains a lease.

As of January 1, 2019, the Group, as lessee, has recognised right-of-use assets and lease liabilities for the operating leases previously entered into. The impact of this change is summarised in note 49.

The accounting policy for leases is set out in note 2.10.

Amendments to existing IFRS and IAS effective January 1, 2019

The Group has adopted the amendments to IFRS and IAS set out in the following tables. None of these amendments have a material effect on the Group's financial statements.

Standard	Description of amendment
IFRS 9 – Financial Instruments	The amendment "Financial instruments on prepayment features with negative compensation" enables companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected, would otherwise have been measured at FVTPL. Negative compensation arises where the contractual terms permit the borrower to repay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, negative compensation must be reasonable compensation for early termination of the contract.

2.1 Basis of preparation (continued)

Standard	Description of amendment
IFRIC 23 – Uncertainty over Income Tax Treatments	This interpretation clarifies how to apply the recognition and measurement requirement in IAS-12 "Income Taxes" when there is uncertainty over income tax treatments. This interpretation applies to the determination of taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates when there is doubt as to the tax treatments to be used in accordance with IAS-12.
IAS 28 – Investments in Associates and Joint Ventures	The amendment "Long-term Interest in Associates and Joint Ventures" clarifies the situation where an entity applies the equity method and owns long-term interests that meet the criteria to be qualified in substance as long-term net investments. This amendment applies more specifically to shares when there are losses that must be absorbed by long-term interests.
IAS 19 – Employee Benefits	The amendment "Plan Amendment, Curtailment or Settlement" clarifies, for defined benefit pension plans, when changes require a revaluation of the net cost of assets and liabilities involved. The amendment requires the entity to use the adjusted assumptions resulting from the reassessment to determine the cost of services rendered during the period and the net interest for the period following the changes made to the pension plans or the revaluation. This amendment applies prospectively.
Annual Improvements	The Annual Improvements clarify situations specific to four standards: • IFRS-3 "Business Combinations" relates to the fact that a business combination achieved in stages is applicable when a party to a joint arrangement obtains control of a business that is a joint operation, and this improvement will apply prospectively; • IFRS-11 "Joint Arrangements" relates to the fact that an interest previously owned by an entity in a joint operation is not remeasured when the entity obtains joint control of the joint operation, and this improvement will apply prospectively; • IAS-12 "Income Taxes" relates to the recognition of income taxes on dividend liabilities to be paid, and this improvement will apply retrospectively; • IAS-23 "Borrowing Costs" relates to the fact that an entity shall exclude from the calculation of capitalized borrowing costs the borrowing costs for the period during the completion of the assets, and this improvement will apply prospectively.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to the variable returns from its ownership interest in the entity and when the Group can affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued, and the liabilities incurred or assumed at the date of exchange. 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 non-controlling interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition.

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity.

2 .2 Basis of consolidation (continued)

Non-controlling interest balances represent the equity in a subsidiary not attributable to Sagicor's interest.

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the non-controlling interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of non-controlling interests, other IFRS may override the fair value option.

Non-controlling interest balances are subsequently re-measured by the non-controlling's proportionate share of changes in equity after the date of acquisition.

(b) Discontinued operation

In December 2012, the Group agreed to sell Sagicor Europe Limited, its subsidiary Sagicor at Lloyd's Limited and its interest in Lloyd's of London syndicate 1206. The decision to sell resulted in the closure of the Sagicor Europe operating segment and therefore met the criteria of a discontinued operation. The sale was concluded in December 2013. As of December 31, 2018, the future price adjustments relating to the discontinued operation are disclosed in the statement of financial position at their estimated undiscounted value.

(c) Sale of subsidiaries

On the sale of or loss of control of a subsidiary, the Group de-recognises the related assets, liabilities, non-controlling interest and associated goodwill of the subsidiary. The Group reclassifies its share of balances of the subsidiary previously recognised in other comprehensive income either to income or to retained earnings as appropriate. The gain (or loss) on sale recorded in income is the excess (or shortfall) of the fair value of the consideration received over the de-recognised and reclassified balances.

2 .2 Basis of consolidation (continued)

(d) Associates and joint ventures

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in companies are accounted for as associates in instances when significant influence exists even though the shareholding may be less than 20%.

Investments in associate and joint venture companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Assets of certain associates include significant proportions of investment property and financial instruments invested in investment property which are carried at fair value in accordance with the valuation procedures outlined in note 2.5.

The Group recognises in income its share of associates and joint venture companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest.

The Group recognises in other comprehensive income, its share of post-acquisition other comprehensive income. The Group recognises an impairment of its net investment in an associate or a joint venture when there is objective evidence that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the associate's or joint venture's fair value less costs to sell and its value in use.

2 .2 Basis of consolidation (continued)

(e) Pension and investment funds

Insurers have issued deposit administration and unit linked contracts in which the full return of the assets supporting these contracts accrue directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group manages segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these funds accrue directly to unitholders. Consequently, the assets, liabilities and activity of these funds are not included in these consolidated financial statements unless the Group has a significant holding in the fund. Where a significant holding exists, the Group either consolidates the assets, liabilities and activity of the fund and accounts for any non-controlling interest as a financial liability or accounts for the fund as an associate.

(f) Employees share ownership plan (ESOP)

The Company has established an ESOP Trust, which either acquires Company shares on the open market, or is allotted new shares by the Company. The Trust holds the shares on behalf of employees until the employees' retirement or termination from the Group. Until distribution to employees, shares held by the Trust are accounted for as treasury shares. All dividends received by the Trust are applied towards the future purchase of Company shares.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each reporting unit of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). A reporting unit may be an individual subsidiary, a branch of a subsidiary or an intermediate holding company group of subsidiaries.

The consolidated financial statements are presented in thousands of United States dollars, which is the Group's presentational currency.

(b) Reporting units

The results and financial position of reporting units that have a functional currency other than the Group's presentational currency are translated as follows:

(i) Income, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
(ii) Assets and liabilities are translated at the exchange rates ruling on December 31.
(iii) Resulting exchange differences are recognised in other comprehensive income.

Currencies which are pegged to the United States dollar are converted at the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks. Exchange rates of the other principal operating currencies to the United States dollar are set out in the following table.

	2019 closing	2019 average	2018 closing	2018 average
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	132.5324	132.8772	127.3996	128.5468
Trinidad & Tobago dollar	6.7624	6.7510	6.7804	6.7460

2.3 Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recorded in other comprehensive income. On the disposal or loss of control of a foreign entity, such exchange differences are transferred to income.

Goodwill and other intangible assets recognised on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the rate ruling on December 31.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities, primarily deferred policy acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the income statement are included in other revenue.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Exchange differences on the re-translation of the fair value of non-monetary items such as equities held as FVOCI are reported as part of the fair value gain or loss in other comprehensive income.

2.4 Segments

Reportable operating segments have been defined in accordance with performance and resource allocation decisions of the Group's Chief Executive Officer.

2.5 Investment property

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation. Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values as determined by independent valuation, with the appreciation or depreciation in value being taken to investment income. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at the valuation date. Fair values are derived using the market value approach and the income capitalisation approach, which reference market-based evidence, using comparable prices adjusted for specific factors such as nature, location and condition of property.

Investment property includes property partially owned by the Group and held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2.6.

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied property.

Rental income is recognised in accordance with note 2.10(a).

2.6 Property, plant and equipment

Property, plant and equipment are recorded initially at cost. Subsequent expenditure is capitalised when it will result in future economic benefits to the Group.

2.6 Property, plant and equipment (continued)

Owner-occupied properties and owner-managed hotel properties are re-valued at least every three years to their fair value as determined by independent valuation. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date. Revaluation of a property may be conducted more frequently if circumstances indicate that a significant change in fair value has occurred. Movements in fair value are reported in other comprehensive income, unless there is a cumulative depreciation in respect of an individual property, which is then recorded in income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

Owner-occupied properties include property held under joint operations with third parties for which the Group recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows. On the disposal of the property, the amount included in the fair value reserve is transferred to retained earnings.

The Group, as lessor, enters into operating leases with third parties to lease certain property, plant and equipment. Income from these activities is recognised in accordance with note 2.10(a) in accordance with IFRS 16 - Leases. Until December 31, 2018, income from operating leases was recognised on the straight-line basis over the term of the lease.

Depreciation is calculated on the straight-line method to write down the cost or fair value of property, plant and equipment to residual value over the estimated useful life. Estimated useful lives are reviewed annually and are as follows.

Asset	Estimated useful life
Owner-occupied buildings	40 to 50 years
Owner-managed hotel buildings	40 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	4 to 5 years
Right-of-use assets	1.5 to 12 years

2.6 Property, plant and equipment (continued)

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

2.7 Intangible assets

(a) Goodwill

Goodwill (defined in note 2.2(a)) arising from an acquisition of a subsidiary or insurance business is allocated to appropriate cash generating units which are defined by the Group's operating segments. Goodwill arising in a reportable operating segment is allocated to that segment. Goodwill arising in a Group entity, which is not within a reportable operating segment, is allocated to that entity's own operations, or, if that entity is managed in conjunction with another Group entity, to their combined operations.

Goodwill arising from an investment in an associate is included in the carrying value of the investment.

Goodwill is tested annually for impairment and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment. An impairment loss is recognised for the amount by which the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is the higher of an operating segment's (or operation's) fair value less costs to sell and its value in use.

On the disposal of a subsidiary or insurance business, the associated goodwill is de-recognised and is included in the gain or loss on disposal. On the disposal of a subsidiary or insurance business forming part of a reportable operating segment, the proportion of goodwill disposed is the proportion of the fair value of the asset disposed to the total fair value of the operating segment.

2.7 Intangible assets (continued)

(b) Other intangible assets

Other intangible assets identified on acquisition are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. In addition, for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and the asset is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The estimated useful lives of recognised intangible assets are as follows:

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	5 - 20 years
	Broker relationships	10 years
	Trade Names	10 years
Contract based	Licences	15 years
Technology based	Software	2 - 5 years

2.8 Real estate developed or held for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are stated at the lower of carrying value and fair value less costs to sell. Real estate acquired through foreclosure is classified as real estate held for resale and is stated at the lower of carrying value and fair value less costs to sell.

2.9 Financial investments

(a) Classification of financial assets

The Group utilises a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the Group's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets are recognised when the Group becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories.

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

2.9 Financial investments (continued)

Measured at fair value through other comprehensive income (FVOCI)

Debt instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities and money market funds.

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of group of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Business model assessment

Business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Group intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

2.9 Financial investments (continued)

Solely payments of principal and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

(c) Unit linked funds fair value model

The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. Where these liabilities are accounted for at FVTPL, the financial investments backing these liabilities are consequently classified as and measured at FVTPL. This is to eliminate any accounting mismatch.

(d) Impairment of financial assets measured at amortized cost and FVOCI

At initial recognition of a financial asset, allowance (or provision in the case of some loan commitments and financial guarantees) is required for Expected Credit Losses (ECL) resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

2.9 Financial investments (continued)

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'Stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'Stage 2'; and financial assets for which there is objective evidence of impairment are defined as being in default or otherwise credit-impaired are in 'Stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(e) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. These financial assets are credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Their ECL is always measured on a life-time basis.

At each reporting date, the Group shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Group will recognize favorable changes in lifetime expected credit losses as an impairment gain, the gain occurs when the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

2.9 Financial investments (continued)

(f) Definition of default

The Group determines that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(g) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(h) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.9 Financial investments (continued)

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the lifetime ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that ECL criteria has been applied since January 1, 2018, the historical period for such review is limited. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage pre-January 1, 2018 processes for estimating losses on impaired loans; however, these processes will be updated as experience develops, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

2.9 Financial investments (continued)

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected lifetime losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

2.9 Financial investments (continued)

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

(i) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial investment and recognises a new investment at fair value and recalculates the new effective interest rate for the investment. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk.

(j) Re-classified balances

The Group reclassifies debt securities when and only where its business model for managing those investments changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

2.9 Financial investments (continued)

(k) Classification of equity instruments

The Group classifies and subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

(l) Embedded derivatives

The Group may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial investment is classified in the same manner as the host contract.

(m) Presentation in the statements of income and other comprehensive income (OCI)

Financial instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in other investment income.

Financial instruments at amortized cost

- Interest income is included in interest income earned from financial assets measured at amortised cost in the consolidated statement of income.
- Credit impairment losses are included in the consolidated statement of income.
- Gain or loss on de-recognition of debt securities is presented in the consolidated statement of income.

Financial instruments measured at FVOCI

- Interest income is included in interest income earned from financial assets measured at FVOCI in the consolidated statement of income.
- Credit impairment losses are included in the consolidated statement of income.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On de-recognition, the cumulative fair value gain or loss is transferred from OCI and is presented in the consolidated statement of income.

2.9 Financial investments (continued)

Equity securities measured at FVOCI

- Dividend income is included in other investment income.
- Unrealised changes in fair value presented in OCI. Any impairment losses are included with fair value changes.
- On de-recognition, the cumulative gain or loss in OCI remains in the fair value reserve for FVOCI assets.

2.10 Leases

(a) Leases held as lessor

The Group holds finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method. Impairment of finance lease receivables is measured in accordance with the requirements for amortised cost debt instruments.

The Group holds operating leases primarily for the rental of investment property and certain owner-occupied property. The Group recognises revenue from these activities on a straight-line basis or on another systematic basis if that basis is more representative of the pattern of use of the underlying asset.

(b) Leases held as lessee

At the inception of a rental contract for office space or a contract for the use of an asset, the Group assess whether the contract contains a lease. A contract is, or contains, a lease if it conveys to the Group the right to control the use of the office space or asset for a time period in exchange for consideration. The Group has elected to use the exemption for lease periods with a term of 12 months or less, or those whose underlying asset has a low value, in which case the lease payments are recognised in administrative expenses. Low value assets comprise IT equipment and small items of office furniture.

2.10 Leases (continued)

(b) Leases held as lessee

For a contract that contains a lease, the Group may account for the lease component separately from the non-lease component. As a practical expedient, the Group elected, by class of underlying asset, not to separate the non-lease and lease components, and instead account for the contract as a lease.

As of the date the asset is available for use by the Group (the commencement date), a right-of-use asset and a corresponding lease liability are recognised.

The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the Group; and
(d) restoration costs.

The Group recognises the costs described in paragraph(d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Right-of-use assets are presented within property, plant and equipment and are subsequently measured at cost less depreciation. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

At the commencement date, the Group measures the lease liability as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.10 Leases (continued)

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;
(b) amounts expected to be payable by the lessee under residual value guarantees;
(c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The extension and termination options need to be approved by Lessor. There are no variable lease payments and there were no residual value guarantees on leases.

Lease payments are allocated between principal and finance cost. The Group recognises interest on the lease liability in each accounting period during the lease term which is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is measured by:

(a) increasing the carrying amount to reflect interest on the lease liability;
(b) reducing the carrying amount to reflect the principal portion of lease payments made; and
(c) remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised fixed lease payments.

Lease liabilities are included in lease liabilities in the statement of financial position. The associated interest is included in finance costs in the statement of income. Leases give rise to lease liability principal elements and interest elements in the statement of cash flows.

2.11 Financial liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk.

Classification

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit and loss (FVTPL). Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (note 2.9 (c)) are classified and measured at FVTPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL (note 2.12). All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

The recognition and measurement of the Group's principal types of financial liabilities are disclosed in note 2.14(b) (vii) and in the following paragraphs.

(a) Securities sold for re-purchase

Securities sold for re-purchase are treated as collateralised financing transactions and are recorded at the amount at which the securities were sold. Securities sold subject to repurchase are not derecognised but are treated as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The difference between the sale and re-purchase price is treated as interest and is accrued over the life of the agreements using the effective yield method.

The liability is extinguished when the obligation specified in the contract is discharged, assigned, cancelled or has expired.

2.11 Financial liabilities (continued)

(b) Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

(c) Loans and other debt obligations

Loans and other debt obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities.

(d) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

(e) Presentation in the statement of income

For notes and loans payable measured at amortised cost, the associated interest is included in finance costs.

For deposit and security liabilities measured at amortised cost, the associated interest expense is included within interest costs.

For financial liabilities measured at FVTPL, the associated interest and fair value changes are included within interest costs.

2.12 Derivative financial instruments and hedging activities

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each financial statement date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in other comprehensive income; and are transferred to the statement of income when the forecast cash flows affect income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in net investment income or interest expense.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Policy contracts

(a) Classification

The Group issues policy contracts that transfer insurance risk and / or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

2.14 Policy contracts (continued)

Certain insurance contracts contain a discretionary participation feature. A discretionary participation feature entitles the holder to receive, supplementary to the main benefit, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of management; and
- that are contractually based on
    - the performance of a specified pool of contracts;
    - investment returns on a specified pool of assets held by the insurer; or
    - the profit or loss of a fund or insurer issuing the contract.

Policy bonuses and policy dividends constitute discretionary participation features which the Group classifies as liabilities.

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity (see also note 2.21).

(b) Recognition and measurement

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one-year renewable contracts issued by the insurer covering insurance risks over property, motor, accident and liability.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property, motor and certain marine property are common types of risks covered. For commercial policyholders, insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

Casualty insurance contracts provide coverage for the risk of causing physical harm or financial loss to third parties. Personal accident, employers' liability, public liability, product liability and professional indemnity are common types of casualty insurance.

2.14 Policy contracts (continued)

Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative insurance risk exposure patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with the risk exposure. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and un-reported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to the date of the financial statements.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit sharing commission due to the Group is accrued as commission income when there is reasonable certainty of earned profit.

Commissions and premium taxes payable are recognised on the same basis as premiums earned. At the date of the financial statements, commissions and premium taxes attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable by the Group arises from contracts between an insurer and a broker; it is accrued on an individual contract basis and recognised when the reinsurance premium is recorded.

(ii) Health insurance contracts

Health insurance contracts are generally one-year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is accrued when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rata basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

2.14 Policy contracts (continued)

Claims are recorded on settlement. Reserves are recorded as described in note 2.15.

An insurer may obtain reinsurance coverage for its health insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate.

Commissions and premium taxes payable are recognised on the same basis as premiums earned.

(iii) Long-term traditional insurance contracts

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Some of these contracts have a discretionary participation feature in the form of regular bonuses or dividends. Other benefits such as disability and waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, either the contract may terminate, an automatic premium loan may settle the premium, or the contract may continue at a reduced value.

Policy benefits are recognised on the notification of death, disability or critical illness, on the termination or maturity date of the contract, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the financial statements and are secured by the cash values of the respective policies. Policy bonuses may be “non-cash” and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

Reserves for future policy liabilities are recorded as described in note 2.15.

2.14 Policy contracts (continued)

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claim recoveries are established at the time of claim notification.

Commissions and premium taxes payable are recognised on the same basis as earned premiums.

(iv) Long-term universal life and unit linked insurance contracts

Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest-bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the afore-mentioned allowances, are debited to the investment accounts. Interest bearing investment accounts may include provisions for minimum guaranteed returns or returns based on specified investment indices. Allowances and expense charges are in respect of applicable commissions, cost of insurance, administrative expenses and premium taxes. Fund withdrawals may be permitted.

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter, but additional non-recurring premiums may be paid.

Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2.15.

2.14 Policy contracts (continued)

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are generally recognised only on settlement of premiums.

(v) Reinsurance contracts assumed

Reinsurance contracts assumed by an insurer are accounted for in a similar manner as if the insurer has assumed the risk directly from a policyholder.

Reinsurance contracts assumed include blocks of life and annuity policies assumed from third party insurers. In some instances, the Group also administers these policies.

(vi) Reinsurance contracts held

As noted in sections (i) to (iv) above, an insurer may obtain reinsurance coverage for insurance risks underwritten. The Group cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the originating insurer of its liability.

Reinsurance contracts held by an insurer are recognised and measured in a similar manner to the originating insurance contracts and in accordance with the contract terms. Reinsurance premium ceded and reinsurance recoveries on claims are offset against premium revenue and policy benefits in the income statement.

The benefits to which an insurer is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, the impairment is recorded in the statement of income. The obligations of an insurer under reinsurance contracts held are included in accounts payable and accrued liabilities and in actuarial liabilities.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate.

2.14 Policy contracts (continued)

(vii) *Deposit administration and other investment contracts*

Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;
- fair value through profit and loss (FVTPL) where the insurer is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense.

In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Other investment contracts are recognised initially at fair value and are subsequently stated at amortised cost and are accounted for in the same manner as deposit administration contracts which are similarly classified.

(c) Embedded derivatives

Certain insurance contracts contain embedded derivatives which are options whose value may vary in response to changes in interest rates or other market variables.

The Group does not separately measure embedded derivatives that are closely related to the host insurance contract or that meet the definition of an insurance contract. Options to surrender an insurance contract for a fixed amount are also not measured separately. In these cases, the entire contract liability is measured as set out in note 2.15.

2.14 Policy contracts (continued)

(d) Liability adequacy tests

At the date of the financial statements, liability adequacy tests are performed by each insurer to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

2.15 Actuarial liabilities

(a) Life insurance and annuity contracts

The determination of actuarial liabilities of long-term insurance contracts has been done using approaches consistent with the principles of the Canadian standards of practice. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts. Canadian standards may change from time to time, but infrequently.

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these resulting provisions for adverse deviations will be included in future income to the extent they are released when they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on insurer and industry experience and are updated annually.

2.15 Actuarial liabilities (continued)

The improvement of mortality rates is an accepted trend that is occurring in developed and developing countries around the world. All segments within the Group had previously recognized this trend in their reserving assumptions with the exception of the Sagicor Jamaica operating segment. Effective January 1, 2018, Sagicor Jamaica incorporated mortality improvement into its reserve calculations. The foregoing is part of a wider initiative across the Group to harmonize reserving practices across the segments.

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries.

The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

The Group segments assets to support liabilities by major product segment and geographic market and establishes investment strategies for each liability segment. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit losses, expected investment management expenses and a margin for adverse deviation.

Under this methodology, assets of each insurer are selected to back its actuarial liabilities. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. These assets include financial investments, whose unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of changes in equity for the accumulation of changes in actuarial liabilities which are recorded in other comprehensive income and which arise from recognised unrealised gains or losses in FVOCI.

2.15 Actuarial liabilities (continued)

Certain life insurance policies issued by the insurer contain equity linked policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at fair value through profit and loss and unit values of each fund are determined by dividing the value of the assets in the fund at the date of the financial statements by the number of units in the fund. The resulting liability is included in actuarial liabilities.

(b) Health insurance contracts

The actuarial liabilities of health insurance policies are estimated in respect of claims that have been incurred but not yet reported or settled.

2.16 Presentation of current and non-current assets and liabilities

In note 41.5, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5 to 8, 10 to 12, 14, 18, 19 and 33 are non-current unless otherwise stated in those notes.

2.17 Employee benefits

(a) Pension benefits

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 less the fair value of plan assets. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates on government bonds for the maturity dates and currency of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings or non-controlling interest in the period in which they arise. Past service costs are charged to income in the period in which they arise.

For defined contribution plans, the Group pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Group has no further payment obligations. Contributions are recognised in income in the period in which they are due.

Where a minimum funding requirement exists, the Group assesses the obligation, to determine whether the additional contributions would affect the measurement of the defined benefit asset or liability.

(b) Other retirement benefits

Certain Group subsidiaries provide supplementary health and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings or non-controlling interest in the period in which they arise.

2.17 Employee benefits (continued)

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on various profit and other objectives of the Group or of individual subsidiaries. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

(d) Equity compensation benefits

The Group has a number of share-based compensation plans in place for administrative, sales and managerial staff.

(i) Equity-settled share-based transactions with staff

The services received in an equity-settled transaction with staff are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date.

If the equity instruments granted vest immediately and the individual is not required to complete a further period of service before becoming entitled to those instruments, the services received are recognised in full on grant date in the income statement for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are expensed in the income statement during the vesting period, with a corresponding increase in the reserve for equity compensation benefits or in non-controlling interest.

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting financial statement date, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions and adjusts the expense accordingly.

Amounts held in the reserve for equity compensation benefits are transferred to share capital or non-controlling interest either on the distribution of share grants or on the exercise of share options.

2.17 Employee benefits (continued)

The grant by the Company of its equity instruments to employees of Group subsidiaries is treated as a capital contribution in the financial statements of the subsidiary. The full expense relating to the grant is recorded in the subsidiary's income statement.

(ii) Cash-settled share-based transactions with staff

The services received in a cash-settled transaction with staff and the liability to pay for those services, are recognised at fair value as the individual renders service. Until the liability is settled, the fair value of the liability is re-measured at the date of the financial statements and at the date of settlement, with any changes in fair value recognised in income during that period.

(iii) Measurement of the fair value of equity instruments granted

The equity instruments granted consist either of grants of, or options to purchase, common shares of listed entities within the Group. For common shares granted, the listed price prevailing on the grant date determines the fair value. For options granted, the fair value is determined by reference to the Black-Scholes valuation model, which incorporates factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

(e) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the date of the financial statements are discounted to present value.

2.18 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of tax are summarised in the following table.

Premium tax rates	Life insurance and non-registered annuities	Health insurance	Property and casualty insurance
Barbados	3% - 6%	4%	3% - 5%
Jamaica	Nil	Nil	Nil
Trinidad and Tobago	Nil	Nil	Nil
United States of America	0.75% - 3.5%	Nil	Nil

Premium tax is recognised gross in the statement of income.

(b) Asset tax

The Group is subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions, and is 0.25% of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions and is 0.35% of adjusted assets held at the end of a period. Taxes are accrued monthly.

(c) Income taxes

The Group is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for the current year are set out in the next table.

2.18 Taxes (continued)

Income tax rates	Life insurance and non-registered annuities	Registered annuities	Other lines of business
Barbados	2% of profit before tax	Nil	2% of profit before tax
Jamaica	25% of profit before tax	Nil	1%, 25% - 33.33 % of profit before tax
Trinidad and Tobago	15% (deductions granted only in respect of expenses pertaining to long-term business investment income)	Nil	30% of net income
United States of America	21% of net income	Nil	Nil

(i) Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

(ii) Deferred income taxes

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are computed at tax rates that are enacted or substantially enacted by the end of the reporting period. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so and relate to the same entity. Deferred tax, related to fair value re-measurement of FVOCI investments and cash flow hedges which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

2.19 Other liabilities / Retirement benefit liabilities

Liabilities are recognised when the Group has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.20 Common shares

In exchange for consideration received, the Company has issued common shares that are classified as equity. Incremental costs directly attributable to the issue of common shares are recorded in share capital as a deduction from the share issue proceeds.

Where a Group entity purchases the Company's common shares, the consideration paid, including any directly attributable cost, is deducted from share capital and is recorded as treasury shares. Where such shares are subsequently sold to a third party, the deduction from share capital is reversed, and any difference with net consideration received is recorded in retained earnings.

On the declaration by the Company's directors of common share dividends payable, the total value of the dividend is recorded as an appropriation of retained earnings.

2.21 Participating accounts

(a) "Closed" participating account

For participating policies of Sagicor Life Inc in force at de-mutualisation, Sagicor Life Inc established a closed participating account in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a closed participating fund. Policy dividends and bonuses of the said policies are paid from the participating fund on a basis substantially the same as prior to de-mutualisation.

2.21 Participating accounts (continued)

Distributable profits of the closed participating account are distributed to the participating policies in the form of declared bonuses and dividends. Undistributed profits remain in the participating account for the benefit of participating policyholders.

The participating account also includes an ancillary fund comprising the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

(b) "Open" participating account

Sagicor Life Inc also established an open participating account for participating policies it issues after de-mutualisation. The rules of this account require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an open participating account.

The open participating account was established at de-mutualisation. On February 1, 2005, Sagicor Life Inc amalgamated with Life of Barbados Limited, and participating policies of the latter were transferred to the open participating account. Accordingly, the liabilities of these participating policies and matching assets were transferred to the open participating account. The liabilities transferred included an ancillary fund comprising the provisions for adverse deviations on the transferred policies. Changes in the ancillary fund are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

Additional assets to support the profit distribution to shareholders (see below) were also transferred to the account.

Distributable profits of the open participating account are shared between participating policies and shareholders in a ratio of 90:10. Profits are distributed to the participating policies in the form of declared bonuses and dividends. Profits which are distributed to shareholders are included in the allocation of Group net income to shareholders. Undistributed profits / (losses) remain in the participating account in equity.

2.21 Participating accounts (continued)

(c) Financial statement presentation

The assets and liabilities of the participating accounts are included but not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also included but not presented separately in the financial statements. However, the overall surplus of assets held in the participating funds over the associated liabilities is presented in equity as the participating accounts. The overall net income and other comprehensive income that are attributable to the participating funds are disclosed as allocations.

The initial allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts. Returns of additional assets from the participating funds are accounted for similarly.

2.22 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insurance beneficiaries or depositors.

2.23 Interest income and interest expense

Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that are purchased, originated or subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments. Dividend income is recorded when declared.

2.24 Fees and other revenue

The Group earns fee income from:

- the management and administration of third-party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans);
- certain of its insurance and investment contracts;
- the provision of corporate finance, stockbroking, trust and related services.

Other revenue includes:

- commission income on insurance contracts;
- hotel revenue;
- rental income from owner-occupied property
- foreign exchange gains / (losses).

Service contract revenue

Revenues from service contracts include management and administrative fees and hotel revenue from guest reservations. These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the customer. The Group's performance obligations within these service arrangements are generally satisfied over time as the customers simultaneously receive and consume contracted benefits.

Revenue from service contracts with customers is recognised when or as the Group satisfies the performance obligation. For obligations satisfied over time, revenue is recognised monthly or over the applicable period. For performance obligations satisfied at a point in time, service contract revenue is recognised at that point in time.

2.25 Cash flows

The following classifications apply to the cash flow statement.

Cash flows from operating activities consist of cash flows arising from revenues, benefits, expenses, taxes, operating assets and operating liabilities. Cash flows from investing activities consist of cash flows arising from long-term tangible and intangible assets to be utilised in the business and in respect of changes in subsidiary holdings, insurance businesses, and associated company and joint venture investments. Cash flows from financing activities consist of cash flows arising from the issue, redemption and exchange of equity instruments and notes and loans payable and from equity dividends payable to holders of such instruments.

Cash and cash equivalents comprise:

- cash balances,
- call deposits,
- money market funds,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand.

Cash equivalents are subject to an insignificant risk of change in value and excludes restricted cash.

2.26 Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Group's financial statements are summarised in the following tables.

IFRS 3 – Definition of a business, effective January 1, 2020
Subject / Comments
This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This standard will have no material effect on the Group.

IAS 1 and IAS 8 – The definition of material, effective January 1, 2020
Subject / Comments
These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance is IAS 1 about immaterial information. This standard will have no material effect on the Group.

2.26 Future accounting developments and reporting changes (continued)

Amendments to IAS 1 – Liabilities as current or non -current, effective January 1, 2022
Subject / Comments
In January 2020, the IASB amendments to IAS 1 'Presentation of financial statements' to clarify the criteria for classifying a liability as non-current. These are to be applied retroactively. This standard will have no material effect on the Group.

Conceptual Framework for Financial Reporting, effective January 1, 2020
Subject / Comments
The Conceptual Framework was revised because important issues were not addressed, and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. The provisions will apply prospectively to financial statements beginning on or after January 1, 2020. This standard will have no material effect on the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest, effective January 1, 2020
Subject / Comments
These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. This standard will have no material effect on the Group.

2.26 Future accounting developments and reporting changes (continued)

IFRS 17 – Insurance Contracts, effective January 1, 2023
Subject / Comments
IFRS 17 was issued in May 2017 as replacement for IFRS 4 - Insurance Contracts. A further exposure draft (ED) was issued in June 2019 and the final standard is now expected to be released by mid 2020. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

2.26 Future accounting developments and reporting changes (continued)

IFRS 17 – Insurance Contracts, effective January 1, 2023 (continued)
Subject / Comments
Sagicor has established a Group wide project for the implementation of this standard and has allocated substantial resources to this exercise. Project activities involve the establishment of various technical and oversight teams, and the evaluation and assessment of the Group's business. The Group is carrying out internal training programs, workshops and assessments of all areas affected by the standard as we work towards implementation. Project work is ongoing in all areas.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Impairment of financial assets

In determining ECL (defined in note 2.9(d)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in note 2.9 under sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

The Group's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

The scale is set out in the following table:

3.1 Impairment of financial assets (continued)

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

3.1 Impairment of financial assets (continued)

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

(b) Establishing staging for other assets measured at amortised cost, finance lease receivables, loan commitments and financial guarantee contracts

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test

- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop criteria

- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

(c) Forward looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund and other reputable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

3.1 Impairment of financial assets (continued)

(d) Impairment of Government of Barbados debt securities

As further disclosed in note 41.4 (g) in 2018, the Group participated in a debt exchange following the implementation of a debt restructuring programme by the Government of Barbados. The replacement debt securities are classified as purchased or originated credit-impaired assets (POCI) and have been valued using an internally generated yield curve derived from the Central Bank of Barbados base-line yield curve to which management has applied a risk premium.

3.2 Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement on the quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3.3 Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles may be marketing related, customer related, contract-based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

3.4 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the value of the cash generating business units to which the goodwill has been allocated. Determination of the value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units and / or to the Group as a whole. For the Sagicor Life reporting segment, the Group uses the value in use methodology for testing goodwill impairment. For the Sagicor Jamaica operating segment, the Group uses the fair value less cost to sell methodology, and for Sagicor General Insurance Inc the value in use methodology.

The Group updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 8.2.

(b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

3.5 Valuation of actuarial liabilities

(a) Canadian Actuarial Standards

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items in the financial statements, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the timing of future asset and liability cash flows.

3.5 Valuation of actuarial liabilities (continued)

The actuarial liabilities are determined as the present value of liability cash flows discounted at effective interest rates resulting in a value equivalent to the market value of assets supporting these policy liabilities under an adverse economic scenario to which margins for adverse deviations are added.

The AA identifies a conservative economic scenario forecast, and together with the existing investment portfolio as at the date of the actuarial valuation and assumed reinvestment of net asset and policy liability cash flows, calculates the actuarial liabilities required at the date of valuation to ensure that sufficient monies are available to meet the liabilities as they become due in future years.

The methodology produces the total reserve requirement for each policy group fund. In general, the methodology is used to determine the net overall actuarial liabilities required by the insurer. Actuarial liabilities are computed by major group of policies and are used to determine the amount of reinsurance balances in the reserve, the distribution of the total reserve by country and the distribution of the reserve by policy, and other individual components in the actuarial liabilities.

Further details of the inputs used are set out in note 43.

(b) Best estimate reserve assumptions & provisions for adverse deviations

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. The latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate. The assumption for operating expenses and taxes is in some instances split by universal life and unit linked business.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardised across geographical areas. Provisions are determined within a specific range established by Canadian Standards of Practice.

The principal assumptions and margins used in the determination of actuarial liabilities are summarised in note 13.3. However, the liability resulting from the application of these assumptions can never be definitive as to the ultimate timing or the amount of benefits payable and is therefore subject to future re-assessment.

3.6 Investment in associate

As at July 1, 2018 Sagicor Jamaica Group had a shareholding in Playa of 15%. From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has two representatives out of twelve on the Board who are also members of two strategic Board committees.

Management has concluded, given its participation in the policy-making decisions, significant involvement in, and influence over decision making of Playa, this allows them to clearly demonstrate influence over Playa's financial and operating results even though Sagicor owns less than 20% of Playa's shares.

Management has concluded after taking the above into consideration that it has significant influence over Playa through its holding and as such is of the view that its strategic investment in Playa should be treated as an investment in associate in accordance with IAS 28.

3.7 Fair value of shares issued to Alignvest Acquisition II Corporation shareholders, contingent shares and warrants issued.

Management determined the fair value of the common shares issued to the SPAC shareholders. We considered various valuation methodologies including observing the quoted un-adjusted price of SFCL prior to the transaction being announced; the stated transaction price; the quoted price of both the SPAC and SFCL prior to the transaction closing; the price of the shares post closing of the transaction; the prices at which various major investors invested in the SPAC; and the fairness opinion to the board of directors given by an independent expert. Given the wide dispersion of values, we have chosen to utilize the value that, in our judgement, reflects the price at which valuation was most heavily negotiated for a significant investment, that being the private placement by investors which enabled Alignvest Acquisition II Corporation to satisfy its condition precedent to deliver its minimum cash proceeds to the transaction and effectively unlocked the transaction. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of shares.

The fair value of contingent shares issued were determined using market-based valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These estimates include share price, future volatility of the share price and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value of contingent shares.

As discussed in note 1, a listing expense arises to reflect the difference between the estimated fair value of the SFC common shares, escrow shares and warrants deemed to have been issued to the shareholders of Alignvest less the fair value of the net assets acquired from Alignvest. A change in fair value of shares issued has a direct impact on the listing expense as outlined below:

Sensitivity – Listing expense

	Revised Listing expense expense / (income) 2019
Per Note 1	18,777
Scenario	
10% reduction in fair value ($6.19) of share	(28,584)
10% increase in fair value ($6.19) of share	66,139
20% increase in fair value of ($6.19) share	113,502

4 SEGMENTS

The management structure of the Group consists of the parent company Board of Directors, the Group Chief Executive Officer (CEO), subsidiary company Boards of Directors and subsidiary company CEOs. For the parent company and principal subsidiaries, there are executive management committees made up of senior management who advise the respective CEOs. The principal subsidiaries have a full management governance structure, a consequence of their being regulated insurance and financial services entities and of the range and diversity of their products and services.

The Group CEO serves as Board Chairman or as a Board Member of the principal subsidiaries and is the Group's Chief Operating decision maker. Through subsidiary company reporting, the Group CEO obtains details of Group performance and of resource allocation needs. Summarisation of planning and results and prioritisation of resource allocation is done at the parent company level where strategic decisions are taken.

In accordance with the relevant financial reporting standard, the Group has determined that there are three principal subsidiary Groups which represent the reportable operating segments of Sagicor. These segments and other Group companies are set out in the following sections.

Details of the discontinued operating segment are set out in note 38.

(a) Sagicor Life

This group comprises Sagicor Life Inc, its branches and associates, and certain of its subsidiaries in Barbados, Trinidad & Tobago, Eastern Caribbean, Dutch Caribbean, Bahamas and Central America.

The companies comprising this segment are set out in the following table.

4 SEGMENTS (continued)

Sagicor Life Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pension administration services	Barbados	100%
Sagicor Life (Eastern Caribbean) Inc. (1)	Life and health insurance, annuities and pension administration services	St. Lucia	100%
Sagicor Life Aruba NV	Life and health insurance, annuities and pension administration services	Aruba	100%
Capital Life Insurance Company Bahamas Limited	Life insurance	The Bahamas	100%
Sagicor Panamá, SA	Life and health insurance	Panamá	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
Sagicor International Management Services Inc	Investment management	USA	100%
(1) Sagicor Life (Eastern Caribbean) Inc became a subsidiary of Sagicor Financial Corporation Limited on October 10, 2014 and a subsidiary of the Group on October 10, 2014. The company commenced operations on May 31, 2019.			
Associates			
FamGuard Corporation Limited	Investment holding company	The Bahamas	20%
Principal operating company: Family Guardian Insurance Company Limited	Life and health insurance and annuities	The Bahamas	20%

4 SEGMENTS (continued)

Associates			
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
Primo Holding Limited	Property investment	Barbados	38%

(b) Sagicor Jamaica

This segment comprises the Sagicor Jamaica Group of companies, which conduct life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands Costa Rica and USA. The companies comprising this segment are as follows.

Sagicor Jamaica Segment Companies	**Principal Activities**	**Country of Incorporation**	**Effective Shareholders' Interest**
Sagicor Group Jamaica Limited	Group holding company	Jamaica	49.11%
Sagicor Life Jamaica Limited	Life and health insurance and annuities	Jamaica	49.11%
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	49.11%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	49.11%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	49.11%
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	49.11%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	49.11%
Sagicor International Administrators Limited	Group insurance administration	Jamaica	49.11%

4 SEGMENTS (continued)

Sagicor Jamaica Segment Companies (continued)	**Principal Activities**	**Country of Incorporation**	**Effective Shareholders' Interest**
Sagicor Insurance Managers Limited	Captive insurance management services	The Cayman Islands	49.11%
Sagicor Property Services Limited	Property management	Jamaica	49.11%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	49.11%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	49.11%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	49.11%
Travel Cash Jamaica Limited	Microfinance	Jamaica	25.05%
Sagicor Real Estate X-Fund Limited	Investment in real estate activities	St. Lucia	14.39%
X Fund Properties Limited	Hospitality and real estate investment	Jamaica	14.39%
X Fund Properties LLC	Hospitality	USA	14.39%
Jamziv MoBay Jamaica Portfolio Limited (1)	Holding Company	Jamaica	8.75%
Phoenix Equity Holdings Limited (3)	Holding Company	Barbados	49.11%
Advantage General Insurance Co. Limited (note 37)	Property and casualty insurance	Jamaica	29.47%
Bailey Williams Limited (note 37)	Real estate development	Jamaica	34.38%
Associate and joint venture			
Sagicor Costa Rica SCR, S.A.	Life insurance	Costa Rica	24.56%
Playa Hotel & Resorts N.V. (2)	Hospitality	Netherlands	1.31%

4 SEGMENTS (continued)

(b) Sagicor Jamaica (continued)

Control of Sagicor Group Jamaica Limited is established through the following:

- The Group's effective shareholder's interest gives it the power to appoint the directors of the company and thereby direct relevant activities.
- The Group is exposed to the variable returns from its effective shareholder's interest.
- The Group has the ability to use the power to affect the amount of investor's returns.

(1) This company became a subsidiary of Sagicor Real Estate X-Fund Limited on July 1, 2018 and a subsidiary of the Group on October 1, 2018.

(2) The company became an associated company of Sagicor Real Estate X-Fund Limited on July 1, 2018 and an associate of the Group on October 1, 2018.

(3) The company became a subsidiary of Sagicor Investments Jamaica Limited on July 19, 2019 and a subsidiary of the Group on July 19, 2019.

(c) Sagicor Life USA

This segment comprises Sagicor's life insurance operations in the USA and comprises the following:

Sagicor Life USA Segment Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Insurance Company	Life insurance and annuities	USA - Texas	100%
Sagicor USA Inc	Insurance holding company	USA - Delaware	100%
Sage Distribution, LLC	Life insurance and annuities	USA - Delaware	100%
Sage Partners, LLC	Life insurance and annuities	USA - Delaware	100%
Sagicor Financial Partners, LLC	Life insurance and annuities	USA - Delaware	51%

4 SEGMENTS (continued)

(d) Head office function and other operating companies

Head office and other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Financial Company Ltd (1)	Group parent company	Bermuda	100%
Sagicor Financial Corporation Limited	Holding company	Bermuda	100%
Sagicor General Insurance Inc (2)	Property and casualty insurance	Barbados	98%
Sagicor Finance Inc	Loan and lease financing, and deposit taking	St. Lucia	70%
Sagicor Asset Management (T&T) Limited	Investment management	Trinidad & Tobago	100%
Sagicor Asset Management Inc.	Investment management	Barbados	100%
Sagicor Asset Management (Eastern Caribbean) Limited	Investment management	Barbados	100%
Barbados Farms Limited	Farming and real estate development	Barbados	77%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Finance Limited	Group financing vehicle	The Cayman Islands	100%
Sagicor Finance (2015) Limited	Group financing vehicle	The Cayman Islands	100%

(1) Sagicor Financial Company Ltd formerly Alignvest Acquisition II Corporation effective December 5, 2019, became a member of the Group.

(2) Prior to November 23, 2018, the effective shareholders' interest was 53%.

4 SEGMENTS (continued)

(d) Head office function and other operating companies

Head office and other Group Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Reinsurance Bermuda Ltd (1)	Reinsurance	Bermuda	100%
1222948 B.C. Ltd. (2)	Corporate management	Canada	100%
The Estates Group Holdings Limited (3)	Holding company	Barbados	100%
The Estates (Senior Care Services) Limited (3)	Retirement Community	Barbados	100%
The Estates (Senior Care Properties) Limited (3)	Retirement Community	Barbados	100%
The Estates (Residential Properties) Limited (3)	Retirement Community	Barbados	100%
The Estates (Management Services) Limited (4)	Retirement Community	Barbados	100%

(1) Sagicor Reinsurance Bermuda Ltd became a subsidiary of Sagicor Financial Corporation Limited on October 4, 2017 and a subsidiary of the Group on October 4, 2017. As of December 31, 2019, the company had not yet commenced writing insurance business.

(2) 1222948 B.C. Ltd. became a subsidiary of Sagicor Financial Corporation Limited on September 11, 2019.

(3) The Estates Group Holdings Limited became a subsidiary of Sagicor Life Inc on September 26, 2018 and a subsidiary of the Group on September 26, 2018. The Estates (Senior Care Services) Limited, The Estates (Senior Care Properties) Limited, and The Estates (Residential Properties) Limited became subsidiaries of The Estates Group Holdings Limited on September 26, 2018.

(4) The Estates (Management Services) Limited became a subsidiary of The Estates Group Holdings Limited on October 22, 2019.

4.1 Statement of income by segment

2019	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	409,161	350,054	444,697	37,632	-	1,241,544
Net gain/(losses) on derecognition of financial assets measured at amortised cost	455	13,285	(30)	(790)	-	12,920
Gain on derecognition of assets carried at FVOCI	6,158	21,299	2,497	-	-	29,954
Interest income earned from financial assets measured at amortised cost and FVOCI	74,164	160,322	70,201	3,327	-	308,014
Other investment income	10,845	52,146	46,923	2,470	(584)	111,800
Credit impairment losses	1,434	(6,089)	(415)	193	-	(4,877)
Fees and other revenue	11,027	144,293	(2,355)	17,152	(2,146)	167,971
Inter-segment revenue	19,965	-	-	41,692	(61,657)	-
Total revenue, net	**533,209**	**735,310**	**561,518**	**101,676**	**(64,387)**	**1,867,326**
Net policy benefits	221,331	219,056	115,237	21,925	-	577,549
Net change in actuarial liabilities	94,082	59,270	325,930	-	5,501	484,783
Interest costs	15,951	30,611	7,121	509	-	54,192
Administrative expenses	77,908	180,410	35,611	36,934	2,373	333,236
Commissions and premium and asset taxes	48,273	50,704	26,253	9,485	-	134,715
Finance costs	57	7,806	518	35,252	-	43,633
Depreciation and amortisation	7,394	20,385	4,730	2,997	-	35,506
Listing expense and other transaction costs	-	-	-	43,396	-	43,396
Inter-segment expenses	5,025	2,456	1,311	19,281	(28,073)	-
Total benefits and expenses	**470,021**	**570,698**	**516,711**	**169,779**	**(20,199)**	**1,707,010**
Loss arising on business combinations, acquisitions and divestitures	(379)	-	-	-	-	(379)
Share of operating income of associates and joint ventures	3,980	(633)	-	-	-	3,347
Segment income / (loss) before taxes	**66,789**	**163,979**	**44,807**	**(68,103)**	**(44,188)**	**163,284**
Income taxes	(7,868)	(40,426)	(9,410)	(2,170)	164	(59,710)
Segment net income / (loss) from continuing operations	**58,921**	**123,553**	**35,397**	**(70,273)**	**(44,024)**	**103,574**
Net income/(loss) attributable to non-controlling interests	-	62,184	-	(654)	-	61,530
Total comprehensive income/(loss) attributable to shareholders - continuing operations	68,734	74,568	48,259	(67,680)	(43,210)	80,671

4.1 Statement of income by segment

2018	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	320,517	309,729	389,974	33,821	-	1,054,041
Net gain/(losses) on derecognition of financial assets measured at amortised cost	(279)	10,279	(7)	441	-	10,434
Gain / (loss) on derecognition of assets carried at FVOCI	454	8,436	774	(14)	(311)	9,339
Interest income earned from financial assets measured at amortised cost and FVOCI	74,091	155,934	54,229	6,734	-	290,988
Other investment income	3,420	13,750	(14,771)	563	(130)	2,832
Credit impairment losses	(82,266)	(10,245)	(571)	(2,437)	-	(95,519)
Fees and other revenue	8,503	97,985	(8,894)	17,504	(616)	114,482
Inter-segment revenue	15,675	-	-	94,129	(109,804)	-
Total revenue, net	**340,115**	**585,868**	**420,734**	**150,741**	**(110,861)**	**1,386,597**
Net policy benefits	217,732	198,171	103,710	18,767	-	538,380
Net change in actuarial liabilities	(62,053)	13,941	222,537	-	-	174,425
Interest costs	11,152	33,820	5,514	2,035	-	52,521
Administrative expenses	73,182	141,476	32,783	53,698	1,932	303,071
Commissions and premium and asset taxes	43,140	49,941	29,167	9,024	-	131,272
Finance costs	-	2,399	181	33,931	-	36,511
Depreciation and amortisation	6,811	11,266	3,024	3,176	-	24,277
Inter-segment expenses	2,863	2,226	681	15,090	(20,860)	-
Total benefits and expenses	**292,827**	**453,240**	**397,597**	**135,721**	**(18,928)**	**1,260,457**
Gain / (loss) arising on business combinations, acquisitions and divestitures	458	11,833	-	(471)	-	11,820
Gain arising on acquisition of insurance business	6,418	-	-	-	-	6,418
Share of operating income of associates and joint ventures	2,632	(487)	-	-	-	2,145
Segment income / (loss) before taxes	**56,796**	**143,974**	**23,137**	**14,549**	**(91,933)**	**146,523**
Income taxes	(9,560)	(33,237)	(4,859)	(3,155)	109	(50,702)
Segment net income / (loss) from continuing operations	**47,236**	**110,737**	**18,278**	**11,394**	**(91,824)**	**95,821**
Net income/(loss) attributable to non-controlling interests	-	54,994	-	(2,916)	-	52,078
Total comprehensive income/(loss) attributable to shareholders - continuing operations	34,040	39,945	6,969	11,034	(89,071)	2,917

Where necessary certain comparative numbers have been adjusted to conform with the presentation in the current year as outlined in note 50. Fees and other revenue of $578 and administrative expenses of $130 previously eliminated in the Sagicor Life segment are now reflected in Adjustments. Finance costs of $33,936 were also reclassified from Adjustments to Head office and other.

4.2 Variations in segment income

Variations in segment income may arise from non-recurring or other significant factors. The most common factors contributing to variations in segment income are as follows.

(i) Credit impairment losses - financial investments

The determination of ECL involves judgement in establishing various assumptions based on economic conditions and historical trends. Changes in assumptions will impact the ECL allowances recorded in the income statement.

Significant changes in borrowers classified as Stage 3 will be triggered by changes affecting individual borrowers or groups of borrowers, leading to significant variations in losses recorded in the income statement.

(ii) Fair value gains / (losses) of financial investments

Significant gains and losses may be triggered by changes in market prices of assets carried at fair value.

For FVOCI investments, management may be able to time the disposal of such investments and consequently, impact the quantum of the realised gain or loss recognised in the statement of income.

For FVTPL investments, management may also able to time the disposal of such investments. However, since the majority of these assets fund unit linked liabilities, the impact to Group net income is mitigated by any increased return due to the holders of the unit linked liabilities.

4.2 Variations in segment income (continued)

(iii) Gains on acquisitions and divestitures

On acquisition of a business or portfolio, if the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized directly in the statement of income. Similarly, on sale if the consideration received exceeds the carrying value of the business or portfolio a gain is recognised in the statement of income. As acquisitions and disposals occur infrequently and with no consistent trend, the gain or loss recorded in the income statement may vary significantly from year to year.

(iv) Foreign exchange gains and losses

Movements in foreign exchange rates may generate significant exchange gains or losses when the foreign currency denominated monetary assets and liabilities are re-translated to the relevant functional currency at the date of the financial statements.

(v) Movements in actuarial liabilities arising from changes in assumptions

The change in actuarial liabilities for the year includes the effects arising from changes in assumptions. The principal assumptions in computing the actuarial liabilities on life and annuity contracts relate to mortality and morbidity, lapse, investment yields, asset default and operating expenses and taxes. Because the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions may have a significant effect in the period in which they are recorded.

4.2 Variations in segment income (continued)

The table below summarises by segment the individual line items within income from continuing operations which are impacted by the foregoing factors.

	2019					2018				
Variations in income by segment	**Sagicor Life Inc**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head Office and Other**	**Total**	**Sagicor Life Inc**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head Office and Other**	**Total**
Credit impairment losses	1,434	(6,089)	(415)	193	(4,877)	(82,266)	(10,245)	(571)	(2,437)	(95,519)
Gain / (loss) on derecognition of assets carried at FVOCI	6,158	21,299	2,497	-	29,954	454	8,436	774	(325)	9,339
Foreign exchange gains / (losses)	(3,261)	3,647	-	(1,491)	(1,105)	(2,129)	(1,384)	-	476	(3,037)
Gains / (losses) on acquisitions/ divestitures	(379)	-	-	-	(379)	6,876	11,833	-	(471)	18,238
Decrease / (increase) in actuarial liabilities from changes in assumptions	(20,584)	10,781	(94,291)	-	(104,094)	91,635	23,088	40,828	-	155,551

4.3 Other comprehensive income

Variations in other comprehensive income may arise also from non-recurring or other significant factors. The most common are as follows:

(i) *Unrealised investment gains and losses*
Fair value investment gains and losses are recognised on the revaluation of debt and equity securities classified as FVOCI. Therefore, significant gains and losses may be triggered by changes in market prices.

(ii) *Changes in actuarial liabilities*
Changes in unrealised investment gains identified in *(i)* above may also generate significant, but off-setting, changes in actuarial liabilities as a result of the use of asset liability matching in the liability estimation process.

4.3 Other comprehensive income (continued)

(iii) *Foreign exchange gains and losses*
Movements in foreign exchange rates may generate significant exchange gains or losses on the re-translation of the financial statements of foreign currency reporting units.

(iv) *Defined benefit plans' gains and losses*
Experience adjustments and changes in actuarial assumptions gives rise to gains or losses on defined benefit plans.

The table below summarises by segment the individual line items within other comprehensive income from continuing operations which are impacted by the foregoing factors.

	Variations in other comprehensive income by segment					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2019						
Unrealised investment gains	28,630	66,127	73,026	924	-	168,707
Changes in actuarial liabilities	(22,513)	(14,510)	(57,976)	-	-	(94,999)
Retranslation of foreign currency operations	545	(17,889)	-	407	296	(16,641)
Gains on defined benefit plans	6,624	4,304	-	270	-	11,198
2018						
Unrealised investment losses	(12,163)	(36,316)	(33,133)	(1,252)	-	(82,864)
Changes in actuarial liabilities	8,693	8,215	24,706	-	-	41,614
Retranslation of foreign currency operations	(585)	(24,170)	-	(873)	443	(25,185)
Gains / (losses) on defined benefit plans	(2,948)	2,786	-	(2,523)	-	(2,685)

4.4 Statement of financial position by segment

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
2019						
Financial investments	1,438,618	2,670,339	2,040,771	535,916	-	6,685,644
Other external assets	341,370	795,798	735,747	170,312	-	2,043,227
Inter-segment assets	335,784	15,903	65,224	141,760	(558,671)	-
Total assets	2,115,772	3,482,040	2,841,742	847,988	(558,671)	8,728,871
Policy liabilities	1,379,761	865,914	1,997,405	72,873	-	4,315,953
Other external liabilities	77,259	1,673,057	437,936	474,886	-	2,663,138
Inter-segment liabilities	120,000	6,097	110,835	321,739	(558,671)	-
Total liabilities	1,577,020	2,545,068	2,546,176	869,498	(558,671)	6,979,091
Net assets	538,752	936,972	295,566	(21,510)	-	1,749,780
Net assets attributable to non-controlling interests	-	577,429	-	17,077	-	594,506
2018						
Financial investments	1,418,031	2,344,113	1,499,927	85,592	-	5,347,663
Other external assets	324,345	745,357	727,401	163,419	-	1,960,522
Assets of discontinued operation	-	-	-	17,239	-	17,239
Inter-segment assets	266,094	14,976	65,754	109,595	(456,419)	-
Total assets	2,008,470	3,104,446	2,293,082	375,845	(456,419)	7,325,424
Policy liabilities	1,235,415	753,793	1,602,601	70,629	-	3,662,438
Other external liabilities	160,824	1,526,230	373,901	466,570	-	2,527,525
Inter-segment liabilities	124,122	5,617	70,085	256,595	(456,419)	-
Total liabilities	1,520,361	2,285,640	2,046,587	793,794	(456,419)	6,189,963
Net assets	488,109	818,806	246,495	(417,949)	-	1,135,461
Net assets attributable to non-controlling interests	-	512,922	-	17,592	-	530,514

4.5 Segment cash flows

(a) Additions to non-current assets by segment

Segment operations include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets. Additions to these categories for the year are as follows:

	2019	2018
Sagicor Life	5,771	7,858
Sagicor Jamaica	23,697	208,072
Sagicor Life USA	1,753	2,571
Head office and other	1,342	1,283
	32,563	219,784

(b) Summarised cash flows of the Sagicor Jamaica segment

Set out below are the summarised cash flows of the Sagicor Jamaica segment which has material non-controlling interests.

	2019	2018
Net cash flows:		
Operating activities	70,626	(13,772)
Investing activities	(37,024)	17,364
Financing activities	(26,704)	(39,525)
Effects of exchange rate changes	(1,812)	(2,961)
Net change in cash and cash equivalents for the year	5,086	(38,894)
Cash and cash equivalents, beginning of year	124,736	163,630
Cash and cash equivalents, end of year	129,822	124,736

4.6 Products and services

Total external revenues relating to the Group's products and services are summarised as follows:

	2019	2018
Life, health and annuity insurance contracts issued to individuals	1,214,656	855,983
Life, health and annuity insurance and pension administration contracts issued to groups	317,892	284,281
Property and casualty insurance	61,960	44,652
Banking, investment management and other financial services	192,246	167,764
Hospitality services	41,693	8,142
Unallocated revenues	38,879	25,775
	1,867,326	1,386,597

4.7 Geographical areas

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business. Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, associates and intangible assets. Total external revenues and non-current assets by geographical area are summarised below.

	External revenue		Non-current assets	
	2019	2018	2019	2018
Barbados	178,959	118,186	179,905	181,163
Jamaica	657,191	549,070	141,973	97,677
Trinidad & Tobago	239,463	147,174	69,382	65,927
Other Caribbean	191,084	139,904	27,291	26,197
USA	600,629	432,263	304,318	318,262
	1,867,326	1,386,597	722,869	689,226

4.8 Revenues from service contracts with customers

The following table discloses service contract revenues from customers by reportable segment.

Year ended December 31, 2019	Service contract revenues originated		
	- at a point in time	- over time	Total
Sagicor Life	-	7,909	7,909
Sagicor Jamaica	57,857	73,078	130,935
Sagicor USA	224	-	224
	58,081	80,987	139,068

Year ended December 31, 2018	Service contract revenues originated		
	- at a point in time	- over time	Total
Sagicor Life	-	7,578	7,578
Sagicor Jamaica	44,682	43,941	88,623
Sagicor USA	219	-	219
Head office and other companies	-	(13)	(13)
	44,901	51,506	96,407

5 INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

	2019	2018
Balance, beginning of year	93,494	80,816
Additions at cost	82	50
Amounts assumed on acquisition (note 37)	5,530	16,444
Transfer from real estate developed for resale (note 12)	-	(125)
Disposals	(2,238)	(2,613)
Fair value changes recorded in net investment income	(566)	(1,090)
Effects of exchange rate changes	(725)	12
Balance, end of year	95,577	93,494

Investment property includes $9,516 (2018 - $9,903) which represents the Group's proportionate interest in joint operations summarised in the following table.

Country	Description of property	Percentage ownership recognised
Barbados	Freehold lands	50%
	Freehold office buildings	25% -33%
Trinidad & Tobago	Freehold office building	60%

Pension Funds managed by the Group own the remaining 50% interests of freehold lands in Barbados, and a 33% interest in a freehold office building in Barbados.

6 ASSOCIATES AND JOINT VENTURES

6.1 Interests in Associates and Joint Ventures

Name of Entity	Country of Incorporation	% interest recognised		Nature of relationship	Measurement Method	Carrying Amount	
		2019	2018			2019	2018
RGM Limited	Trinidad & Tobago	33%	33%	Associate	Equity Method	25,315	23,497
FamGuard Corporation Limited [1]	Bahamas	20%	20%	Associate	Equity Method	16,703	15,332
Primo Holding Limited	Barbados	38%	38%	Associate	Equity Method	318	324
Sagicor Costa Rica SCR, S.A.	Costa Rica	50%	50%	Joint Venture	Equity Method	3,293	2,596
Playa Hotels and Resorts N.V. [2]	United States	15%	15%	Associate	Equity Method	184,929	194,383
						230,558	236,132

(1) FamGuard Corporation Limited is listed on the Bahamas International Securities Exchange. The proportionate share of market value calculated on the basis of the year-end closing rate of $7.60 per share was $15,000 (2018 – $12,600).

(2) On October 1, 2018, Sagicor Jamaica Group (SGJ) obtained control over Sagicor Real Estate X-Fund Limited, which in turn controlled a shareholding of 15% in Playa Hotels and Resorts NV (Playa). The management of SGJ Jamaica has two representatives (out of twelve) on the Board of Playa and these two representatives are also members of two strategic board committees of Playa. The management of SGJ has concluded that, given its participation in the policy-making decisions of Playa, SGJ has significant influence over Playa's financial and operating results even though SGJ controls less than 20% of Playa.

The effective interest in Playa attributable to the shareholders of Sagicor Financial Company Ltd. is 1.31% of the 15% interest recognised in the financial statements (2018 - 1.31% of the 15% interest recognised). The remainder interest of 13.69% (2018 – 13.69%) is for the benefit of non-controlling shareholding interests of SGJ.

As of December 31, the proportionate share of market value of Playa, calculated based on quoted prices by the National Association of Securities Dealers Automated Quotation (NASDAQ), was $166,282 (2018 - $143,129).

6.1 Interests in Associates and Joint Ventures (continued)

The reconciliation of carrying amounts for the year of the investment in associates and joint ventures is as follows:

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Limited [1]		Playa Hotels and Resort N.V.	
	2019	2018	2019	2018	2019	2018	2019	2018		2018	2019	2018
Investment, beginning of year	23,497	22,348	15,332	15,088	324	330	2,596	2,860	-	56,597	194,383	-
Additions	-	-	-	-	-	-	-	146	-	-	-	-
Amounts assumed on acquisition	-	-	-	-	-	-	-	-	-	-	-	200,853
Dividends received	-	-	(640)	(600)	-	-	-	-	-	-	-	-
Share of income / (loss)	2,290	1,591	1,696	1,047	(6)	(6)	110	140	-	1,609	(743)	(2,236)
Share of amortisation or impairment of intangible assets which were identified on acquisition	-	-	(10)	(10)	-	-	-	-	-	-	-	-
Share of income taxes	(531)	(375)	-	-	-	-	-	-	-	-	-	-
Share of OCI	-	-	325	(193)	-	-	686	(485)	-	3,455	(8,802)	6,118
Disposal of interest	-	-	-	-	-	-	-	-	-	(59,914)	-	-
Effects of exchange rate changes	59	(67)	-	-	-	-	(99)	(65)	-	(1,747)	91	(10,352)
Investment, end of year	25,315	23,497	16,703	15,332	318	324	3,293	2,596	-	-	184,929	194,383

[1] On October 1, 2018, Sagicor Group Jamaica obtained control over Sagicor Real Estate X Fund, which resulted in the accounting treatment changing from investment in associate to a subsidiary.

6.2 Impairment

An impairment assessment of Playa Hotels and Resorts N.V and FamGuard Corporation Limited was performed at the end of the year as their values based on quoted market prices are lower than their carry values recorded by the Group.

Playa Hotels and Resorts N.V.

In conducting the impairment assessment, management determined a recoverable value for Playa, using the value in use method. The value in use method is a discounted cash flow technique that utilizes a significant amount of judgement in estimating key variables such as earnings before interest, taxes, depreciation and amortization (EBITDA), terminal growth rates and a discount factor. Value in use calculations are very sensitive to changes in these estimates.

In arriving at its estimates for EBITDA, management also considered the impact of the following events and circumstances:

- Increase in room inventory, consequent on the completion of renovation works at two hotels;
- Negative press from incidents with tourists in the Dominican Republic; and
- Negative perceptions about the level of crime in Mexico.

The estimates for EBITDA did not contemplate the potential impact of the corona virus. As at December 31, 2019, there was a limited number of cases of an unknown virus communicated to the World Health Organisation (WHO). There was also no explicit evidence of human-to-human transmission at that date. The subsequent spread of the virus, and its identification as a new corona virus, the imposition of travel restrictions, the downsizing of flights on certain routes etc. do not provide additional evidence about conditions impacting Playa at December 31, 2019 and are therefore non-adjusting events.

Management's value in use calculations did not identify any impairment.

FamGuard Corporation Limited

In conducting the impairment assessment, management determined a recoverable value for Famguard, using the value in use method. To determine the value in use management used an actuarial embedded value technique which incorporates appropriate discount rates and solvency capital requirements to determine the present value of future distributable profits. Management's value in use calculations did not identify any impairment.

6.3 Commitments

Commitments at the year-end if called are $764 (2018 –$969).

6.4 Summarised Financial Information

Summarised financial information from the financial statements of associates and joint ventures are set out in the two tables which follow.

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Playa Hotels and Resorts N.V.	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
ASSETS										
Property, plant and equipment	-	-	39,086	37,824	-	-	600	285	1,917,329	1,819,424
Financial investments	-	-	261,221	297,970	-	-	11,705	10,371	-	-
Cash resources	4,727	4,686	20,415	8,091	-	-	926	1,415	20,717	115,810
Other investments and assets	124,696	125,992	20,354	24,993	1,000	1,000	15,636	13,526	243,603	209,411
Total assets	129,423	130,678	341,076	368,878	1,000	1,000	28,867	25,597	2,181,649	2,144,645
LIABILITIES										
Policy liabilities	-	-	240,005	232,328	-	-	13,600	11,747	-	-
Notes and loans payable	-	-	-	-	-	-	6,007	6,132	1,061,620	984,769
Other liabilities	53,478	60,183	13,966	13,206	251	236	2,708	2,524	316,815	304,502
Total liabilities	53,478	60,183	253,971	245,534	251	236	22,315	20,403	1,378,435	1,289,271
Net Assets	75,945	70,495	87,105	123,344	749	764	6,552	5,194	803,214	855,374

With respect to Playa Hotels and Resorts N.V. current liabilities exceeded current assets by $127,154.

6.4 Summarised Financial Information (continued)

	RGM Limited		FamGuard Corporation Limited		Primo Holding Limited		Sagicor Costa Rica SCR, S.A.		Sagicor Real Estate X-Fund Limited		Playa Hotels and Resort N.V.	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Summarised statement of comprehensive income												
REVENUE												
Net premium revenue	-	-	100,427	98,414	-	-	17,702	12,444	-	-	-	-
Hotel revenue	-	-	-	-	-	-	-	-	-	61,611	635,510	616,904
Net investment and other income	26,209	26,823	31,887	32,827	-	-	217	1,231	-	2,470	-	2,821
Total revenue	26,209	26,823	132,314	131,241	-	-	17,919	13,675	-	64,081	635,510	619,725
BENEFITS AND EXPENSES												
Benefits	-	-	85,040	83,532	-	-	8,294	7,953	-	-	-	-
Hotel expenses	-	-	-	-	-	-	-	-	-	42,718	610,333	526,611
Finance costs	3,975	-	-	-	-	-	428	313	-	7,628	44,020	62,232
Other expenses	14,948	21,507	39,899	39,659	16	17	8,853	4,944	-	7,177	3,195	-
Total benefits and expenses	18,923	21,507	124,939	123,191	16	17	17,575	13,210	-	57,523	657,548	588,843
INCOME BEFORE TAXES FROM CONTINUING OPERATIONS	7,286	5,316	7,375	8,050	(16)	(17)	344	465	-	6,558	(22,038)	30,882
Income taxes	(1,593)	(1,126)	-	-	-	-	(125)	(185)	-	(1,817)	17,194	(12,197)
NET INCOME FOR THE YEAR	5,693	4,190	7,375	8,050	(16)	(17)	219	280	-	4,741	(4,844)	18,685
Other comprehensive income	-	-	276	(498)	-	-	1,371	(1,096)	-	17,147	(30,551)	41,074
Total comprehensive income	5,693	4,190	7,651	7,552	(16)	(17)	1,590	(816)	-	21,888	(35,395)	59,759
DIVIDENDS RECEIVED	-	-	640	600	-	-	-	-	-	-	-	-

7 PROPERTY, PLANT AND EQUIPMENT

	2019					2018				
	Owner-occupied properties	Owner - managed hotel properties	Office furnishings, equipment & vehicles	Right-of-use assets	Total	Owner-occupied properties	Owner-managed hotel properties	Office furnishings, equipment & vehicles	Right-of-use assets	Total
Net book value, beginning of year	104,629	98,974	58,685	-	262,288	113,697	-	51,863	-	165,560
Recognised on adoption of IFRS 16 (note 49)	-	-	-	23,853	23,853	-	-	-	-	-
Additions at cost	906	145	12,965	14,350	28,366	2,337	179	11,425	-	13,941
Additions arising from acquisitions (note 37)	7,411	-	1,252	-	8,663	-	103,183	16,773	-	119,956
Transfer to intangible assets (note 8)	-	-	(3,031)	-	(3,031)	-	-	(3,527)	-	(3,527)
Other transfers	1,375	-	(1,183)	-	192	-	-	(61)	-	(61)
Disposals and divestures	(6,180)	-	(192)	(2,247)	(8,619)	(9,286)	-	(4,210)	-	(13,496)
Fair value changes recorded in OCI	3,580	545	-	-	4,125	(226)	-	-	-	(226)
Depreciation charge	(1,009)	(2,506)	(13,922)	(6,644)	(24,081)	(1,344)	(535)	(12,502)	-	(14,381)
Effects of exchange rate changes	(540)	(550)	(853)	57	(1,886)	(549)	(3,853)	(1,076)	-	(5,478)
Net book value, end of year	110,172	96,608	53,721	29,369	289,870	104,629	98,974	58,685	-	262,288
Represented by:										
Cost or valuation	112,465	104,120	165,285	36,024	417,894	106,670	104,574	159,602	-	370,846
Accumulated depreciation	(2,293)	(7,512)	(111,564)	(6,655)	(128,024)	(2,041)	(5,600)	(100,917)	-	(108,558)
	110,172	96,608	53,721	29,369	289,870	104,629	98,974	58,685	-	262,288

Owner-occupied properties consist mainly of commercial offices but include lands of $ 35,636 (2018 – 35,232) utilised largely in farming operations.

Owner-occupied properties, equipment & vehicles include operating leases held as lessor.

8 INTANGIBLE ASSETS

8.1 Analysis of intangible assets and changes for the year

	2019					2018				
	Goodwill	Customer & broker relationships	Trade Names	Software	Total	Goodwill	Customer & broker relationships	Trade Names	Software	Total
Net book value, beginning of year	56,455	13,199	2,590	25,068	97,312	44,234	12,391	-	25,089	81,714
Additions at cost	-	-	-	4,738	4,738	-	-	-	4,795	4,795
Assumed on acquisition	-	-	-	-	-	-	-	-	3,527	3,527
Transfer from property, plant and equipment (note 7)	-	-	-	3,031	3,031	-	-	-	-	-
Identified on acquisition (note 37):										
Advantage General Insurance Company Ltd	7,795	5,599	933	694	15,021	-	-	-	-	-
Harmony General Insurance Company Ltd	-	-	-	-	-	1,396	1,732	-	-	3,128
Travel Cash Jamaica Limited	-	-	-	-	-	1,478	1,128	31	-	2,637
Sagicor Real Estate X Fund Limited	-	-	-	-	-	9,584	-	2,560	120	12,264
Subsidiary acquisitions and disposals	-	-	-	-	-	-	-	-	(120)	(120)
Amortisation/impairment charges	-	(2,006)	(127)	(9,282)	(11,415)	-	(1,795)	(1)	(8,090)	(9,886)
Effects of exchange rate changes	(925)	(461)	(76)	(361)	(1,823)	(237)	(258)	1	(253)	(747)
Net book value, end of year	63,325	16,331	3,320	23,888	106,864	56,455	13,198	2,591	25,068	97,312
Represented by:										
Cost or valuation	63,325	39,505	7,021	85,309	195,160	56,455	38,634	6,308	78,813	180,210
Accumulated depreciation and impairments	-	(23,174)	(3,701)	(61,421)	(88,296)	-	(25,436)	(3,717)	(53,745)	(82,898)
	63,325	16,331	3,320	23,888	106,864	56,455	13,198	2,591	25,068	97,312

8.2 Impairment of intangible assets

Goodwill arises from past acquisitions and is allocated to cash generating units (CGUs). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell.

For those CGU's which the fair value less costs of disposal methodology is used, financial projections are used as inputs to determine maintainable earnings over time to which is applied an appropriate earnings' multiple. For those CGU's which the value in use methodology is used, cash flows are extracted from financial projections to which are applied appropriate discount factors and residual growth rates, or alternatively, the cash flows from the financial projections are extended to 50 years using an actuarial appraisal value technique which incorporates appropriate discount rates and solvency capital requirements. As disclosed in note 2.7(a) goodwill is allocated to the Group's reportable operating segments.

The Group obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The carrying values of goodwill and the impairment test factors used are considered in the following sections.

(a) Sagicor Life operating segment

	2019	2018
Carrying value of goodwill	26,552	26,526

8.2 Impairment of intangible assets (continued)

(i) Years ended December 31, 2019 & 2018

An actuarial appraisal value technique was adopted to test goodwill impairment. The principal assumptions included the following:

- Discount rates of 10% (2018, 10%) for individual life and annuity in force business,
- New individual life and annuity business was included for the seven-year period 2020 to 2026, (seven year period 2019 to 2025),
- Annual growth rate for new individual life and annuity business was 10.0% - 47.0% for 2020 and 3.0% – 11.0 % from 2021 to 2026 (2018 - 6.0% - 23.0% for the year 2019 and 5.0% to 17.0% from 2020 to 2025),
- Discount rates of 14% (2018, 14%) for new individual life and annuity business,
- Required Minimum Continuing Capital and Surplus Ratio (MCCSR) of 175% (2018 – 175%).

Sensitivity

The excess of the appraisal value over carrying value of the operating segment was also tested by varying the discount rates and capital ratios. The results are set out in the following tables.

Sagicor Life Inc Segment			MCCSR target ratio		
			Low	Mid	High
Discount rate	**Inforce**	**New business**	150%	175%	200%
Low	8%	12%	256,481	249,021	241,383
Mid	10%	14%	84,128	71,679	58,941
High	12%	16%	(43,469)	(59,147)	(75,164)

8.2 Impairment of intangible assets (continued)

(b) Sagicor Jamaica operating segment

	2019	2018
Carrying value of goodwill	31,092	24,248

The fair value less costs of disposal methodology was adopted to test goodwill impairment in both years. The after-tax multiple used for the segment 11.2 (2018– 9.9) which was derived from a pre-tax factor of 8.4 (2018 – 7.7) using an iterative method.

Sensitivity

The possible impairment of goodwill is sensitive to changes in earnings multiples and after-tax earnings. This is illustrated in the following table.

	2019 test		
	Scenario 1	Scenario 2	Scenario 3
After tax earnings multiples	11.2	9.5	6.7
Reduction in forecast earnings	n/a	10%	10%
Excess of recoverable amount (of 49.11% interest)	308,039	191,851	35,708
Impairment (of 49.11% interest)	Nil	Nil	Nil

8.2 Impairment of intangible assets (continued)

(c) Sagicor General Insurance Inc

	2019	2018
Carrying value of goodwill	5,681	5,681

The Group recognised goodwill on the acquisition of its interest in Sagicor General Insurance Inc. Additional goodwill was recognised on the acquisition of Harmony General Insurance Company Ltd during 2018 (note 37.6). This company was amalgamated with Sagicor General Insurance during 2018. The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 18.0% (2018 – 19.9%) which was derived from an after-tax factor of 14.0% (2018 – 16.0%) using an iterative method. The residual growth rate was 2.5% (2018 – 2.5%).

Sensitivity

The possible impairment of goodwill is sensitive to changes in the after-tax discount factor and residual growth rate. This is illustrated in the following table.

	2019 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	14.0	15.0	15.0
Residual growth rate	2.5	2.5	2.3
Excess of recoverable amount	250	Nil	Nil
Impairment	Nil	(3,410)	(3,360)

9 FINANCIAL INVESTMENTS

9.1 Analysis of financial investments

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Investments at FVOCI:				
Debt securities and money market funds	3,673,421	3,673,421	2,633,633	2,633,633
Equity securities	1,291	1,291	271	271
	3,674,712	3,674,712	2,633,904	2,633,904
Investments at FVTPL :				
Debt securities	243,107	243,107	198,807	198,807
Equity securities	370,173	370,173	267,234	267,234
Derivative financial instruments	36,891	36,891	7,696	7,696
Mortgage loans	28,933	28,933	30,143	30,143
Deposits	-	-	8	8
	679,104	679,104	503,888	503,888
Investments at amortised cost :				
Debt securities	1,148,739	1,361,973	1,097,041	1,219,042
Mortgage loans	362,547	362,341	337,020	336,873
Policy loans	151,533	181,902	147,046	171,421
Finance loans	595,307	602,512	514,486	500,261
Securities purchased for re-sale	10,904	10,904	7,170	7,170
Deposits	62,798	62,798	107,108	107,108
	2,331,828	2,582,430	2,209,871	2,341,875
Total financial investments	6,685,644	6,936,246	5,347,663	5,479,667

9.1 Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL mandatory designation	FVTPL designation by election	Total
2019			
Equity securities	286,764	83,409	370,173
Debt securities	115,104	128,003	243,107
Mortgage loans	-	28,933	28,933
	401,868	240,345	642,213
2018			
Equity securities	169,754	97,480	267,234
Debt securities	62,528	136,279	198,807
Mortgage loans	56	30,087	30,143
Deposits	-	8	8
	232,338	263,854	496,192

	2019	2018
Debt securities:		
Government & government-guaranteed debt securities	1,849,154	1,668,061
Collateralised mortgage obligations	572,128	438,382
Corporate debt securities	2,072,446	1,717,041
Money market funds and other securities	571,539	105,997
	5,065,267	3,929,481
Included in financial investments are:		
Debt securities issued by associates	25,278	26,587
Mutual funds managed by the Group	217,170	180,249

9.2 Financial investments repledged

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	2019	2018
Financial investments repledged	604,886	553,264
Balance sheet presentation		
Financial investments	6,080,758	4,794,399
Financial investments repledged	604,886	553,264
	6,685,644	5,347,663

Analysis of financial investments repledged

	2019	2018
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	602,288	526,162
Investments at amortised cost :		
Debt securities	2,188	23,693
Securities purchased for re-sale	37	37
Deposits	373	3,372
	2,598	27,102
Financial investments repledged	604,886	553,264

9.3 Collateral assets

Debt and equity securities include $20,644 (2018 - $218,447) as collateral for loans payable and other funding instruments.

Collateral for the obligation to the Federal Home Loan Bank of Dallas (FHLB) which is included in other funding instruments (note 17), consists of an equity holding in the FHLB with a market value of $16,114 (2018 - $13,361), and mortgages and mortgage backed securities having a total market value of $391,141 (2018 - $329,942).

9.4 Financial investments held under the unit linked fair value model

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked insurance and investment contracts. These investments are measured at FVTPL and amortised cost for mortgages.

	2019	2018
Debt securities	154,111	126,156
Equity securities	225,276	160,627
Mortgage loans	58,154	61,491
Deposits	-	8
	437,541	348,282

10 REINSURANCE ASSETS

	2019	2018
Reinsurers' share of:		
Actuarial liabilities (note 13.1)	661,811	653,722
Policy benefits payable (note 14.2)	28,700	39,085
Provision for unearned premiums (note 14.3)	24,828	14,727
Other items	8,898	7,063
	724,237	714,597

11 INCOME TAX ASSETS

	2019	2018
Deferred income tax assets (note 33)	6,494	27,583
Income and withholding taxes recoverable	20,100	26,782
	26,594	54,365

Income and withholding taxes recoverable are expected to be recovered within one year of the financial statements date.

12 MISCELLANEOUS ASSETS AND RECEIVABLES

	2019	2018
Net defined benefit assets (note 31)	9,040	3,538
Real estate developed or held for resale	28,571	13,850
Prepaid and deferred expenses (i)	33,583	26,495
Premiums receivable	57,584	51,633
Legal claim (note 20)	1,073	963
Service contract receivables	1,411	1,245
Finance leases	768	-
Other assets and accounts receivable	76,029	45,923
	208,059	143,647
Amounts due from managed funds included in receivables	4,537	6,052
Amounts expected to be realised within one year included in real estate developed or held for resale	8,153	8,779

(i) Amounts are expected to be realised within one year.

13 ACTUARIAL LIABILITIES

13.1 Analysis of actuarial liabilities

	Gross liability		Reinsurers' share	
	2019	2018	2019	2018
Contracts issued to individuals:				
Life insurance - participating policies	194,551	205,566	66	65
Life insurance and annuity - non-participating policies	2,590,528	2,057,098	647,417	638,201
Health insurance	12,511	14,760	236	350
Unit linked funds	288,504	241,690	-	-
Reinsurance contracts held	32,585	34,699	-	-
	3,118,679	2,553,813	647,719	638,616
Contracts issued to groups:				
Life insurance	28,862	26,406	107	111
Annuities	428,050	414,253	13,837	14,854
Health insurance	29,062	29,992	148	141
	485,974	470,651	14,092	15,106
Total actuarial liabilities	3,604,653	3,024,464	661,811	653,722

The following notes are in respect of the foregoing table:

- Life insurance includes coverage for disability and critical illness.
- Actuarial liabilities include $77,391 (2018 - $71,840) in assumed reinsurance.
- The liability for reinsurance contracts held occurs because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of a policy contract.

13.2 Movement in actuarial liabilities

	Gross liability		Reinsurers' share	
	2019	2018	2019	2018
Balance, beginning of year	3,024,464	2,944,700	653,722	736,547
Changes in actuarial liabilities:				
Recorded in income (note 25)	492,875	91,568	8,092	(82,857)
Recorded in OCI	110,409	(48,181)	-	-
Assumed on acquisition of portfolio (note 13.2)	-	42,865	-	-
De-recognised on divestiture	(8,292)	-	(2)	-
Other movements	163	3,153	-	31
Effect of exchange rate changes	(14,966)	(9,641)	(1)	1
Balance, end of year	3,604,653	3,024,464	661,811	653,722
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	453,393	216,074	2,719	(85,599)
Arising from changes in assumptions for mortality, lapse, expenses, investment yields and asset default	104,094	(155,551)	1,093	(6,323)
Other changes:				
Actuarial modelling refinements and improvements	(1,560)	(11,831)	-	-
Changes in margins for adverse deviations	2,715	-	-	-
Other items	44,642	(5,305)	4,280	9,065
Total	603,284	43,387	8,092	(82,857)

13.2 Movement in actuarial liabilities (continued)

Acquisition of insurance portfolio

During 2018, qualifying life insurance and annuity policies of British American Insurance Company (Barbados) Limited (BAICO) were transferred to Sagicor Life Inc. BAICO was under the management of a judicial manager and the transfer was approved by the Supreme Court of Barbados. The portfolio consisted of 11,259 of individual life and annuity insurance policies in Barbados. The acquisition has been accounted for as a portfolio acquisition and the effects of the transaction are summarized below. Given the distressed nature of the portfolio the Group was able to negotiate assets to be transferred in excess of the liabilities assumed. Accordingly, the excess assets have been treated as a gain in the income statement.

2018	Fair value
Financial investments	49,688
Other assets	-
Total assets	49,688
Actuarial liabilities	42,865
Other policy liabilities	405
Total liabilities	43,270
Net assets acquired	6,418
Consideration	-
Gain on acquisition	6,418

13.3 Assumptions – life insurance and annuity contracts

(a) Process used to set actuarial assumptions and margins for adverse deviations

At each date for valuation of actuarial liabilities, the Appointed Actuary (AA) of each insurer reviews the assumptions made at the last valuation date. The AA reviews the validity of each assumption by referencing current data, and where appropriate, changes the assumptions for the current valuation. A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Any changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

Mortality rates are related to the incidence of death in the insured population. Morbidity rates are related to the incidence of sickness and disability in the insured population.

Annually, insurers update studies of recent mortality experience. The resulting experience is compared to external mortality studies including tables from the Canadian Institute of Actuaries. Appropriate modification factors are selected and applied to underwritten and non-underwritten business respectively. Annuitant mortality is determined by reference to CIA tables or to other established scales.

Assumptions for morbidity are determined after reflecting insurer and industry experience.

(c) Assumptions for lapse

Policyholders may allow their policies to lapse prior to the maturity date either by choosing not to pay premiums or by surrendering their policy for its cash value. Lapse studies are updated annually by insurers to determine the persistency of the most recent period. Assumptions for lapse experience are generally based on moving averages.

13.3 Assumptions – life insurance and annuity contracts (continued)

(d) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are however assumed to decrease over time, and it is assumed that at the end of twenty years from the valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds.

The ultimate rate of return is the assumed rate that will ultimately be earned on long-term government bonds. It is established for each geographic area and is summarised in the following table.

Ultimate rate of return	2019	2018
Barbados	7.50%	7.50%
Jamaica	5.50%	6.00%
Trinidad & Tobago	5.00%	5.00%
Other Caribbean	4.50% - 7.00%	4.50% - 7.00%
USA	0.85% - 3.50%	0.85% - 3.60%

(e) Assumptions for operating expenses and taxes

Policy acquisition and policy maintenance expense costs for the long-term business of each insurer are measured and monitored using internal expense studies. Policy maintenance expense costs are reflected in the actuarial valuation after adjusting for expected inflation. Costs are updated annually and are applied on a per policy basis.

Taxes reflect assumptions for future premium taxes and income taxes levied directly on investment income. For income taxes levied on net income, actuarial liabilities are adjusted for policy related recognised deferred tax assets and liabilities.

13.3 Assumptions – life insurance and annuity contracts (continued)

(f) Asset defaults

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Group experience and includes specific margins, where appropriate, for assets backing the actuarial liabilities, e.g. for investment property, equity securities, debt securities, mortgage loans and deposits.

(g) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuations. The application of these margins resulted in provisions for adverse deviations being included in the actuarial liabilities as set out in the following table.

Provisions for adverse deviations	2019	2018
Mortality and morbidity	95,203	103,650
Lapse	76,390	78,453
Investment yields and asset default	65,971	62,363
Operating expenses and taxes	10,019	11,042
Other	13,889	11,093
	261,472	266,601

13.4 Assumptions – health insurance contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No significant claim settlements are anticipated after one year from the date of the financial statements.

14 OTHER INSURANCE LIABILITIES

14.1 Analysis of other insurance liabilities

	2019	2018
Dividends on deposit and other policy balances	61,518	62,979
Policy benefits payable	166,350	140,163
Provision for unearned premiums	59,092	44,435
	286,960	247,577

14.2 Policy benefits payable

	Gross liability		Reinsurers' share	
	2019	2018	2019	2018
Analysis of policy benefits payable:				
Life insurance and annuity benefits	97,364	99,332	16,916	24,526
Health claims	5,252	4,677	2,846	1,552
Property and casualty claims	63,734	36,154	8,938	13,007
	166,350	140,163	28,700	39,085

14.2 Policy benefits payable (continued)

	Gross liability		Reinsurers' share	
	2019	2018	2019	2018
Movement for the year:				
Balance, beginning of year	140,163	127,801	39,085	41,571
Subsidiary and insurance portfolio acquisitions	27,090	6,122	351	2,331
Policy benefits incurred	682,891	644,757	107,425	109,375
Policy benefits paid	(683,339)	(637,981)	(117,894)	(115,144)
Effect of exchange rate changes	(455)	(536)	(267)	952
Balance, end of year	166,350	140,163	28,700	39,085

14.3 Provision for unearned premiums

	Gross liability		Reinsurers' share	
	2019	2018	2019	2018
Analysis of the provision:				
Property and casualty insurance	56,986	36,115	24,828	14,727
Health insurance	2,106	8,320	-	-
	59,092	44,435	24,828	14,727

The provision for unearned premiums is expected to mature within a year of the financial statements' date.

14.3 Provision for unearned premiums (continued)

	Gross liability		Reinsurers' share	
	2019	2018	2019	2018
Movement for the year:				
Balance, beginning of year	44,435	32,614	14,727	11,561
Subsidiary and insurance portfolio acquisitions	22,278	3,489	7,650	1,502
Premiums written	97,235	87,102	45,844	36,844
Premium revenue	(104,980)	(78,739)	(43,446)	(36,176)
Effect of exchange rate changes	124	(31)	53	996
Balance, end of year	59,092	44,435	24,828	14,727

15 INVESTMENT CONTRACT LIABILITIES

	2019		2018	
	Carrying value	Fair value	Carrying Value	Fair value
Liabilities at amortised cost:				
Deposit administration liabilities	113,767	113,767	110,585	110,585
Other investment contracts	148,188	149,928	130,670	130,669
	261,955	263,695	241,255	241,254
Liabilities at FVTPL:				
Unit linked deposit administration liabilities	162,385	162,385	149,142	149,142
	424,340	426,080	390,397	390,396

16 NOTES AND LOANS PAYABLE

The following table presents the carrying values and estimated fair values of notes and loans payable.

Amounts in US $000	2019		2018	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (g)	318,227	330,197	318,910	334,625
8.25% convertible redeemable preference shares due 2020 (a)	-	-	11,115	11,105
5.10% unsecured bond due 2020 (b)	33,700	34,256	-	-
5.95% unsecured bond due 2020 (c)	42,904	44,826	-	-
4.85% notes due 2019 (d)	-	-	75,039	74,124
5.00% notes due 2020 (e)	16,857	17,257	-	-
6.75% notes due 2024 (e)	16,589	15,845	-	-
Mortgage loans (h)	75,019	77,034	76,952	76,952
Bank loans and other funding instruments (f)	14,436	14,436	8,259	8,259
	517,732	533,851	490,275	505,065

(a) On March 2, 2017, Sagicor Bank Jamaica Limited issued cumulative redeemable preference shares with a tenor of three (3) years at 8.25% interest per annum. These were redeemed June 3, 2019.

(b) On September 18 and 26, 2019, Sagicor Financial Corporation Limited issued US$30.6 million and US$3.4 million notes respectively, carrying an annual rate of 5.10% with a maturity date of October 26, 2020.

(c) On September 26, 2019, Sagicor Financial Corporation Limited issued Jamaican $ notes in the amount of J$5,731,140,000 carrying an annual interest rate of 5.95% per annum with a maturity date of October 26, 2020.

16 NOTES AND LOANS PAYABLE (continued)

(d) On August 12, 2019, Sagicor Financial Corporation Limited entered into a US$76.0 million bridging loan carrying an annual interest rate of 5.1% per annum, this loan was repaid from the proceeds of the notes in (b) and (c) above. Also on August 12, 2019, Sagicor Financial Corporation Limited used the bridging loan to repay the US$75 million 4.85% notes which were due to mature on August 14, 2019.

(e) On August 16, 2019, Sagicor Investments Jamaica Limited issued J$4.4 billion in two Tranches, Tranche A J$2.22 billion and Tranche B J$2.18 billion, carrying an annual rate of 5.00% and 6.75% with a maturity date of September 16, 2020 and August 16, 2024 respectively.

(f) On May 24, 2019 Sagicor General Insurance Inc entered into a US$12 million loan agreement. The interest rate is 3.50% per annum and matures on July 31, 2024.

(g) Valuation of Call Option Embedded Derivative

As at December 31, 2019 the Group had US$320 million principal amount of senior unsecured notes (the "Notes"). The Notes are due August 11, 2022 and bear interest at an annual rate of 8.875%. Pursuant to the terms of the Notes, the Group may redeem the Notes under various scenarios as summarized below and described in more detail herein:

Optional Redemption with an Applicable Premium (equal to a percentage of the principal amount based on redemption date) - At any time prior to August 11, 2019, the Group may redeem the Notes in whole or in part, at a redemption price equal to 100% of the principal amount of such Notes redeemed plus, the greater of

(i) 1% of the principal amount of the Notes to be redeemed; and,
(ii) the Applicable Premium, plus in each case accrued and unpaid interest, if any, to the applicable date of redemption, to but excluding the date of redemption (the "Redemption Date");

16 NOTES AND LOANS PAYABLE (continued)

(g) Valuation of Call Option Embedded Derivative (continued)

Optional Redemption with Proceeds of Equity Offerings - At any time prior to August 11, 2018, the Group may redeem the Notes with the net cash proceeds received by the Group from any Equity Offering at a redemption price equal to 108.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the Redemption Date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes); and,

Optional Redemption without an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of this embedded derivative at US $2.8 million as at December 31, 2019.

(h) Mortgage Loans

	Issuer / mortgagor	2019	2018
4.90% USD mortgage notes due 2025	X Fund Properties LLC	45,741	46,527
3.75% USD mortgage notes due 2019	Sagicor X-Fund Real Estate Limited	-	1,496
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	2,112	2,055
5.00% USD mortgage notes due 2020	X Fund Property Limited	4,255	4,245
8.75% JMD mortgage notes due 2020	X Fund Property Limited	10,136	10,372
9.00% JMD mortgage notes due 2048	X Fund Property Limited	3,598	3,735
8.00% JMD mortgage notes due 2021	X Fund Property Limited	3,548	3,782
10.00% JMD mortgage notes due 2026	X Fund Property Limited	3,511	3,704
3.61% mortgage notes due 2026	X Fund Property Limited	996	1,036
Development loan [1]	X Fund Property Limited	1,122	-
		75,019	76,952

[1] This note is interest free with annual forgiveness of debt over ten years, if certain conditions are met.

16 NOTES AND LOANS PAYABLE (continued)

X Fund Properties LLC

The 4.90% USD mortgage note is secured by the investment in hotel property. Interest on the mortgage note is paid monthly through to maturity upon which the outstanding principal is due and payable. The Group may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attracts a fixed rate interest of 4.9%.

The mortgage note contains a debt service coverage ratio test and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. As at December 31, 2019, X Fund Properties LLC was compliant with the debt service coverage ratio.

X Fund Properties Limited

These mortgage notes are secured by:

- a charge over Jamziv MoBay Jamaica Portfolio Limited allocated to X Fund Properties Limited,
- a charge over the assets and undertakings of X Fund Properties Limited.

16 NOTES AND LOANS PAYABLE (continued)

Movement for the year to December 31,	2019	2018
Balance, beginning of year	490,275	413,805
Assumed on acquisition	-	77,497
Valuation of call option embedded derivative	(2,831)	-
Additions:		
Gross Principal	197,114	1,380
less Expenses	(967)	-
	196,147	1,380
Repayments:		
Principal	(164,452)	(7,514)
Interest	(37,871)	(30,517)
	(202,323)	(38,031)
Finance leases reclassified to lease liabilities	(4,255)	-
Transfer from related party	-	2,698
Amortisation during the year	2,974	1,898
Accrued Interest	38,282	30,892
Effects of exchange rate changes	(537)	136
Balance, end of the year	517,732	490,275

17 DEPOSIT AND SECURITY LIABILITIES

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	418,047	418,932	461,572	462,223
Customer deposits	808,119	811,715	721,634	726,136
Securities sold for re-purchase	512,857	512,857	423,772	423,790
Bank overdrafts	6,646	6,646	2,158	2,158
	1,745,669	1,750,150	1,609,136	1,614,307
Liabilities at FVTPL:				
Structured products	6,756	6,756	64,650	64,650
Derivative financial instruments (note 41.9)	264	264	247	247
	7,020	7,020	64,897	64,897
	1,752,689	1,757,170	1,674,033	1,679,204

Other funding instruments consist of loans from banks and other financial institutions and include balances of $375,219 (2018 - $315,250) due to the Federal Home Loan Bank of Dallas (FHLB). The Group participates in the FHLB program in which funds received from the Bank are invested in mortgages and mortgage backed securities.

Structured products are offered by a banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalize on current market trends.

Collateral for other funding instruments and securities sold under agreements to resell is set out in note 9.2.

18 OTHER LIABILITIES / RETIREMENT BENEFIT LIABILITIES

	2019	2018
Net defined benefit liabilities (note 31)	59,597	67,522
Cash settled share-based payment liabilities [1]	-	6,627
Other provisions	198	138
	59,795	74,287

[1] As of April 01, 2019, certain options are recorded using the equity-settled method of accounting. This resulted in a transfer of $4,367 from Other liabilities / Retirement benefit liabilities to reserves at that date.

19 INCOME TAX LIABILITIES

	2019	2018
Deferred income tax liabilities (note 33)	51,198	28,958
Income taxes payable	5,691	19,278
	56,889	48,236

Income taxes payable are expected to be settled within a year of the financial statements' date.

20 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Amounts due to policyholders	46,257	54,470
Amounts due to reinsurers	17,993	9,364
Legal claim (i)	1,073	963
Service contract payables	-	1,254
Other accounts payable and accrued liabilities	175,010	174,643
	240,333	240,694

(i) On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited). This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and pre-dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement entered between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group, is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

Sagicor appealed the Supreme Court decision and judgment was delivered on July 31, 2018 which ruled that the award previously awarded to the Claimant be reduced with costs to the Claimant subject to an accounting exercise to determine the apportionment of costs between the parties. This reduced award took into account lower interest rates applying simple interest rather than compounding interest. The issue of costs remains to be determined by the courts following a subsequent application to amend the judgment which was delivered in January 2019. An appeal to the Privy Council on this matter by the Claimant is pending.

The amount previously awarded to the Claimant is recorded as payable to the claimant plus accrued interest and a corresponding receivable from Finsac/Government of Jamaica is recorded (note 12).

21 COMMON SHARES

The authorised share capital of the Company is US$200,000,000 divided into 10,000,000,000 common shares of US$0.01 each and 10,000,000,000 preference shares of US$0.01 each.
The common shares issued are as follows:

	2019				2018			
	Number in 000's	Share capital	Share premium	Total	Number in 000's	Share capital	Share premium	Total
Issued and fully paid:								
Balance, beginning of year	306,556	3,066	301,132	304,198	306,556	3,066	301,132	304,198
Exchange of shares (note 1)	(227,016)	(2,270)	2,270	-	-	-	-	-
Repurchase of shares (note 1)	(11,548)	(116)	(19,930)	(20,046)	-	-	-	-
	67,992	680	283,472	284,152	306,556	3,066	301,132	304,198
Allotments arising from:								
New share issue (note 1)	79,847	798	478,818	479,616	-	-	-	-
Balance, end of year	147,839	1,478	762,290	763,768	306,556	3,066	301,132	304,198
Treasury shares:								
Shares held for LTI and ESOP, end of year (Note 30.1)	(50)	(1)	(275)	(276)	(441)	(5)	(467)	(472)
Total	147,789	1,477	762,015	763,492	306,115	3,061	300,665	303,726

Common share dividends declared, paid and proposed are set out in the following table.

	2019		2018	
	Per share	Total	Per share	Total
Dividends declared and paid during the year	5.0¢	15,316	5.0¢	15,300
Second interim dividend proposed for the current year and payable in the next year	5.625¢	8,355	-	-
Final dividend proposed for the current year and payable in the next year	-	-	2.5 ¢	7,664

22 RESERVES

	Fair value reserves						
	Owner-occupied and owner-managed property	FVOCI assets	Actuarial liabilities	Currency translation reserves	Warrant reserve	Other reserves	Total reserves
2019							
Balance, December 31, 2018	23,163	(27,525)	9,362	(116,953)	-	34,958	(76,995)
Total comprehensive income from continuing operations	1,514	117,758	(83,392)	(7,569)	-	(281)	28,030
Transactions with holders of equity instruments:							
Allocated to warrant reserve	-	-	-	-	20,062	-	20,062
Allocated to reserve for equity compensation benefits		-	-	-	-	12,998	12,998
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(3,811)	(3,811)
Transfers to retained earnings and other movements	474	4,037	(4,677)	101	-	10,758	10,693
Balance, December 31, 2019	25,151	94,270	(78,707)	(124,421)	20,062	54,622	(9,023)

22 RESERVES (continued)

	Fair value reserves						
	Owner-occupied and owner-managed property	FVOCI assets	Available for sale assets	Actuarial liabilities	Currency translation reserves	Other reserves	Total reserves
2018							
Balance, December 31, 2017	25,153	-	34,414	(27,959)	(109,725)	30,729	(47,388)
Transition adjustment on adoption of IFRS 9	-	30,407	(34,577)	5,423	(105)	(1,365)	(217)
Balance, January 1, 2018	25,153	30,407	(163)	(22,536)	(109,830)	29,364	(47,605)
Other comprehensive income allocated to reserves	3,655	(58,063)	-	31,897	(7,123)	-	(29,634)
Transactions with holders of equity instruments:			-				
Allocated to reserve for equity compensation benefits	-	-	-	-	-	4,428	4,428
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	(5,215)	(5,215)
Disposal of interest in subsidiaries	-	-	-	-	-	(935)	(935)
Transfers to retained earnings and other movements	(5,645)	131	163	1	-	7,316	1,966
Balance, December 31, 2018	23,163	(27,525)	-	9,362	(116,953)	34,958	(76,995)

23 PARTICIPATING ACCOUNTS

The movements in the participating accounts during the year and the amounts in the financial statements relating to participating accounts were as follows:

	Closed participating account		Open participating account	
	2019	2018	2019	2018
Movement for the year:				
Balance, beginning of year	2,774	(1,547)	1,304	2,412
Transition adjustment on adoption of IFRS 9	-	(1,046)	-	(1,884)
Balance, beginning of year as adjusted	2,774	(2,593)	1,304	528
Total comprehensive income / (loss)	(1,872)	5,367	(783)	989
Return of transfer to support profit distribution, to shareholders	-	-	(200)	(213)
Balance, end of year	902	2,774	321	1,304
Financial statement amounts:				
Assets	65,913	74,061	151,907	172,179
Liabilities	65,011	71,286	151,586	170,876
Revenues	7,004	3,339	19,751	2,393
Benefits	7,523	(2,272)	18,798	(108)
Expenses	511	162	1,522	147
Income taxes	84	109	254	472

The Group no longer sells participating policies in the Eastern Caribbean. As a result, the size of the participating policyholders fund in this region has been decreasing annually and has reached a size where it is no longer beneficial to the policyholders to continue to maintain a separate fund.

23 PARTICIPATING ACCOUNTS (continued)

Consequently, the participating policies in the Eastern Caribbean were converted to non-participating policies on May 31, 2019 with the level of participating benefits in the form of bonuses and or dividends being guaranteed at conversion.

24 PREMIUM REVENUE

	Gross premium		Ceded to reinsurers	
	2019	2018	2019	2018
Life insurance	460,623	442,629	29,992	30,580
Annuity	592,400	455,927	283	15,874
Health insurance	179,101	172,830	5,974	4,758
Property and casualty insurance	91,128	70,043	45,459	36,176
	1,323,252	1,141,429	81,708	87,388

25 POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

	Gross benefit		Ceded to reinsurers	
	2019	2018	2019	2018
Life insurance benefits	236,624	236,966	13,523	16,542
Annuity benefits	270,376	242,387	78,864	70,182
Health insurance claims	140,748	131,713	4,834	4,954
Property and casualty claims	29,017	25,726	1,995	6,734
Total policy benefits	676,765	636,792	99,216	98,412
Change in actuarial liabilities (note 13.2)	492,875	91,568	8,092	(82,857)
Total policy benefits and change in actuarial liabilities	1,169,640	728,360	107,308	15,555

26 NET INVESTMENT INCOME

	2019	2018
Investment income:		
Interest income (amortised cost assets):		
Debt securities	81,695	84,477
Mortgage loans	20,458	20,780
Policy loans	10,519	10,003
Finance loans	60,941	58,308
Securities purchased for resale	542	853
Deposits, cash and other items	1,320	3,089
	175,475	177,510
Interest Income (FVOCI assets):		
Debt securities and money market funds	132,539	113,478
Fair value changes and interest income (FVTPL assets):		
Debt securities	25,319	(898)
Equity securities	49,298	15,869
Mortgage loans	2,524	930
Derivative financial instruments	35,701	(11,407)
Other items	27	8
	112,869	4,502
Other income measured on an IFRS 9 basis	253	813
Income from financial investments measured on an IFRS 9 basis	421,136	296,303

26 NET INVESTMENT INCOME (continued)

	2019	2018
Income from financial investments measured on an IFRS 9 basis	421,136	296,303
Investment income		
Investment property – rental income	8,406	6,621
Investment property – realised gains	27	(148)
Investment property – unrealised gains	(566)	(942)
Other investment income	(259)	370
Total investment income	428,744	302,204
Investment expenses:		
Direct operating expenses of investment property that generated rental income	6,319	6,042
Other direct investment expenses	2,611	2,342
	8,930	8,384
Net investment income	419,814	293,820

27 FEES AND OTHER REVENUE

	Fees Recognised		Other Revenue	Total
	at a point in time	over time		
2019				
Service contract revenue	37,600	46,415	3,419	87,434
Fee income – assets under administration	-	-	2,968	2,968
Commission income on reinsurance contracts	-	-	7,932	7,932
Other fees and commission income	9,349	5,786	8,876	24,011
Finance lease income	-	-	62	62
Foreign exchange losses	-	-	(1,105)	(1,105)
Hotel revenue	10,908	28,786	-	39,694
Other operating and miscellaneous income	224	-	6,751	6,975
	58,081	80,987	28,903	167,971
2018				
Service contract revenue	37,542	39,236	2,851	79,629
Fee income – assets under administration	-	-	3,045	3,045
Commission income on reinsurance contracts	-	-	91	91
Other fees and commission income	4,427	5,168	5,471	15,066
Foreign exchange losses	-	-	(3,037)	(3,037)
Hotel revenue	2,600	7,102	-	9,702
Other operating and miscellaneous income	332	-	9,654	9,986
	44,901	51,506	18,075	114,482

28 INTEREST AND FINANCE COSTS

28.1 Interest costs

	2019	2018
Interest expense (amortised cost liabilities):		
Investment contracts	7,950	9,567
Other funding instruments	9,934	8,561
Customer deposits	10,168	11,805
Securities sold for re-purchase	13,814	12,019
Insurance contracts and other items	1,966	1,715
	43,832	43,667
Fair value changes and interest expense (FVTPL liabilities)	10,360	8,854
Total interest costs	54,192	52,521

28.2 Finance costs

	2019	2018
8.875% senior notes due 2022	30,297	29,983
8.25% convertible redeemable preference shares due 2020	428	1,169
4.85% notes due 2019	2,324	3,748
5.10% unsecured bond due 2020	604	-
5.95% unsecured bond due 2020	794	-
5.00% notes due 2020	316	-
6.75% notes due 2024	419	-
Mortgage loans	5,180	1,229
Lease liabilities[1]	2,423	-
Bank loans & other funding instruments	848	382
Total finance costs	43,633	36,511

[1] Interest expense arising from lease liabilities is recognised from 2019 in conformity with IFRS 16.

29 EMPLOYEE COSTS

Included in administrative expenses, commissions and related compensation are the following:

	2019	2018
Administrative and hotel staff salaries, directors' fees and short-term benefits	137,432	115,911
Social security and defined contribution retirement costs	10,409	10,342
Equity-settled compensation benefits (note 30.1 to 30.2)	15,142	6,404
Cash-settled compensation benefits (note 30.1)	-	5,104
Defined benefit expense (note 31 (b))	7,707	9,317
	170,690	147,078

30 EQUITY COMPENSATION BENEFITS

30.1 Sagicor Financial Company Ltd.

Effective December 31, 2005, SFCL introduced the LTI plan and the ESOP. A total of 26,555,274 common shares of SFCL (or 10% of shares then in issue) has been set aside for the purposes of the LTI plan and the ESOP.

In 2017, the shareholders of SFCL approved the increase in the number of SFCL's shares reserved for the LTI and ESOP from 26,555,274 common shares to 40,400,000 common shares.

On December 5, 2019, concurrent with the closing of the transaction between Alignvest Acquisition II Corporation ("Alignvest") and Sagicor Financial Corporation Limited ("SFCL") , restricted share grants, share options and ESOP awards were exchanged for grants, options and awards in SFC using the Exchange Ratio as defined in note 1. 3,680,687 restricted share grants were exchanged for 850,276 restricted share grants and 2,297,517 ESOP awards were exchanged for 526,831 ESOP awards in SFC (the "Replacement Grants"). 20,250,604 options were exchanged for 4,678,152 options to purchase common shares of Sagicor Financial Company Ltd (the "Replacement Options") . The Replacement Options provide an optionee the ability to purchase common shares of Sagicor Financial Company Ltd at a price of per share linked to the award year (as adjusted by the exchange ratio), and the terms and conditions of the Replacement Options have remained the same as the initial terms and conditions. The terms of the Replacement Grants remain unchanged. Since these modifications did not increase the total fair value of the Replacement Options or the Replacement Grants, the Group continues to account for the cost of compensation services received as consideration for the equity instruments granted as if the replacement had not occurred.

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option pricing model as disclosed in section (b) below.

30.1 Sagicor Financial Company Ltd. (continued)

(a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management of the Group. Share grants may vest over a four-year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Group as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

The movement in restricted share grants during the year is as follows:

	2019		2018	
	Number of grants '000	Weighted average price	Number of grants '000	Weighted average price
Balance, beginning of year	656	US$4.50	1,090	US$4.42
Grants issued	1,056	US$6.28	632	US$4.46
Grants vested	(779)	US$5.54	(1,044)	US$4.37
Grants lapsed/forfeited	(77)	US$4.07	(22)	US$4.20
Balance, end of year	856	US$4.50	656	US$4.50

30.1 Sagicor Financial Company Ltd. (continued)

(a) LTI plan – restricted share grants (continued)

Grants issued may be satisfied out of new shares issued by Sagicor Financial Company Ltd or by shares acquired in the market. The shares acquired in the market and/or distributed during the year were as follows:

	2019		2018	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	40	206	40	206
Shares acquired	-	-	40	202
Shares distributed	-	-	(40)	(202)
Balance, end of year	40	206	40	206

During 2019, a cash settlement was made in lieu of share issue

(b) LTI plan – share options

Share options have been granted to designated key management of the Group during the year. Up to 2008, options were granted at the fair market price of SFCL shares at the time that the option was granted. From 2009, options are granted at the fair market price of SFCL shares prevailing one year before the option is granted. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

30.1 Sagicor Financial Company Ltd. (continued)

(b) LTI plan – share options (continued)

The movement in share options for the year and details of the share options and assumptions used in determining their pricing are as follows:

	2019		2018	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	3,814	US$5.24	4,317	US$5.41
Options granted	1,782	US$4.42	1,012	US$4.89
Options exercised	-	US$3.90	(869)	US$3.90
Options lapsed/forfeited	(923)	US$5.50	(646)	US$6.58
Balance, end of year	4,673	US$4.85	3,814	US$5.24
Exercisable at the end of the year	2,568	US$5.06	1,884	US$5.93
Share price at grant date	US$3.72 – 10.82		US$3.72 – 10.82	
Fair value of options at grant date	US$0.67 – 2.99		US$0.67 – 2.99	
Expected volatility	18.3% - 35.8%		18.3% - 35.8%	
Expected life	7.0 years		7.0 years	
Expected dividend yield	2.6% - 4.7%		2.6% - 4.7%	
Risk-free interest rate	4.5% - 6.8%		4.5% - 6.8%	

The expected volatility of options is based on statistical analysis of monthly share prices over the 7 years prior to grant date.

As disclosed in Note 18, share options cash-settled are now settled in the Company's shares.

30.1 Sagicor Financial Company Ltd. (continued)

(c) ESOP

From 2006, SFCL approved awards under the ESOP in respect of permanent administrative employees and sales agents of SFCL and certain subsidiaries. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire Sagicor Financial Company Ltd shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013. The shares acquired by the Trustees during the year were as follows:

	2019		2018	
	Number in 000's	$000	Number in 000's	$000
Balance, beginning of year	63	266	116	463
Shares acquired	53	371	18	84
Shares distributed	(106)	(567)	(71)	(281)
Balance, end of year	10	70	63	266

30.2 Sagicor Group Jamaica Limited

(a) Long-term incentive plan

Sagicor Group Jamaica Limited offers stock grants and stock options to senior executives as part of its long-term incentive plan. The group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the group introduced a new long term incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal instalments beginning the first December 31 following the grant date and for the next three December 31 dates thereafter (25% per year).

(a) Long-term incentive plan (continued)

Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the share options outstanding are set out in the following table. J$ represents Jamaica dollars.

	2019		2018	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	14,614	J$13.60	21,881	J$10.61
Options granted	3,375	J$36.45	2,713	J$34.10
Options exercised	(7,174)	J$12.00	(8,321)	J$9.55
Options lapsed/forfeited	(1,215)	J$25.52	(1,659)	J$15.75
Balance, end of year	9,600	J$23.44	14,614	J$13.60
Exercisable at the end of the year	5,742	J$18.98	9,672	J$12.59

Further details of share options and the assumptions used in determining their pricing are as follows:

	2019	2018
Fair value of options outstanding	J$30,190,000	J$24,080,000
Share price at grant date	J$7.11 – 36.45	J$7.11 - 34.10
Exercise price	J$7.11 – 36.45	J$7.11 - 34.10
Standard deviation of expected share price returns	27.0%	26.0%
Remaining contractual term	0.25 - 7 years	0.25 - 7 years
Risk-free interest rate	4.6%	6.5%

The expected volatility is based on statistical analysis of daily share prices over seven years.

30.2 Sagicor Group Jamaica Limited (continued)

(b) Employee share purchase plan

Sagicor Group Jamaica Limited has in place a share purchase plan which enables its administrative and sales staff to purchase shares at a discount. The proceeds from shares issued under this plan totalled $2,017 (2018 – $821).

31 EMPLOYEE RETIREMENT BENEFITS

The Group maintains a number of defined contribution and defined benefit retirement benefit plans for eligible sales agents and administrative employees. The plans for sales agents and some administrative employees provide defined contribution benefits. The plans for administrative employees in Barbados, Jamaica, Trinidad, Eastern Caribbean and certain other Caribbean countries provide defined benefits based on final salary and number of years active service. Also, in these countries, retired employees may be eligible for medical and life insurance benefits which are partially or wholly funded by the Group. The principal defined benefit retirement plans are as follows:

Funded Plans	Unfunded Plans
Sagicor Life Barbados & Eastern Caribbean Pension	Sagicor Life Trinidad Pension
Sagicor Life Jamaica Pension	Sagicor Life (Heritage Life of Barbados - Barbados & Eastern Caribbean) Pension
Sagicor Investments Jamaica Pension	Group medical and life plans

The above plans also incorporate employees of the Company and other subsidiaries, whose attributable obligations and attributable assets are separately identified for solvency, contribution rate and reporting purposes.

The assets of the Sagicor Life Trinidad and Sagicor Life (Heritage Life of Barbados) pension plans are held under deposit administration contracts with Sagicor Life Inc and because these assets form part of the Group's assets, these plans are presented as unfunded in accordance with IAS 19 (revised).

The above pension plans are registered with the relevant regulatory authorities in the Caribbean and are governed by Trust Deeds which conform with the relevant laws. The plans are managed by the Group under the direction of appointed Trustees.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

The group medical and life obligations arise from employee benefit insurance plans where benefits are extended to retirees.

All disclosures in sections 31 (a) to (f) of this note relate only to defined benefit plans.

(a) Amounts recognised in the statement of financial position

	2019	2018
Present value of funded pension obligations	316,471	283,525
Fair value of retirement plan assets	(326,582)	(285,172)
	(10,111)	(1,647)
Present value of unfunded pension obligations	37,453	43,847
Present value of unfunded medical and life benefits	23,215	21,784
Net liability	50,557	63,984
Represented by:		
Amounts held on deposit by the Group as deposit administration contracts	60,944	66,179
Other recognised liabilities	(1,347)	1,343
Total recognised liabilities (note 18)	59,597	67,522
Recognised assets (note 12)	(9,040)	(3,538)
Net liability	50,557	63,984

Pension plans have purchased annuities from insurers in the Group to pay benefits to plan retirees. These obligations which amount to $36,490 (2018- $32,348) are included in actuarial liabilities in the statement of financial position and are included as retirement plan assets in this note.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances

	2019				2018			
	Medical and life benefits	Retirement obligations	Retirement plan assets	Total	Medical and life benefits	Retirement obligations	Retirement plan assets	Total
Net liability / (asset), beginning of year	21,784	327,372	(285,172)	63,984	27,931	301,013	(257,893)	71,051
Current service cost	667	6,067	-	6,734	1,415	5,911	-	7,326
Interest expense / (income)	1,472	18,962	(19,336)	1,098	2,136	18,945	(19,854)	1,227
Past service cost and gains / losses on settlements	-	-	(125)	(125)	-	764	-	764
Net expense recognised in income	2,139	25,029	(19,461)	7,707	3,551	25,620	(19,854)	9,317
(Gains) / losses from changes in assumptions	(1,052)	(6,658)	(316)	(8,026)	6,115	9,695	(104)	15,706
(Gains) / losses from changes in experience	(239)	8,595	(12,512)	(4,156)	(14,399)	(4,700)	638	(18,461)
Return on plan assets excluding interest income	-	-	25	25	-	-	4,480	4,480
Change in asset ceiling excluding interest expense /(income)	-	(1,295)	201	(1,094)	-	-	(400)	(400)
Net (gains) / losses recognised in other comprehensive income	(1,291)	642	(12,602)	(13,251)	(8,284)	4,995	4,614	1,325
Contributions made by the Group	-	-	(10,007)	(10,007)	-	-	(8,850)	(8,850)
Contributions made by employees and retirees	-	6,980	(6,980)	-	-	6,322	(6,322)	-
Benefits paid	(813)	(14,846)	14,794	(865)	(745)	(16,956)	16,528	(1,173)
Other items	-	5,857	(3,495)	2,362	-	9,917	(17,056)	(7,139)
Effect of exchange rate movements	1,396	2,890	(3,659)	627	(669)	(3,539)	3,661	(547)
Other movements	583	881	(9,347)	(7,883)	(1,414)	(4,256)	(12,039)	(17,709)
Net liability / (asset), end of year	23,215	353,924	(326,582)	50,557	21,784	327,372	(285,172)	63,984

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(c) Retirement plan assets

	2019	2018
Equity unit linked pension funds under Group management:		
Sagicor Equity Fund (Barbados)	(39,155)	(39,216)
Sagicor Bonds Fund (Barbados)	(21,706)	(23,113)
Sagicor Eastern Caribbean Fund (St. Lucia)	(3,624)	-
Sagicor Pooled Investment Funds (Jamaica):		
Equity Funds	(80,993)	(63,823)
Mortgage & Real Estate Fund	(33,196)	(35,757)
Fixed Income Fund	(21,443)	(16,347)
Foreign Currency Funds	(25,290)	(23,030)
Money Market Fund	(1,865)	(2,383)
Other Funds	(10,212)	(13,196)
	(237,484)	(216,865)
Other assets	(89,098)	(68,307)
Total plan assets	(326,582)	(285,172)

The equity unit linked pension funds are funds domiciled in Barbados and Jamaica. Annual reports of these funds are available to the public.

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(d) Significant actuarial assumptions

The significant actuarial assumptions for the principal geographic areas as of December 31, 2019 were as follows:

Pension plans	Barbados & Eastern Caribbean	Jamaica	Trinidad
Discount rate - local currency benefits	7.75%	7.50%	5.00%
Discount rate - US$ indexed benefits	n/a	5.00%	n/a
Expected return on plan assets	7.75%	4.00%	5.00%
Future promotional salary increases	0.00%	9.00%	0.00%
Future inflationary salary increases	2.00%	9.00%	2.00%
Future pension increases	2.00%	0.50%	0.00%
Future increases in National Insurance Scheme Ceilings	3.50%	n/a	4.00%
Mortality table	UP94 with projection scale AA	American 1994 Group Annuitant Mortality (GAM 94) table with 5 year improvement	UP94 with projection scale AA
Termination of active members	3% - 18.40% up to age 30, reducing to 1 – 7.2% at age 50, 0% at age 51	2% - 5.8% up to age 30, to 3.8% - 5.8% at age 50, 2.7% - 3.8% at age 51	3% up to age 30, reducing to 1% at age 50, 0% at age 51
Early retirement	100% at the earliest possible age to receive unreduced benefits	n/a	100% at the earliest possible age to receive unreduced benefits

31 EMPLOYEE RETIREMENT BENEFITS (continued)

Group medical and life plans	Barbados	Jamaica
Long term increase in health costs	4.25%	5.00%

(e) Sensitivity of actuarial assumptions

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is summarised below:

	Barbados & Eastern Caribbean	Jamaica	Trinidad
Base pension obligation	91,216	210,451	14,804
Change in absolute assumption	**Increase / (decrease) in pension obligations**		
Decrease discount rate by 1.0%	8,226	14,563	1,482
Increase discount rate by 1.0%	(6,525)	(10,987)	(1,026)
Decrease salary growth rate by 0.5%	(561)	(2,306)	(238)
Increase salary growth rate by 0.5%	563	2,474	288
Increase average life expectancy by 1 year	1,302	994	461
Decrease average life expectancy by 1 year	(1,968)	(1,035)	(188)

31 EMPLOYEE RETIREMENT BENEFITS (continued)

(e) Sensitivity of actuarial assumptions

The sensitivity of the medical and life benefits obligations to individual changes in actuarial assumptions is summarised below:

	Jamaica
Base medical and life obligation	23,215
Change in absolute assumption	**Increase / (decrease) in medical and life obligations**
Decrease discount rate by 1.0%	4,037
Increase discount rate by 1.0%	(3,189)
Decrease salary growth rate by 0.5%	(115)
Increase salary growth rate by 0.5%	123
Increase average life expectancy by 1 year	671
Decrease average life expectancy by 1 year	(678)

(f) Amount, timing and uncertainty of future cash flows

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 3 years. These full valuations contain recommendations for Group and employee contribution levels which are implemented by the Group.

For the 2020 financial year, the total Group contributions to its defined benefits pension plans are estimated at $14,146.

32 INCOME TAXES

Group companies are taxed according to the taxation rules of the countries where the operations are carried out. The principal rates of taxation are summarised in note 2.18(c). The income tax expense is set out in the following table.

	2019	2018
Current tax:		
Current tax on profits for the year	37,968	42,213
Adjustments to current tax of prior periods	(654)	(77)
Total current tax expense	37,314	42,136
Deferred tax:		
Decrease/(increase) in deferred tax assets	7,879	2,417
(Decrease)/increase in deferred tax liabilities	13,986	5,774
Total deferred tax expense	21,865	8,191
Share of tax of associated companies	531	375
Total tax expense	59,710	50,702

32 INCOME TAXES (continued)

Income tax on the total income subject to taxation differs from the theoretical amount that would arise as follows:

	2019	2018
Income before income tax expense	163,284	146,523
Taxation at the applicable rates on income subject to tax	60,546	61,406
Adjustments to current tax for items not subject to / allowed for tax	(10,888)	(29,630)
Other current tax adjustments	(193)	(95)
Adjustments for current tax of prior periods	(587)	162
Movement in unrecognised deferred tax assets	5,330	15,207
Deferred tax relating to the origination of temporary differences	(20)	(84)
Deferred tax relating to changes in tax rates or new taxes	1,505	1,252
Deferred tax that arises from the write down / (reversal of a write down) of a tax asset	229	(524)
Tax on distribution of profits from policyholder funds	42	1,341
Other taxes	3,746	1,667
	59,710	50,702

In addition to the above, the income tax on items in other comprehensive income is set out in note 35.

33 DEFERRED INCOME TAXES

The analysis and movement for the year of deferred tax asset balances are set out in the following table.

	Defined benefit liabilities	Unrealised losses on financial investments	Unused tax losses	Other items	Total
2019					
Balance, beginning of year	6,207	10,700	7,105	3,571	27,583
(Charged)/credited to:					
Income	116	15	(6,122)	(1,888)	(7,879)
Other comprehensive income	(868)	(11,869)	-	609	(12,128)
Directly to equity	-	-	-	-	-
Amounts assumed on acquisition	-	-	-	1	1
Effect of exchange rate changes	(242)	(433)	(288)	(120)	(1,083)
Balance, end of year	5,213	(1,587)	695	2,173	6,494
Balance to be recovered within one year					(464)
2018					
Balance, beginning of year	7,100	(574)	13,541	410	20,477
(Charged)/credited to:					
Income	622	(1,893)	(6,120)	4,974	(2,417)
Other comprehensive income	(1,394)	13,056	-	(2,019)	9,643
Directly to equity	-	-	-	191	191
Amounts assumed on acquisition	34	-	-	-	34
Effect of exchange rate changes	(155)	111	(316)	15	(345)
Balance, end of year	6,207	10,700	7,105	3,571	27,583
Balance to be recovered within one year					1,984

33. DEFERRED INCOME TAXES (continued)

Unrecognised tax losses and potential deferred income tax assets are as follows.

	2019	2018
Expiry period for unrecognised tax losses:		
2019	-	27,571
2020	24,763	24,863
2021	19,882	20,164
2022	71,162	71,162
2023	87,442	79,622
2024	60,566	55,627
2025	64,077	62,371
2026	79,220	-
No specified expiry date	559	-
Total unrecognised tax losses	407,671	341,380
Potential deferred income tax assets	25,442	19,514

33 DEFERRED INCOME TAXES (continued)

The analysis and movement for the year of deferred tax liability balances are set out in the following table.

	Accelerated tax depreciation	Policy liabilities taxable in the future	Defined benefit assets	Accrued interest	Unrealised gains on financial investments	Off-settable tax assets relating to unused tax losses and other items	Other Items	Total
2019								
Balance, beginning of year	3,106	48,046	325	1,128	1,302	(25,451)	502	28,958
Charged/(credited) to:								
Income	259	6,647	(822)	177	1,309	3,317	3,099	13,986
Other comprehensive income	113	(15,411)	1,184	-	23,859	-	(2,091)	7,654
Amounts assumed on acquisition	134	-	(705)	195	759	-	34	417
Effect of exchange rate changes	109	-	1	1	14	-	58	183
Balance, end of year	3,721	39,282	(17)	1,501	27,243	(22,134)	1,602	51,198
Balance to be settled within one year								13,274
2018								
Balance, beginning of year	1,666	32,431	334	1,111	10,646	(22,115)	399	24,472
Charged/(credited) to:								
Income	104	9,048	-	123	126	(3,642)	15	5,774
Other comprehensive income	-	6,567	37	-	(9,471)	(67)	-	(2,934)
Amounts assumed on acquisition	1,704	-	(46)	(106)	-	373	-	1,925
Effect of exchange rate changes	(368)	-	-	-	1	-	88	(279)
Balance, end of year	3,106	48,046	325	1,128	1,302	(25,451)	502	28,958
Balance to be settled within one year								7,618

34 EARNINGS PER COMMON SHARE

Effective December 5, 2019, the date of completion of the transaction between Alignvest Acquisition II Corporation and Sagicor Financial Corporation Limited, common shares not purchased for cash were exchanged for common shares in Sagicor Financial Company Ltd. using an exchange ratio (note 1). In the table below the prior year comparatives have been amended using the exchange ratio.

The computation of diluted earnings per common share recognises the dilutive impact of LTI share grants and share options (note 30.1), ESOP shares grants (note 30.1). In computing diluted earnings per share, the weighted average number of common shares is adjusted by the dilutive impacts of the afore-mentioned share grants and options.

	2019	2018
Income attributable to common shareholders	44,498	43,650
Weighted average number of shares in issue (in thousands)	76,452	70,680
LTI restricted share grants (in thousands)	1,724	737
ESOP shares (in thousands)	541	491
Share warrants	2,572	-
Adjusted weighted average number of shares in issue (in thousands)	81,289	71,908
Basic earnings per common share	**58.2¢**	**61.8¢**
Attributable to continuing operations	57.5¢	51.7¢
Attributable to discontinued operation	0.7¢	10.1¢
Fully diluted earnings per common share	**54.7¢**	**60.7¢**
Attributable to continuing operations	54.1¢	50.8¢
Attributable to discontinued operation	0.6¢	9.9¢

35 OTHER COMPREHENSIVE INCOME (OCI)

Analysis of OCI:	2019					2018				
		After tax OCI is attributable to					After tax OCI is attributable to			
	OCI tax impact	Shareholders	Participating policyholders	Non-controlling interests	Total after tax OCI	OCI tax impact	Shareholders	Participating policyholders	Non-controlling interests	Total after tax OCI
Items that may be reclassified subsequently to income:										
FVOCI assets:										
Gains / (losses) arising on revaluation	(36,329)	130,440	4,828	33,439	168,707	22,325	(57,961)	(6,436)	(18,467)	(82,864)
(Gains) / losses transferred to income	2,716	(12,691)	(1,253)	(6,430)	(20,374)	(1,702)	(138)	-	(1,753)	(1,891)
Net change in actuarial liabilities	15,410	(83,392)	(4,223)	(7,384)	(94,999)	(6,567)	31,897	5,536	4,181	41,614
Retranslation of foreign currency operations	-	(7,569)	(70)	(9,002)	(16,641)	-	(7,123)	34	(18,096)	(25,185)
Other	-	(281)	-	(2,931)	(3,212)	5	-	-	-	-
	(18,203)	26,507	(718)	7,692	33,481	14,061	(33,325)	(866)	(34,135)	(68,326)
Items that will not be reclassified subsequently to income:										
Gains / (losses) arising on revaluation of owner-occupied and owner-managed property	474	1,514	-	(2,485)	(971)	695	3,655	-	3,239	6,894
Gains on equity securities designated at FVOCI	-	9	-	9	18	-	36	-	37	73
Defined benefit plan gains / (losses)	(2,053)	8,660	-	2,538	11,198	(1,360)	(3,970)	-	1,285	(2,685)
	(1,579)	10,183	-	62	10,245	(665)	(279)	-	4,561	4,282
Total OCI movements	(19,782)	36,690	(718)	7,754	43,726	13,396	(33,604)	(866)	(29,574)	(64,044)
Allocated to equity reserves		28,030					(29,634)			
Allocated to retained earnings		8,660					(3,970)			
		36,690					(33,604)			

36 CASH FLOWS

36.1 Operating activities

	2019	2018
Adjustments for non-cash items, interest and dividends:		
Income from financial investments	(464,010)	(316,076)
Loss / (gain) from disposal of interests in subsidiaries and associates	379	(18,238)
Net increase in actuarial liabilities	484,783	174,425
Interest costs and finance costs	97,825	89,032
Credit impairment losses	4,877	95,519
Depreciation and amortisation	35,506	24,277
Increase in provision for unearned premiums	4,532	8,655
Other items	8,312	8,061
	172,204	65,655
Net increase in investments and operating assets:		
Investment property	1,253	2,563
Debt securities	(379,645)	(644,838)
Equity securities	(55,711)	(6,396)
Mortgage loans	(8,023)	147
Policy loans	(3,782)	(3,704)
Finance loans and finance leases	(114,788)	(62,818)
Securities purchased for re-sale	6,772	(5,974)
Deposits	9,808	9,506
Other assets and receivables	(38,568)	130,961
	(582,684)	(580,553)

36.1 Operating activities (continued)

The gross changes in investment property, debt securities and equity securities are as follows.

	2019	2018
Investment property:		
Purchases	(82)	(50)
Disposal proceeds	1,335	2,613
	1,253	2,563
Debt securities:		
Purchases	(3,025,432)	(1,679,517)
Disposal proceeds	2,645,787	1,034,679
	(379,645)	(644,838)
Equity securities:		
Purchases	(200,101)	(56,378)
Disposal proceeds	144,390	49,982
	(55,711)	(6,396)
Net increase/(decrease) in operating liabilities:		
Insurance liabilities	(9,660)	15,716
Investment contract liabilities	36,643	14,429
Other funding instruments	(11,480)	186,063
Deposits	43,841	81,371
Securities sold for re-purchase	97,583	(48,606)
Other liabilities and payables	(38,428)	(16,957)
	118,499	232,016

36.2 Investing activities

	2019	2018
Property, plant and equipment:		
Purchases	(14,016)	(13,941)
Disposal proceeds	6,523	13,615
	(7,493)	(326)

36.3 Financing activities

	2019	2018
Notes and loans payable:		
Proceeds	196,147	1,380
Repayments	(164,452)	(7,514)
	31,695	(6,134)

36.4 Cash and cash equivalents

	2019	2018
Cash	273,072	261,899
Call deposits, money market funds and other liquid balances included in financial investments	508,918	61,820
Bank overdrafts	(6,646)	(2,158)
	775,344	321,561

36.5 Lease liability payments [1]

	2019
Principal paid	(4,225)
Interest paid	(1,316)
	(5,541)

[1] For 2019, lease liability payments are allocated between principal and interest in conformity with IFRS 16.

37 CHANGES IN SUBSIDIARY AND ASSOCIATE HOLDINGS

37.1 Advantage General Insurance Company Limited (AGI)

Effective September 30, 2019, the Group acquired 60% of the share capital of Advantage General Insurance Company Limited.

Details of the net assets acquired, purchase consideration and goodwill, determined on a provisional basis, were as follows:

	Fair Value
Net assets acquired:	
Investment property (note 5)	5,530
Property, plant and equipment (note 7)	8,663
Intangible assets	7,226
Financial investments	62,811
Reinsurance assets	7,793
Income tax assets	3,027
Miscellaneous assets and receivables	8,916
Cash resources	1,847
Other insurance liabilities	(49,367)
Deposit and security liabilities	(5,945)
Other liabilities / Retirement benefit liabilities	(1,515)
Income tax liabilities	(416)
Accounts payable and accrued liabilities	(9,597)
Total net assets	38,973
Share of net assets acquired	23,383
Purchase consideration	31,178
Goodwill arising on acquisition (note 8)	7,795

37.1 Advantage General Insurance Company Limited (AGI) (continued)

The acquiree's net income and total revenue are as follows:

	Total Revenue	Net Income
For the year ended December 31, 2019	43,222	4,364
Consolidated from October 1, 2019 to December 31, 2019	10,973	1,076

37.2 Bailey Williams Limited

On November 30, 2019, Sagicor Life Jamaica Limited purchased 70% of the issued share capital of Bailey Williams Limited. The transaction was accounted for an asset purchase, as at the time of the acquisition, Bailey Williams was not a business, as defined by IFRS 3. In accounting for the asset purchase, the purchase consideration for the shares was allocated among the identifiable assets in proportion to their relative fair values. There was no fair valuation of the identifiable assets which were recognised on acquisition. As stipulated by IFRS 3 for asset acquisitions, no goodwill or negative goodwill was recognised. Non-controlling interest in the transaction was determined by reference to the non-controlling interest's proportionate share of the value of the assets recognised. This was a related party transaction.

37.2 Bailey Williams Limited (continued)

Details of the net assets acquired and the purchase consideration, determined on a provisional basis, were as follows:

2019	
Net assets acquired:	
Income tax assets	1
Land developed for resale	5,329
Cash resources	7
Deposit and security liabilities	(352)
Accounts payable and accrued liabilities	(49)
Total net assets	4,936
Purchase consideration	3,455
Non-controlling interest	1,481
	4,936

37.3 Disposal of insurance portfolios

On April 8, 2019, the Group disposed of its insurance portfolios in the territories of Anguilla, Montserrat and St Maarten. The disposal was concluded by contractual agreement and transferred assets to the purchaser in exchange for the assumption of the insurance liabilities by the purchaser. The Group recorded a loss on the sale of these branches of $379.

The net loss recorded by the Group in its consolidated statement of income for the period to sale in 2019 and for the year ended December 2018 is as follows:

	Period to April 8, 2019	**Year to December 31, 2018**
Total net loss	(589)	(795)
Loss attributable to shareholders	(589)	(795)
St Maarten	(364)	(932)
Anguilla	(61)	238
Montserrat	(164)	(101)
	(589)	(795)

37.4 Sagicor Real Estate X Fund Limited

Certain events took place on October 1, 2018 which deemed Sagicor Group Jamaica (SGJ) to have taken effective control of Sagicor Real Estate X Fund Limited and its subsidiaries (the Sagicor X Fund Group) with its 29.31% interest. As required by IFRS 10 – Consolidation of Financial Statements, the events triggered the accounting for Sagicor X Fund Group to be changed from an associate to a subsidiary, using Step-Acquisition for full consolidation.

Step 1 - The carrying value of the investment in Sagicor X Fund Group on SGJ's balance sheet as at September 30, 2018 was compared to the SGJ's share of the market value of Sagicor X Fund Group using the listed share price (deemed proceeds) along with recycling of currency translation reserves in OCI of SGJ relating to Sagicor X Fund Group as an associate. The accumulated unrealized fair value amount for revaluation of the owner-occupied property of the associate in the SGJ's books was also transferred from OCI to retained earnings.

Step 2 – SGJ then recorded the net identifiable assets and liabilities, at fair value, of Sagicor X Fund Group as a subsidiary and compared its share (new deemed proceeds) to the new carrying value of the investment in subsidiary. The non-controlling interest amount was adjusted accordingly.

These transactions gave rise to a net gain on disposal of the associate of $11,832, an identifiable intangible asset of $2,680 and a goodwill amount of $9,584 on acquisition of the subsidiary in SGJ's books. Computations for the two steps are set in the following table:

Step 1: Deemed disposal of associate	**2018**
Net realized gain on the step acquisition:	
Fair value of SGJ's holding in Sagicor X Fund Group as at September 30, 2018	68,684
Carrying value of investment in X Fund as an Associate on Balance Sheet of SGJ as at September 30, 2018	(59,914)
	8,770
Recycle of accumulated unrealized gains from investment in Sagicor X Fund Group as an associate.	
Currency translation reserves	3,062
Total gain on deemed disposal of associate	11,832

37.4 Sagicor Real Estate X Fund Limited (continued)

The accumulated unrealised revaluation gain of $5,645 for the associate in the owner-occupied property reserve in OCI was transferred to retained earnings.

Step 2: Summary net assets acquired	**Fair Value**
Investment property (note 5)	16,444
Property, plant and equipment	119,939
Investment in associated companies (note 6)	200,853
Intangible assets (note 8)	2,680
Financial investments	10,005
Miscellaneous assets and receivables	17,821
Cash resources	16,153
Notes and loans payable	(81,228)
Income tax liabilities	(8,439)
Accounts payable and accrued liabilities	(13,867)
Non-controlling interest	(78,719)
Total net assets	201,642
Share of net assets acquired	59,100
Purchase consideration	68,684
Goodwill arising on acquisition (note 8)	9,584

The Sagicor X Fund Group total revenue and net income were as follows:

	Revenue	**Net Income**
For the year ended December 31, 2018	56,453	2,878
Consolidated from September 1, 2018 to December 31, 2018	17,541	7,404

37.5 Travel Cash Jamaica Limited

Effective December 1, 2018, the Sagicor Jamaica group acquired 51% of the share capital of Travel Cash Jamaica Limited. The summary net assets acquired were as follows

2018	Fair Value
Net assets acquired:	
Property, plant and equipment	5
Intangible assets (note 8)	1,159
Financial investments	3,054
Deposit and security liabilities	(1,167)
Total net assets	3,051
Share of net assets acquired	1,556
Purchase consideration	3,034
Goodwill arising on acquisition (note 8)	1,478

The acquiree's net income and total revenue are as follows:

	Revenue	Net income
For the year ended December 31, 2018	147	88
Consolidated from December 1 to 31, 2018	147	88

37.6 Harmony General Insurance Company Ltd. (HG)

On September 1, 2018 the Sagicor General Insurance Inc. acquired 100% of the shareholding of HG, a property and casualty insurer incorporated and operating in Barbados. The acquisition was by way of legal amalgamation, and the amalgamated entity continuing as Sagicor General Insurance Inc. The summary net assets acquired were as follows:

	Fair Value
Net assets acquired:	
Property, plant and equipment	16
Intangible assets	1,732
Financial investments	4,377
Reinsurance assets	3,833
Income tax assets	34
Miscellaneous assets and receivables	2,584
Cash resources	2,051
Other insurance liabilities	(9,611)
Other liabilities / Retirement benefit liabilities	(117)
Income taxes	150
Accounts payable and accrued liabilities	(1,695)
Total net assets	3,354
Share of net assets acquired	3,354
Purchase consideration	4,750
Goodwill arising on acquisition (note 8)	1,396

37.6 Harmony General Insurance Company Ltd. (HG) (continued)

The acquiree's net income and total revenue are as follows:

	Total Revenue	Net Income / (Loss)
For the eight months January 1, 2018 to August 31, 2018	4,846	(5,854)

37.7 Globe Finance Inc.

On September 4, 2018 the Sagicor Group divested its 51% holding in Globe Finance Inc.

The net (loss) / income of Globe Finance Inc. for the period to sale in 2018 and for the year ended December 2017 were as follows:

	Period to September 4, 2018	Year to December 31, 2017
Total net (loss) / income from Globe Finance Inc	(2,953)	190
Income attributable to shareholders	(1,772)	114

37.8 Ownership Changes – Sagicor General Inc

Effective November 23, 2018 Sagicor Life Inc acquired the 45% interest held by Goddard Enterprises Ltd in Sagicor General Inc for a cash payment. The payment made by the company amounted to $12,673 resulting in a transfer to retained earnings of $3,092. The net loss and other movements in equity are disclosed in the consolidated statement of equity.

As a consequence of this transaction the Group increased its total interest in Sagicor General Inc from 53% to 98%.

38 DISCONTINUED OPERATION

On July 29, 2013, SFCL entered into an agreement to sell Sagicor Europe and its subsidiaries to AmTrust Financial Services, Inc. (AmTrust), subject to regulatory approvals. Final regulatory approvals were obtained on December 23, 2013, on which date the sale was completed.

The operations of the Sagicor Europe operating segment are presented as discontinued operations in these financial statements.

The terms of the sale required SFCL to take certain actions and provide certain commitments which included future price adjustments to the consideration up to December 31, 2018, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicates 1206 and 44, the total price adjustments subject to a limit.

Movement in Price Adjustments

	2019	2018
Balance receivable, beginning of year	(17,239)	(10,110)
Payment received	17,756	-
Experience gain	-	(7,801)
Net currency movements	(517)	672
Receivable, end of year	-	(17,239)

The price adjustments were subject to a limit based on the terms of the agreement. These results were subject to further underwriting, investment and foreign currency adjustments constrained by the limit as the experience develops.

The net gain / (loss) recognised in the statement of income is as follows.

	2019	2018
Currency translation gain / (loss)	517	(672)
Movement in price adjustment	-	7,801
Net gain and total comprehensive gain	517	7,129

38 DISCONTINUED OPERATION (continued)

Cash Flows

	2019	2018
Net Cash flows - Operating Activities	17,756	-

On February 12, 2019, Sagicor Financial Corporation Limited completed a review of the consideration, related to the price adjustments to December 31, 2018, and entered into a Deed of Release with AmTrust to close this exposure. The final settlement amount of £13.5 million was received on February 26, 2019.

39 CONTINGENT LIABILITIES

Guarantee and financial facilities at the date of the financial statements for which no provision has been made in these financial statements include the following:

	2019	2018
Customer guarantees and letters of credit [1]	34,769	35,297

[1] There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

(a) Legal proceedings

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, 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, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

39. CONTINGENT LIABILITIES (continued)

(a) Legal proceedings (continued)

Significant matters are outlined below:

(i) Suit has been filed by a customer against one of the Group's subsidiaries for breach of contract, and breach of trust in the amount of US$8,928 being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the outcome of this matter cannot be properly assessed until it has been heard.

(ii) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US$300,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties coupled with the assessment by the Group of a probable favourable outcome.

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

40 FAIR VALUE OF PROPERTY

Investment property, owner-occupied property and owner-managed hotel property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Group's property are as follows:

	Level 1	Level 2	Level 3	Total
2019				
Investment property	-	-	95,577	95,577
Owner-occupied properties	-	-	110,172	110,172
Owner-managed hotel properties	-	-	96,608	96,608
	-	-	302,357	302,357
2018				
Investment property	-	-	93,494	93,494
Owner-occupied properties	-	-	104,629	104,629
Owner-managed hotel properties	-	-	98,974	98,974
	-	-	297,097	297,097

40 FAIR VALUE OF PROPERTY (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-manged hotel properties, reasonable changes in fair value would affect other comprehensive income. The movements for the year in investment property, owner-occupied properties and owner-managed hotel properties are set out in notes 5 and 7.

41 FINANCIAL RISK

The Group's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, banking and dealing in securities, exposes the Group to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 42 and 43.

The overriding objective of the Group's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Group accepts certain levels of risk in order to generate returns, and the Group manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

Disclosures in this note, notes 42 and 43, exclude amounts of the discontinued operation.

41.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. Credit risks are associated primarily with financial investments and reinsurance assets.

Credit risk from financial investments is minimised through:

- holding a diversified portfolio of investments;
- purchasing quality securities;
- advancing loans only after careful assessment of the borrower and obtaining collateral;
- placing deposits with financial institutions with a strong capital base;
- placing limits on the amount of exposure in relation to any one borrower;
- obtaining collateral and guarantees from borrowers.

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell for which title to the securities is transferred to the Group for the duration of each agreement.

For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value. For finance loans and finance leases, the collateral often comprises a vehicle or other form of security and the approved loan / lease limit is 50% to 100% of the collateral value. Unsecured finance loans and finance leases are only granted when the initial amount is less than $4,900.

The Group may foreclose on overdue mortgage loans and finance loans and finance leases by repossessing the pledged asset. The Group will seek to dispose of the pledged asset by sale. In some instances, the Group may provide re-financing to a new purchaser on customary terms.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% of the cash surrender value. Automatic premium loans may be advanced to the extent of available cash surrender value.

41.1 Credit risk (continued)

Renegotiated assets

The Group may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Group classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted.

Rating of financial assets

The Group's credit rating model (note 3.1) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash;
- Lending portfolios, comprising mortgage, policy and finance loans and finance leases;
- Reinsurance exposures, comprising reinsurance assets for life, annuity and health insurance (see note 43.3) or realistic disaster scenarios for property and casualty insurance (see note 42.3).

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios and reinsurance assets, one default rating (8) is utilised.

In sections 41.2, 41.3 and 41.4, we set out for the Group its credit risk exposures and credit impairments.

41.2 Credit risk exposure (continued)

The total credit risk exposures of the Group by operating segment is as follows:

	2019					2018				
	Sagicor Life	Sagicor Jamaica	Sagicor USA	Head office & other	Total	Sagicor Life	Sagicor Jamaica	Sagicor USA	Head office & other	Total
Investment portfolios	1,045,244	1,697,644	1,770,475	513,997	5,027,359	1,070,908	1,620,107	1,379,293	63,581	4,133,889
Lending portfolios	368,576	681,736	82,652	17,685	1,150,649	368,026	589,819	68,322	18,386	1,044,553
Cash	88,905	189,433	40,236	42,894	361,468	102,506	187,471	36,208	32,502	358,687
Reinsurance assets	6,968	4,752	679,605	8,084	699,409	5,351	4,611	677,077	12,831	699,870
Receivables	39,480	74,598	6,546	15,473	136,097	20,354	59,474	4,100	15,836	99,764
Derivative financial assets	-	264	36,627	-	36,891	-	247	7,449	-	7,696
Total financial statement exposures	1,549,173	2,648,426	2,616,141	598,133	7,411,873	1,567,145	2,461,729	2,172,449	143,136	6,344,459
Lending commitments	24,314	54,392	-	-	78,706	7,867	54,629	-	-	62,496
Customer guarantees and letters of credit	-	34,769	-	-	34,769	-	35,297	-	-	35,297
Total off financial statement exposures	24,314	89,161	-	-	113,475	7,867	89,926	-	-	97,793
Total	1,573,487	2,737,587	2,616,141	598,133	7,525,348	1,575,012	2,551,655	2,172,449	143,136	6,442,252

41.2 Credit risk exposure (continued)

The principal individual credit exposures of the Group are as follows:

	Sagicor Risk Rating	2019	2018
Gov't of Jamaica debt securities	5	1,069,946	913,520
Gov't of Trinidad & Tobago debt securities	3	237,384	189,829
Gov't of Barbados debt securities (note 41.4 (g) & (h))	5	234,261	231,521
Federal National Mortgage Association (USA) debt securities	1	153,395	127,430
Guggenheim Partners reinsurance asset (note 41.4 (e))	2	458,483	464,231
Heritage Life Insurance reinsurance asset (note 41.4 (f))	3	150,726	141,552

41.2 Credit risk exposure (continued)

For assets measured at FVOCI or amortised cost, credit risk exposure is the gross carrying amount. For assets measured at FVTPL, the Group's credit risk exposure is the carrying amount. The components of investment and lending portfolios by accounting classification are summarised below.

	2019	2018
Investment portfolios:		
Debt securities and money market funds at FVOCI	3,558,991	2,717,688
Debt securities at amortised cost	1,151,247	1,100,897
Securities purchased for resale	10,904	7,170
Deposits at amortised cost	63,110	107,527
Debt securities at FVTPL	243,107	198,807
Deposits at FVTPL	-	8
	5,027,359	4,132,097
Lending portfolios:		
Mortgage loans at amortised cost	364,439	339,400
Finance loans and finance leases at amortised cost	605,547	527,854
Policy loans at amortised cost	151,730	147,156
Mortgage loans at FVTPL	28,933	30,143
	1,150,649	1,044,553

41.2 Credit risk exposure (continued)

Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables analyse the credit risk exposure of financial investments as at December 31 for which an ECL allowance is recognised.

	Debt securities and money market funds – FVOCI					Debt securities – FVOCI				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Investment	2,780,003	4,085	-	-	2,784,088	2,110,188	18,447	-	-	2,128,635
Non-investment	678,149	66,421	-	30,144	774,714	455,988	78,786	30,812	-	565,586
Watch	-	189	-	-	189	-	-	-	-	-
Default	-	-	-	-	-	-	-	23,467	-	23,467
Gross carrying amount	3,458,152	70,695	-	30,144	3,558,991	2,566,176	97,233	54,279	-	2,717,688
Loss allowance	(2,484)	(5,734)	1	-	(8,217)	(1,646)	(8,011)	(19,555)	-	(29,212)
Carrying amount	3,455,668	64,961	1	30,144	3,550,774	2,564,530	89,222	34,724	-	2,688,476

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Debt securities – amortised cost					Debt securities – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Investment	236,049	-	-	-	236,049	213,244	-	-	577	213,821
Non-investment	751,032	3,218	-	152,799	907,049	717,965	8,369	10	149,594	875,938
Watch	670	1,337	-	5,547	7,554	639	3,783	-	5,928	10,350
Default	-	-	-	-	-	-	-	788	-	788
Unrated	573	-	-	22	595	-	-	-	-	-
Gross carrying amount	988,324	4,555	-	158,368	1,151,247	931,848	12,152	798	156,099	1,100,897
Loss allowance	(1,378)	(759)	-	(371)	(2,508)	(1,855)	(1,228)	(161)	(612)	(3,856)
Carrying amount	986,946	3,796	-	157,997	1,148,739	929,993	10,924	637	155,487	1,097,041

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Mortgage loans – amortised cost					Mortgage loans – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Investment	210,652	19,929	388	-	230,969	210,885	9,673	28	-	220,586
Non-investment	89,906	17,710	2,563	-	110,179	86,713	6,861	811	-	94,385
Watch	89	1,127	12,400	-	13,616	48	545	12,597	-	13,190
Default	-	-	9,675	-	9,675	-	-	11,239	-	11,239
Gross carrying amount	300,647	38,766	25,026	-	364,439	297,646	17,079	24,675	-	339,400
Loss allowance	(611)	(339)	(942)	-	(1,892)	(625)	(283)	(1,472)	-	(2,380)
Carrying amount	300,036	38,427	24,084	-	362,547	297,021	16,796	23,203	-	337,020

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Policy loans – amortised cost					Policy loans – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Investment	144,556	-	-	-	144,556	79,658	-	-	-	79,658
Non-investment	7,174	-	-	--	7,174	67,498	-	-	-	67,498
Gross carrying amount	151,730	-	-	-	151,730	147,156	-	-	-	147,156
Loss allowance	(197)	-	-	-	(197)	(110)	-	-	-	(110)
Carrying amount	151,533	-	-	-	151,533	147,046	-	-	-	147,046

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Finance loans – amortised cost					Finance loans and finance leases – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Investment	1,444	-	-	-	1,444	1,519	-	-	-	1,519
Non-investment	578,412	10,927	-	-	589,339	495,580	12,291	-	-	507,871
Watch	-	2,048	-	-	2,048	-	2,942	-	-	2,942
Default	-	-	12,716	-	12,716	-	-	15,522	-	15,522
Gross carrying amount	579,856	12,975	12,716	-	605,547	497,099	15,233	15,522	-	527,854
Loss allowance	(3,757)	(729)	(5,754)	-	(10,240)	(4,441)	(1,196)	(7,731)	-	(13,368)
Carrying amount	576,099	12,246	6,962	-	595,307	492,658	14,037	7,791	-	514,486

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Securities purchases for resale – amortised cost					Securities purchases for resale – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Non-investment	10,904	-	-	-	10,904	7,170	-	-	-	7,170
Gross carrying amount	10,904	-	-	-	10,904	7,170	-	-	-	7,170
Loss allowance	-	-	-	-	-	-	-	-	-	-
Carrying amount	10,904	-	-	-	10,904	7,170	-	-	-	7,170

41.2 Credit risk exposure – financial investments subject to impairment (continued)

	Deposits – amortised cost					Deposits – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
December 31:										
Credit grade:										
Investment	35,977	-	-	-	35,977	72,335	-	-	-	72,335
Non-investment	25,367	246	-	-	25,613	34,169	1	-	-	34,170
Watch	716	371	-	-	1,087	222	370	-	-	592
Unrated	433	-	-	-	433	430	-	-	-	430
Gross carrying amount	62,493	617	-	-	63,110	107,156	371	-	-	107,527
Loss allowance	(261)	(51)	-	-	(312)	(355)	(64)	-	-	(419)
Carrying amount	62,232	566	-	-	62,798	106,801	307	-	-	107,108

41.3 Credit impairment losses – financial investments subject to impairment

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES	Debt securities and money market funds – FVOCI					Debt securities – FVOCI				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Loss allowance, beginning of year	1,646	8,011	19,555	-	29,212	2,780	8,863	95	-	11,738
Transfers:										
Stage 1 to Stage 2	(70)	70	-	-	-	(54)	54	-	-	-
Stage 1 to Stage 3	-	-	-	-	-	(759)	-	759	-	-
Stage 2 to Stage 1	2	(2)	-	-	-	-	-	-	-	-
Stage 2 to Stage 3	-	-	-	-	-	-	(1,303)	1,303	-	-
Securities originated or purchased	1,695	-	-	-	1,695	445	259		-	704
Securities fully derecognised	(609)	(3,481)	(19,257)	-	(23,347)	(581)	(1,832)	(92)	-	(2,505)
Write-offs	(9)	-	-	-	(9)	-	-	-	-	-
Changes in ECL inputs, models and / or assumptions	(138)	1,251	(15)	-	1,098	(163)	2,016	17,416	-	19,269
Effect of exchange rate changes	(33)	(116)	(283)	-	(432)	(22)	(46)	74	-	6
Loss allowance, end of year	2,484	5,733	-	-	8,217	1,646	8,011	19,555	-	29,212
Credit impairment (loss) recorded in income					(3,626)					(17,697)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES	Debt securities – amortised cost					Debt securities – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Loss allowance, beginning of year	1,855	1,228	161	612	3,856	1,928	8,581	-	917	11,426
Transfers:										
Stage 1 to Stage 2	(12)	12	-	-	-	-	-	-	-	-
Stage 1 to Stage 3	(108)	-	108	-	-	(78)	-	78	-	-
Stage 2 to Stage 3	-	-	-	-	-	-	(276)	276	-	-
Securities originated or purchased	323	-	-	-	323	961	-	-	78	1,039
Securities fully derecognised	(152)	(51)	(270)	4	(469)	(657)	(7,502)	(1,173)	(65)	(9,397)
Changes in ECL inputs, models and / or assumptions	(505)	(429)	1	(245)	(1,178)	(281)	425	980	(318)	806
Effect of exchange rate changes	(23)	(1)	-	-	(24)	(18)	-	-	-	(18)
Loss allowance, end of year	1,378	759	-	371	2,508	1,855	1,228	161	612	3,856
Credit impairment reduction in loss / (loss) recorded in income					1,815					(72,179)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES	Mortgage loans – amortised cost					Mortgage loans – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Loss allowance, beginning of year	625	283	1,472	-	2,380	941	309	1,149	-	2,399
Transfers:										
Stage 1 to Stage 2	(193)	193	-	-	-	(274)	274	-	-	-
Stage 1 to Stage 3	(314)	-	314	-	-	(630)	-	630	-	-
Stage 2 to Stage 1	97	(97)	-	-	-	101	(101)	-	-	-
Stage 2 to Stage 3	-	(20)	20	-	-	-	(109)	109	-	-
Stage 3 to Stage 2	-	46	(46)	-	-	-	10	(10)	-	-
Stage 3 to Stage 1	145	-	(145)	-	-	4	-	(4)	-	-
Loans originated or purchased	580	-	-	-	580	107	18	85	-	210
Loans fully derecognised	50	(112)	(525)	-	(587)	(140)	(60)	(78)	-	(278)
Changes in ECL inputs, models and / or assumptions	(377)	48	(115)	-	(444)	516	(56)	(394)	-	66
Effect of exchange rate changes	(2)	(2)	(33)	-	(37)	-	(2)	(15)	-	(17)
Loss allowance, end of year	611	339	942	-	1,892	625	283	1,472	-	2,380
Credit impairment (loss) recorded in income					(219)					(726)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES	Policy loans – amortised cost					Policy loans – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Loss allowance, beginning of year	110	-	-	-	110	-	-	-	-	-
Changes in ECL inputs, models and / or assumptions	91	-	-	-	91	109	-	-	-	109
Effect of exchange rate changes	(4)	-	-	-	(4)	1	-	-	-	1
Loss allowance, end of year	197	-	-	-	197	110	-	-	-	110
Credit impairment (loss) recorded in income					(92)					(109)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES	Finance loans – amortised cost					Finance loans and finance leases – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Loss allowance, beginning of year	4,441	1,196	7,731	-	13,368	6,113	1,427	8,295	-	15,835
Transfers:										
Stage 1 to Stage 2	(299)	299	-	-	-	(248)	248	-	-	-
Stage 1 to Stage 3	(530)	-	530	-	-	(26)	-	26	-	-
Stage 2 to Stage 1	343	(343)	-	-	-	332	(332)		-	-
Stage 2 to Stage 3	-	(76)	76	-	-	-	(256)	256	-	-
Stage 3 to Stage 2	-	-	-	-	-	-	11	(11)	-	-
Stage 3 to Stage 1	41	-	(41)	-	-	32	-	(32)	-	-
Loans / leases originated or purchased	2,240	-	-	-	2,240	1,740	189	1,048	-	2,977
Loans / leases fully derecognised	(862)	(374)	(2,698)	-	(3,934)	(2,071)	(735)	(2,611)	-	(5,417)
Write-offs	-	-	-	-	-	-	(1)	-	-	(1)
Changes in ECL inputs, models and / or assumptions	(1,470)	70	428	-	(972)	(1,316)	668	902	-	254
Effect of exchange rate changes	(147)	(43)	(272)	-	(462)	(115)	(23)	(142)	-	(280)
Loss allowance, end of year	3,757	729	5,754	-	10,240	4,441	1,196	7,731	-	13,368
Credit impairment (loss) recorded in income					(2,865)					(4,939)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

LOSS ALLOWANCES	Deposits – amortised cost					Deposits – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Loss allowance, beginning of year	355	64	-	-	419	506	51	-	-	557
Transfers:										
Stage 1 to Stage 2	(51)	51	-	-	-	-	-	-	-	-
Deposits originated or purchased	121	-	-	-	121	294	-	-	-	294
Deposits fully derecognised	(224)	(65)	-	-	(289)	(387)	-	-	-	(387)
Changes in ECL inputs, models and / or assumptions	60	1	-	-	61	(58)	13	-	-	(45)
Loss allowance, end of year	261	51	-	-	312	355	64	-	-	419
Credit impairment reduction in loss recorded in income					110					131

41.3 Credit impairment losses – financial investments subject to impairment

(a) Economic variable assumptions

During the year updates were made to the regression models. With the exception of the utility and energy sector, the macroeconomic indicators for all sectors were updated to produce regressions which are better fitted to explain the relationship between the respective default rates and the macroeconomic variables.

The GBP USD and NZD USD currency pairs were introduced to enhance the explanation of the default rates in the respective sectors. This was considered critical since currency risk and sovereign risk vary among currency pairs and currency shocks can result in major losses for companies and impact their ability to satisfy their debt and consequently result in defaults.

In addition to the currency pairs, it is noted that market indices such as the S&P 500 Financial Index and the Dow Jones Industrial Average Index have demonstrated a stronger correlation to the performance of our investments in the financial and industrial sectors.

The inclusion of the additional variables in the model has improved the robustness of the model.

A comparison of the sensitivity analyses using the old and updated models produced, especially for the financial sector, a more reliable and supportable fit between the default rate and the macroeconomic variables.

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(a) Economic variable assumptions

Sagicor has selected eight economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

	As of December 31, 2019			As of December 31, 2018		
	2020	2021	2022	2019	2020	2021
GDP Growth (USA)						
Base	1.6%	1.8%	1.9%	-	-	-
Upside	2.2%	2.5%	2.5%	-	-	-
Downside	1.2%	1.4%	1.3%	-	-	-
World GDP						
Base	3.4%	3.6%	3.6%	3.7%	3.7%	3.6%
Upside	5.0%	5.3%	5.3%	5.4%	5.4%	5.4%
Downside	2.5%	2.7%	2.7%	2.8%	2.8%	2.7%
WTI Oil Prices/10						
Base	$5.62	$5.32	$5.19	$4.80	$5.05	$5.15
Upside	$9.47	$9.47	$9.47	$9.48	$9.48	$9.48
Downside	$3.45	$3.27	$3.19	$2.95	$3.10	$3.16
DOW Jones Industrial Average Index EPS						
Base	$1,733.64	$1,885.49	$1,885.49	-	-	-
Upside	$2,450.69	$2,665.34	$2,665.34	-	-	-
Downside	$1,045.02	$1,136.56	$1,136.56	-	-	-

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(a) Economic variable assumptions (continued)

	As of December 31, 2019			As of December 31, 2018		
	2020	2021	2022	2019	2020	2021
S&P 500 Financial Index - EPS						
Base	$38.46	$41.44	$41.44	-	-	-
Upside	$54.31	$58.52	$58.52	-	-	-
Downside	$25.42	$27.39	$27.39	-	-	-
GBP/USD						
Base	$1.31	$1.32	$1.32	-	-	-
Upside	$1.43	$1.49	$1.54	-	-	-
Downside	$1.18	$1.15	$1.11	-	-	-
NZD/USD						
Base	$0.65	$0.65	$0.65	-	-	-
Upside	$0.70	$0.73	$0.75	-	-	-
Downside	$0.59	$0.57	$0.74	-	-	-
Unemployment Rate (USA)						
Base	-	-	-	4.2%	4.3%	4.4%
Upside	-	-	-	4.0%	4.2%	4.3%
Downside	-	-	-	4.4%	4.7%	4.8%

41.3 Credit impairment losses – financial investments subject to impairment (continued)

Sagicor's lending operations in Barbados, Trinidad, and Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

Barbados	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative

Trinidad & Tobago	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Positive
	Downside	Negative

Jamaica	Expected state for the next 12 months	Scenario
Interest rate	Base	Positive
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Positive
	Upside	Super Positive
	Downside	Stable

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(b) Significant increase in credit risk (SICR)

The ECL impact of a SICR for debt securities has been estimated as follows.

SICR criteria (see note 3.1)	Actual threshold applied	Change in threshold	ECL impact of change in threshold	
			2019	2018
Investments	2-notch downgrade since origination	1-notch downgrade since origination	419	1,301

The staging for lending products is based primarily on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

(c) Loss given default (LGD)

From the inception of IFRS 9, the Group has used the LGD for sovereigns as provided by Moody's. The 45% LGD in Moody's current report represents the losses derived using the average trading prices method for US denominated external debt. Due to the limited trading activity and the small percentage of US denominated sovereign debt in our portfolio we do not believe it is appropriate to use the average trading price method. An analysis of this calculation shows that this LGD includes losses for places such as Greece, Russia and African countries and does not truly reflect a Caribbean experience.

During 2019, an analysis of the LGD calculation was done, still using Moody's data as a base but exploring different scenarios for deriving the LGD for Caribbean territories.

Sagicor Life Inc's sovereign exposure is primarily in the Caribbean region where bond markets are very thinly traded. For the majority of our sovereign exposures an internal valuation method is used to produce accurate fixed income prices. To determine the accurate fair value for disclosure purposes in financial reporting, we use the present value of the bond's expected cash flows.

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(c) Loss given default (LGD) (continued)

Our analysis showed that using Moody's NPV method results in a loss given default (LGD) of approximately 35% regardless of the inclusion of members CARICOM solely or all global defaults. Furthermore, Barbados, the most recent defaulted bond issuer in the Caribbean suffered a maximum loss of approximately 36% on the restructured domestic debt which is in line with the LGD using the NPV method.

In light of the above, we adopted the NPV method for determining the LGD for Caribbean Sovereigns and reduced the LGD to 35% as derived from the calculation.

The ECL impact of changes in LGD rates is summarised as follows:

2019				
Debt securities	LGD		ECL impact of	
	Rate applied	Change in rate	increase in value	decrease in value
Corporate	52%	(- /+ 5) %	826	(786)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	317	(317)
Sovereign - Barbados - BAICO bonds	17%	(- /+ 5) %	25	(25)
Sovereign - Jamaica	15%	(- /+ 5) %	254	(254)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(c) Loss given default (LGD) (continued)

The ECL impact of changes in LGD rates is summarised as follows:

2018				
Debt securities	**LGD**		**ECL impact of**	
	Rate applied	**Change in rate**	**increase in value**	**decrease in value**
Corporate	52%	(- /+ 5) %	1,016	(982)
Sovereign, excluding Barbados and Jamaica	45%	(- /+ 5) %	333	(333)
Sovereign - Barbados, external	36%	(- /+ 5) %	2,887	(2,629)
Sovereign - Barbados - BAICO bonds	17%	(- /+ 5) %	41	(41)
Sovereign - Jamaica	15%	(- /+ 5) %	236	(236)

41.3 Credit impairment losses – financial investments subject to impairment (continued)

(d) Scenario design

The weightings assigned to each economic scenario as at December 31, 2019 are set out in the following table. These weightings are unchanged from the prior year.

	Base	**Upside**	**Downside**
Sagicor Life portfolios	80%	10%	10%
Sagicor Jamaica portfolios	80%	10%	10%
Sagicor Life USA	80%	10%	10%

The results of varying the upside and downside scenarios are as follows.

	Base – 80% Upside – 5% Downside – 15%		**Base – 80% Upside – 15% Downside – 5%**	
	Increase in ECL		**Decrease in ECL**	
	2019	**2018**	**2019**	**2018**
Debt securities	269	280	($269)	(280)
Lending products	43	190	($40)	(189)

41.4 Gross Carrying Values – financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications for the year. Gross carrying amounts represent the maximum exposure to credit risk.

	Debt securities and money market funds – FVOCI					Debt securities – FVOCI				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	2,566,176	97,233	54,279	-	2,717,688	2,061,339	136,393	2,330	-	2,200,062
Transfers:										
Stage 1 to Stage 2	(4,147)	4,147	-	-	-	(18,305)	18,305	-	-	-
Stage 1 to Stage 3	-	-	-	-	-	(18,070)	-	18,070	-	-
Stage 2 to Stage 1	267	(267)	-	-	-	-	-	-	-	-
Stage 2 to Stage 3	-	-	-	-	-	-	(34,849)	34,849	-	-
Securities originated or purchased	1,699,054	-	-	30,140	1,729,194	946,087	4,591	-	-	950,678
Securities fully derecognised	(717,305)	(30,568)	(53,493)	-	(801,366)	(322,793)	(19,696)	(2,258)	-	(344,747)
Write-offs	-	-	-	-	-	(1,791)	-	-	-	(1,791)
Changes in principal and interest	(57,536)	1,183	-	-	(56,353)	(70,846)	(6,845)	1,191	-	(76,500)
Effect of exchange rate changes	(28,357)	(1,033)	(786)	4	(30,172)	(9,445)	(666)	97	-	(10,014)
Gross carrying amount, end of year	3,458,152	70,695	-	30,144	3,558,991	2,566,176	97,233	54,279	-	2,717,688

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Debt securities – amortised cost					Debt securities – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	931,848	12,152	798	156,099	1,100,897	813,354	225,621	-	12,708	1,051,683
Transfers:										
Stage 1 to Stage 2	(180)	180	-	-	-	-	-	-	-	-
Stage 1 to Stage 3	(305)	-	305	-	-	(4,009)	-	4,009	-	-
Stage 2 to Stage 3	-	-	-	-	-	-	(545)	545	-	-
Stage 3 to Stage 2	-	-	-	-	-	-	(450)	450	-	-
Securities originated or purchased	225,588	-	-	550	226,138	304,702	(100)	-	150,724	455,326
Securities fully derecognised	(135,291)	(7,294)	(1,100)	(86)	(143,771)	(122,604)	(208,998)	(4,000)	(7,053)	(342,655)
Changes in principal and interest	(20,044)	(483)	(3)	1,805	(18,725)	(54,663)	(3,375)	(206)	(280)	(58,524)
Effect of exchange rate changes	(13,292)	-	-	-	(13,292)	(4,932)	(1)	-	-	(4,933)
Gross carrying amount, end of year	988,324	4,555	-	158,368	1,151,247	931,848	12,152	798	156,099	1,100,897

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Mortgage loans – amortised cost					Mortgage loans – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	297,646	17,079	24,675	-	339,400	270,719	17,567	29,934	-	318,220
Transfers:										
Stage 1 to Stage 2	(31,398)	31,398	-	-	-	(12,297)	12,297	-	-	-
Stage 1 to Stage 3	(8,080)	-	8,080	-	-	(1,688)	-	1,688	-	-
Stage 2 to Stage 1	6,559	(6,559)	-	-	-	7,176	(7,176)	-	-	-
Stage 2 to Stage 3	-	(3,258)	3,258	-	-	-	(3,158)	3,158	-	-
Stage 3 to Stage 2	-	648	(648)	-	-	-	688	(688)	-	-
Stage 3 to Stage 1	2,318	-	(2,318)	-	-	967	-	(967)	-	-
Loans originated or purchased	68,059	-	-	-	68,059	52,606	815	399	-	53,820
Loans fully derecognised	(12,622)	(3,749)	(7,483)	-	(23,854)	(28,472)	(4,730)	(8,334)	-	(41,536)
Write-offs	-	-	(21)	-	(21)	-	-	(35)	-	(35)
Changes in principal and interest	(19,884)	3,305	(318)	-	(16,897)	12,170	550	(242)	-	12,478
Effect of exchange rate changes	(1,951)	(98)	(199)	-	(2,248)	(3,535)	226	(238)	-	(3,547)
Gross carrying amount, end of year	300,647	38,766	25,026	-	364,439	297,646	17,079	24,675	-	339,400

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Finance loans – amortised cost					Finance loans and finance leases – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	497,099	15,233	15,522	-	527,854	544,414	12,236	19,946	-	576,596
Transfers:										
Stage 1 to Stage 2	(9,367)	9,367	-	-	-	(15,608)	15,608	-	-	-
Stage 1 to Stage 3	(3,838)	-	3,838	-	-	(2,196)	-	2,196	-	-
Stage 2 to Stage 1	5,050	(5,050)	-	-	-	2,058	(2,058)	-	-	-
Stage 2 to Stage 3	-	(848)	848	-	-	-	(4,583)	4,583	-	-
Stage 3 to Stage 2	-	-	-	-	-	-	16	(16)	-	-
Stage 3 to Stage 1	75	-	(75)	-	-	48	-	(48)	-	-
Loans / leases originated or purchased	233,332	-	-	-	233,332	200,491	3,411	3,186	-	207,088
Loans / leases fully derecognised	(97,897)	(3,674)	(4,996)	-	(106,567)	(183,391)	(8,480)	(14,241)	-	(206,112)
Write-offs	-	-	(79)	-	(79)	(26)	(20)	(1)	-	(47)
Changes in principal and interest	(29,312)	(1,608)	(1,865)	-	(32,785)	(40,726)	(889)	83	-	(41,532)
Effect of exchange rate changes	(15,286)	(445)	(477)	-	(16,208)	(7,965)	(8)	(166)	-	(8,139)
Gross carrying amount, end of year	579,856	12,975	12,716	-	605,547	497,099	15,233	15,522	-	527,854

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Securities purchased for resale – amortised cost					Securities purchased for resale – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	7,170	-	-	-	7,170	16,518	-	-	-	16,518
Securities originated or purchased	1,772,783	-	-	-	1,772,783	354,086	-	-	-	354,086
Securities fully derecognised	(1,769,238)	-	-	-	(1,769,238)	(363,168)	-	-	-	(363,168)
Changes in principal and interest	(38)	-	-	-	(38)	(17)	-	-	-	(17)
Effect of exchange rate changes	227	-	-	-	227	(249)	-	-	-	(249)
Gross carrying amount, end of year	10,904	-	-	-	10,904	7,170	-	-	-	7,170

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Deposits – amortised cost					Deposits – amortised cost				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	107,156	371	-	-	107,527	111,034	370	-	-	111,404
Transfers:										
Stage 1 to Stage 2	(616)	616	-	-	-	-	-	-	-	-
Deposits originated or purchased	41,932	-	-	-	41,932	60,746	1	-	-	60,747
Deposits fully derecognised	(79,081)	(371)	-	-	(79,452)	(52,170)	-	-	-	(52,170)
Changes in principal and interest	(6,071)	1	-	-	(6,070)	(11,426)	-	-	-	(11,426)
Effect of exchange rate changes	(827)	-	-	-	(827)	(1,028)	-	-	-	(1,028)
Gross carrying amount, end of year	62,493	617	-	-	63,110	107,156	371	-	-	107,527

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Policy loans					Policy loans				
	2019					2018				
	ECL Staging					ECL Staging				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	POCI	Total
Gross carrying amount, beginning of year	147,156	-	-	-	147,156	142,132	-	-	-	142,132
Policy loans originated or purchased	5,990	-	-	-	5,990	6,311	-	-	-	6,311
Policy loans fully derecognised	(1,265)	-	-	-	(1,265)	(1,287)	-	-	-	(1,287)
Changes in principal and interest	(8)	-	-	-	(8)	169	-	-	-	169
Effect of exchange rate changes	(143)	-	-	-	(143)	(169)	-	-	-	(169)
Gross carrying amount, end of year	151,730	-	-	-	151,730	147,156	-	-	-	147,156

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

(e) Reinsurance asset – Guggenheim Partners

The reinsurance asset held in the name of Guggenheim Partners is secured by assets held in a trust. The excess of the fair value of the trust assets over the reinsurance asset is as follows:

	2019	2018
Fair value of trust assets	526,146	574,731
Carrying value of reinsurance asset	(458,483)	(464,231)
	67,663	110,500

(f) Reinsurance asset – Heritage Life Insurance Company

The reinsurance asset held in the name of Heritage Life Insurance Company is secured by assets held in a trust. The excess of the fair value of the trust assets over the reinsurance asset is as follows:

	2019	2018
Fair value of trust assets	168,524	185,166
Carrying value of reinsurance asset	(150,726)	(141,552)
	17,798	43,614

(g) Government of Barbados debt securities in default – Events in 2018

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 1, 2018 Sagicor signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt, the Group has accepted the following securities, the majority of which are series G:

Series G

A 50-year amortising bond which includes a 15-year grace period on principal payments. The interest rates on the bond range from 4% per annum for the first 15 years to 8% for years 26 through 50 with interest capitalisation of 100% for the first five years.

Series C

A 15-year amortising bond with interest rates ranging from 1.0% for the first 3 years to 3.75% for years 5 through to maturity. Interest on these bonds is to be paid quarterly with the first payment due on December 31, 2018. The principal will be repaid in four equal quarterly instalments commencing one year prior to maturity.

Series D

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

Credit impairment loss and de-recognition of original domestic debt securities

As a result of the debt restructure outlined above, a credit impairment loss has been recognised in the statement of income. In addition, the domestic debt securities were de-recognised since the maturity profile and interest rates of the replacement debt securities were materially different. In November 2018, management derived a yield curve from which the initial fair values of the replacement securities were determined. The yield curve was derived from the Central Bank of Barbados base-line yield curve to which management applied a further risk premium considering

- the GOB credit rating relative to investment grade,
- the potential for further default,
- the lack of liquidity of the debt, and
- the economic uncertainty as Barbados enters a period of severe economic reform and structural adjustment.

The risk premium derived is summarised in the following table.

Years	Spread (basis points)
0-10	25
11-21	50
22-24	75
25-29	100
30-50	150

The replacement debt securities are classified as "originated credit-impaired" (POCI).

The consequential movement in the carrying values of GOB debt for the period referred to above is summarised in the table which follows:

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

GOB Debt Securities	Domestic debt	External debt	Total
Gross carrying value prior to default	275,805	50,741	326,546
Loss allowance prior to default	(7,890)	(1,645)	(9,535)
Net carrying value prior to default	267,915	49,096	317,011
Accrued interest and other adjustments	2,664	7,975	10,639
Credit impairment loss arising from the default	(75,394)	(16,508)	(91,902)
Carrying value as of October 1, 2018	195,185	40,563	235,748
Accrued interest and other adjustments	1,014		
Domestic debt not included in restructure [1]	(49,765)		
Adjusted carrying value on restructure	146,434		
Fair value on recognition of replacement securities	147,250		
Gain on de-recognition of original securities	816		

[1] As part of the acquisition of the British American Insurance Company (BAICO) insurance portfolio (note 13.2), Sagicor received bonds issued by the Government of Barbados of US$46.6 million to support the policyholder liabilities transferred. In order to safeguard the interest of policyholders these bonds were issued with a protective clause in accordance with the sale and purchase agreement approved by the Supreme Court which prevented the Government of Barbados from restructuring these bonds at any time. Accordingly, these bonds have been excluded from the Government of Barbados's restructuring plan, and, have been classified as Stage 1.

Sensitivity

If the risk premium at all durations was increased / decreased by 15 / 25 basis points, the value of the POCI debt instruments on exchange would decrease / increase by 2% / 4%.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

(h) Government of Barbados debt securities in default – Update for 2019

External Debt

The negotiations for the exchange of the external debt were completed on December 11, 2019. In exchange for its debt, the Group has accepted the following:

- Cash in the amount of $264.

- Government of Barbados 6.5% 2021 bond offered in exchange for the accrued or past due interest outstanding (PDI). The interest rate on the bond is 6.5% per annum from October 1, 2019 to, but excluding February 1, 2021 with interest payable on October 1, 2020 and February 1, 2021. The final maturity date on this bond is February 1, 2021.

- Government of Barbados 6.5% 2029 bond offered in exchange for the principal outstanding. The interest rate on the bond is 6.5% per annum from October 1, 2019 to, but excluding October 1, 2029 with interest payable each on April 1 and October 1, commencing on April 1, 2020. The final maturity date on this bond is October 1, 2029.

Fair value of FVOCI Government of Barbados debt securities

The fair value of the restructured instruments was determined with reference to the price at which the securities were traded at immediately subsequent to the issue of the restructured securities. These trades were between third parties conducted at arm's length and the prices at which the trades occurred was independently verified.

41.4 Gross Carrying Values – financial investments subject to impairment (continued)

The consequential movement in the carrying values of the external debt from the default in 2018 to the restructure in 2019 is summarised as follows:

GOB Debt Securities	External debt
Gross carrying value prior to default in June 2018	50,741
Loss allowance prior to default	(1,645)
Net carrying value prior to default	49,096
Accrued interest and other adjustments	7,975
Credit impairment loss recognised in 2018 arising from the default	(16,508)
Carrying value as of October 3, 2018	40,563
Disposals and adjustments recognised in 2019 before restructure	(12,978)
Adjusted carrying value on restructure as of December 11, 2019	27,585
Fair value on recognition of replacement securities	30,107
Gain on de-recognition of original securities	2,522

41.5 Liquidity risk

Liquidity risk is the exposure that the Group may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

Asset liability matching is a tool used by the Group to mitigate liquidity risks particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Group companies monitor cash inflows and outflows in each operating currency. Through experience and monitoring, the Group is able to maintain sufficient liquid resources to meet current obligations.

(a) Insurance liabilities

The Group's monetary insurance liabilities mature in periods which are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2019				
Actuarial liabilities	260,048	1,004,307	2,340,298	3,604,653
Other insurance liabilities	127,054	30,549	70,265	227,868
Total	387,102	1,034,856	2,410,563	3,832,521
2018				
Actuarial liabilities	201,360	769,778	2,053,326	3,024,464
Other insurance liabilities	106,982	44,241	51,919	203,142
Total	308,342	814,019	2,105,245	3,227,606

41.5 Liquidity risk (continued)

(b) Financial liabilities and commitments

Contractual cash flow obligations of the Group in respect of its financial liabilities and commitments are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

	2019 - Contractual un-discounted cash flows				2018 - Contractual un-discounted cash flows			
	On demand or within 1 year	1 to 5 years	After 5 years	Total	On demand or within 1 year	1 to 5 years	After 5 years	Total
Financial liabilities:								
Investment contract liabilities	347,937	66,481	22,160	436,578	334,537	48,948	15,562	399,047
Notes and loans payable	445,894	45,297	68,286	559,477	114,673	445,239	67,133	627,045
Lease liabilities	8,289	25,638	13,164	47,091	-	-	-	-
Deposit and security liabilities:								
Other funding instruments	397,057	14,110	19,918	431,085	402,596	55,505	17,707	475,808
Customer deposits	815,410	278	-	815,688	695,300	30,054	-	725,354
Structured products	6,842	-	-	6,842	48,563	17,095	-	65,658
Securities sold for re-purchase	514,594	-	-	514,594	424,658	-	-	424,658
Derivative financial instruments	264	-	-	264	187	60	-	247
Bank overdrafts	6,646	-	-	6,646	2,158	-	-	2,158
Accounts payable and accrued liabilities	238,569	1,291	473	240,333	237,584	1,898	1,342	240,824
Total financial liabilities	2,781,502	153,095	124,001	3,058,598	2,260,256	598,799	101,744	2,960,799
Off financial statement commitments:								
Loan commitments	66,614	10,999	1,093	78,706	42,630	11,590	8,276	62,496
Non-cancellable lease and rental payments	485	-	-	485	4,735	5,737	-	10,472
Investments and Investment management fees	14,330	4,822	-	19,152	-	-	-	-
Customer guarantees and letters of credit	14,385	9,009	11,375	34,769	20,596	1,064	13,637	35,297
Capital commitments	17,931	-	-	17,931	19,361	-	-	19,361
Total off financial statement commitments	113,745	24,830	12,468	151,043	87,322	18,391	21,913	127,626
Total	2,895,247	177,925	136,469	3,209,641	2,347,578	617,190	123,657	3,088,425

41.5 Liquidity risk (continued)

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise policy loans and reinsurance assets.

	2019 – Contractual or expected discounted cash flows				2018 – Contractual or expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities and money market funds	1,166,928	774,148	3,124,191	5,065,267	563,247	652,926	2,713,308	3,929,481
Mortgage loans	21,172	38,956	331,352	391,480	22,513	41,261	303,389	367,163
Policy loans	5,264	14,343	131,926	151,533	4,585	13,758	128,703	147,046
Finance loans and finance leases	184,442	286,589	124,276	595,307	193,259	243,372	77,855	514,486
Securities purchased for re-sale	10,904	-	-	10,904	7,170	-	-	7,170
Deposits	58,255	2,741	1,802	62,798	105,036	1,033	1,047	107,116
Derivative financial instruments	36,891	-	-	36,891	7,636	60	-	7,696
Reinsurance assets: share of actuarial liabilities	70,578	279,520	311,713	661,811	75,276	260,139	318,307	653,722
Reinsurance assets: other	37,409	-	189	37,598	45,957	-	191	46,148
Premiums receivable	57,584	-	-	57,584	51,633	-	-	51,633
Other assets and accounts receivable	75,886	2,083	544	78,513	47,318	-	614	47,932
Cash resources	361,468	-	-	361,468	358,687	-	-	358,687
Total	2,086,781	1,398,380	4,025,993	7,511,154	1,482,317	1,212,549	3,543,414	6,238,280

41.6 Interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Group in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long-term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest -bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

41.6 Interest rate risk (continued)

The Group manages its interest rate risk by various measures, including where feasible the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Group holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

41.6 Interest rate risk (continued)

The table following summarises the exposures to interest rates on the Group's monetary insurance and financial liabilities (excluding actuarial liabilities which are disclosed in note 43). It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

	2019					2018				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Other insurance liabilities	8,074	3,897	49,277	166,620	227,868	9,310	4,042	50,947	138,843	203,142
Investment contract liabilities	346,154	60,441	17,657	88	424,340	333,037	44,274	13,079	7	390,397
Notes and loans payable	419,647	27,052	71,479	(446)	517,732	96,000	338,234	56,107	(66)	490,275
Lease liabilities	6,527	19,036	4,232	5,905	35,700	-	-	-	-	-
Deposit and security liabilities:										
Other funding instruments	395,444	9,798	12,569	236	418,047	439,732	10,905	10,366	569	461,572
Customer deposits	804,901	216	-	3,002	808,119	691,337	27,498	-	2,799	721,634
Structured products	6,756	-	-	-	6,756	47,989	16,661	-	-	64,650
Securities sold for re-purchase	511,309	-	-	1,548	512,857	422,786	-	-	986	423,772
Derivative financial instruments	-	-	-	264	264	187	60	-	-	247
Bank overdrafts	6,646	-	-	-	6,646	2,158	-	-	-	2,158
Accounts payable and accrued liabilities	1,074	1,074	-	238,185	240,333	338	964	-	239,392	240,694
Total	2,506,532	121,514	155,214	415,402	3,198,662	2,042,874	442,638	130,499	382,530	2,998,541

41.6 Interest rate risk (continued)

The table following summarises the exposures to interest rate and reinvestment risks of the Group's monetary insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets and policy loans are categorised by their expected maturities.

	2019					2018				
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities and money market funds	1,308,182	727,057	2,969,807	60,221	5,065,267	621,338	631,971	2,618,873	57,299	3,929,481
Equity securities	-	-	-	371,464	371,464	-	-	-	267,505	267,505
Mortgage loans	77,676	30,276	281,183	2,345	391,480	57,558	39,711	267,696	2,198	367,163
Policy loans	4,400	14,141	131,791	1,201	151,533	3,713	13,513	125,321	4,499	147,046
Finance loans and finance leases	572,442	15,574	5,665	1,626	595,307	489,930	17,028	5,383	2,145	514,486
Securities purchased for re-sale	10,871	-	-	33	10,904	7,170	-	-	-	7,170
Deposits	57,918	2,733	1,802	345	62,798	104,683	1,098	1,047	288	107,116
Derivative financial instruments	264	-	-	36,627	36,891	-	-	-	7,696	7,696
Reinsurance assets: other	151	-	189	37,258	37,598	-	-	191	45,957	46,148
Premiums receivable	105	-	-	57,479	57,584	-	-	-	51,633	51,633
Other assets and accounts receivable	2,804	1,179	-	74,530	78,513	2,190	1,066	-	44,875	48,131
Cash resources	220,494	-	-	140,974	361,468	152,656	-	-	206,031	358,687
Total	2,255,307	790,960	3,390,437	784,103	7,220,807	1,439,238	704,387	3,018,511	690,126	5,852,262

41.6 Interest rate risk (continued)

The table below summarises the average interest yields on certain financial investments and financial liabilities held during the year.

	2019	2018
Financial investments carried at FVOCI and amortised cost:		
Debt securities and money market funds	5.1%	5.8%
Mortgage loans	6.0%	6.0%
Policy loans	7.3%	7.2%
Finance loans and finance leases	11.6%	11.4%
Securities purchased for re-sale	6.2%	7.5%
Deposits	1.6%	2.9%
Financial liabilities carried at amortised cost:		
Investment contract liabilities	2.6%	4.8%
Notes and loans payable	8.1%	8.4%
Other funding instruments	2.3%	2.3%
Deposits	1.3%	1.6%
Securities sold for re-purchase	3.0%	3.4%

a) Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in note 43.4. The Group's property and casualty operations are not exposed to a significant degree of interest rate risk, since the majority of its interest-bearing instruments has short-term maturities. The sensitivity of the Group's principal operating subsidiaries engaged in banking, investment management and other financial services are considered in the following paragraphs.

41.6 Interest rate risk (continued)

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on net income and total comprehensive income (TCI) of the above companies which operate in Jamaica.

The sensitivity of income is the effect of the assumed changes in interest rates on income based on floating rate debt securities and financial liabilities. The sensitivity of TCI is calculated by revaluing fixed rate financial assets carried at FVOCI for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

2019				2018			
Change in interest rate		Effect on net income	Effect on TCI	Change in interest rate		Effect on net income	Effect on TCI
JMD	USD			JMD	USD		
- 1%	- 0.5%	2,501	21,906	- 1%	- 0.5%	4,713	23,850
+1%	+ 0.5%	(2,501)	(30,360)	+1%	+ 0.5%	(4,663)	(21,879)

41.7 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest amounts in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

41.7 Foreign exchange risk (continued)

2019	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments [1]	341,196	1,344,085	474,248	150,089	3,879,177	125,385	6,314,180
Reinsurance assets [1]	6,739	3,774	4,767	2,146	681,582	401	699,409
Receivables [1]	22,843	69,362	10,309	15,746	14,785	5,023	138,068
Cash resources	21,158	91,584	26,510	9,658	165,368	47,190	361,468
Total monetary assets	391,936	1,508,805	515,834	177,639	4,740,912	177,999	7,513,125
Other assets [2]	199,216	477,784	90,844	20,828	425,766	1,308	1,215,746
Total assets of continuing operations	591,152	1,986,589	606,678	198,467	5,166,678	179,307	8,728,871
LIABILITIES							
Actuarial liabilities	438,452	411,439	366,143	79,372	2,194,599	114,648	3,604,653
Other insurance liabilities [1]	80,640	55,802	32,844	12,187	31,725	14,670	227,868
Investment contracts	31,632	81,800	182,907	53,405	65,321	9,275	424,340
Notes and loans payable	14,436	104,402	-	-	398,894	-	517,732
Lease liabilities	2,764	23,251	2,317	128	6,392	848	35,700
Deposit and security liabilities	1,276	684,219	1,087	15,316	1,033,146	17,645	1,752,689
Other liabilities / Retirement benefit liabilities	11,901	25,238	12,871	46	2,294	7,445	59,795
Accounts payable and accruals	40,699	116,864	18,115	1,902	57,389	5,364	240,333
Total monetary liabilities	621,800	1,503,015	616,284	162,356	3,789,760	169,895	6,863,110
Other liabilities [2]	18,749	32,529	15,199	5,079	42,210	2,215	115,981
Total liabilities of continuing operations	640,549	1,535,544	631,483	167,435	3,831,970	172,110	6,979,091
Net position	(49,397)	451,045	(24,805)	31,032	1,334,708	7,197	1,749,780

[1] Monetary balances only

[2] Non-monetary balances, income tax balances and retirement plan assets

41.7 Foreign exchange risk (continued)

2018	US$ 000 equivalents of balances denominated in						
	Barbados $	Jamaica $	Trinidad $	Eastern Caribbean $	US $	Other Currencies	Total
ASSETS							
Financial investments [1]	335,070	1,017,543	424,508	145,714	3,026,132	131,191	5,080,158
Reinsurance assets [1]	6,611	3,206	6,132	4,124	679,093	704	699,870
Receivables [1]	12,113	50,227	8,926	9,033	14,771	4,694	99,764
Cash resources	9,135	84,474	51,294	9,996	159,566	44,222	358,687
Total monetary assets	362,929	1,155,450	490,860	168,867	3,879,562	180,811	6,238,479
Other assets [2]	194,218	360,401	76,096	21,002	419,456	(1,467)	1,069,706
Total assets of continuing operations	557,147	1,515,851	566,956	189,869	4,299,018	179,344	7,308,185
LIABILITIES							
Actuarial liabilities	393,705	362,175	318,810	59,314	1,791,859	98,601	3,024,464
Other insurance liabilities [1]	77,959	26,081	33,295	12,545	40,275	12,987	203,142
Investment contracts	32,876	63,615	162,334	48,678	75,558	7,336	390,397
Notes and loans payable	2,698	42,845	-	-	444,732	-	490,275
Deposit and security liabilities	2,236	560,476	1,211	15,111	1,078,395	16,604	1,674,033
Other liabilities / Retirement benefit liabilities	29,285	24,148	12,443	(592)	2,234	6,769	74,287
Accounts payable and accruals	40,696	92,226	20,529	27,160	55,819	4,264	240,694
Total monetary liabilities	579,455	1,171,566	548,622	162,216	3,488,872	146,561	6,097,292
Other liabilities [2]	17,680	17,373	22,974	4,305	28,038	2,301	92,671
Total liabilities of continuing operations	597,135	1,188,939	571,596	166,521	3,516,910	148,862	6,189,963
Net position	(39,988)	326,912	(4,640)	23,348	782,108	30,482	1,118,222

[1] Monetary balances only

[2] Non-monetary balances, income tax balances and retirement plan assets

41.7 Foreign exchange risk (continued)

(a) Sensitivity

The Group is exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income (note 27).

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Group's income statement.

- Currency risk of the Group's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Group's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 22). If the reporting unit was disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

The operating currency whose value noticeably fluctuate against the USD is the Jamaica dollar (JMD). The theoretical impact of JMD currency risk on reported results and of the Group's investment in foreign operations is considered in the following section.

41.7 Foreign exchange risk (continued)

JMD currency risk

The effect of a 10% depreciation in the JMD relative to the USD arising from JMD reporting units as of December 31, 2019 and for the year then ended are considered in the following table.

	Amounts denominated in		Total amounts	Effect of a 10% depreciation
	JMD	USD		
Financial position:				
Assets	2,208,196	937,728	3,145,924	(220,819)
Liabilities	1,450,652	893,419	2,344,071	(145,065)
Net position	757,544	44,309	801,853	(75,754)
Represented by:				
Currency risk of the Group's investment in foreign operations				(75,754)
Income statement:				
Revenue	564,841	92,273	657,114	(52,065)
Benefits	(277,767)	(15,621)	(293,388)	27,777
Expenses	(185,294)	(23,246)	(208,540)	18,529
Income taxes	(43,325)	-	(43,325)	4,332
Net income	58,455	53,406	111,861	(1,427)
Represented by:				
Currency risk relating to the future cash flows of monetary balances				4,419
Currency risk of reported results of foreign operations				(5,846)
				(1,427)

A 10% appreciation in the JMD relative to the USD would have equal and opposite effects to those disclosed above.

41.8 Fair value of financial instruments

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

41.8 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) *Level 3 – inputs for the instrument that are not based on observable market data*

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 FVOCI securities include corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments. The fair value of FVOCI Government of Barbados debt securities have been determined as set out in note 41.4 (h).

Level 3 assets designated as FVTPL include mortgage loans, debt securities and equities for which the full income and capital returns accrue to holders of unit linked liabilities. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

41.8 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FVOCI securities:								
Debt securities and money market funds	488,832	3,184,589	-	3,673,421	646,960	1,986,673	-	2,633,633
Equity securities	754	491	46	1,291	223	-	48	271
	489,586	3,185,080	46	3,674,712	647,183	1,986,673	48	2,633,904
FVTPL investments:								
Debt securities	17,719	104,123	121,265	243,107	15,949	104,332	78,526	198,807
Equity securities	85,389	262,344	22,440	370,173	32,677	210,290	24,267	267,234
Derivative financial instruments	-	264	36,627	36,891	-	247	7,449	7,696
Mortgage loans	-	-	28,933	28,933	-	-	30,143	30,143
Deposits	-	-	-	-	-	8	-	8
	103,108	366,731	209,265	679,104	48,626	314,877	140,385	503,888
Total assets	592,694	3,551,811	209,311	4,353,816	695,809	2,301,550	140,433	3,137,792
Total assets by percentage	14%	81%	5%	100%	23%	73%	4%	100%
FVTPL investment contracts:								
Unit linked deposit administration liabilities	-	-	162,385	162,385	-	-	149,142	149,142
FVTPL deposit and security liabilities:								
Structured products	-	-	6,756	6,756	-	-	64,650	64,650
Derivative financial instruments	-	264	-	264	-	247	-	247
	-	264	6,756	7,020	-	247	64,650	64,897
Total liabilities	-	264	169,141	169,405	-	247	213,792	214,039
Total liabilities by percentage	0%	0%	100%	100%	0%	0%	100%	100%

41.8 Fair value of financial instruments (continued)

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of FVOCI securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at FVTPL are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following table presents the movements in Level 3 instruments for the year.

Level 3 Financial Instruments	2019				2018	2019			2018
	FVOCI investments	FVTPL investments	Derivative instruments	Total assets	Total assets	FVTPL investment contracts	FVTPL structured products	Total liabilities	Total liabilities
Balance, beginning of year	48	132,936	7,449	140,433	187,326	149,142	64,650	213,792	187,329
Reclassifications on adoption of IFRS 9	-	-	-	-	(17,187)	-	-	-	-
Additions	-	63,779	23,639	87,418	65,117	-	-	-	-
Issues	-	-	-	-	-	21,255	-	21,255	77,358
Settlements	-	-	-	-	-	(10,825)	(57,367)	(68,192)	(51,882)
Fair value changes recorded in investment income	-	2,763	32,870	35,633	(7,338)	-	-	-	-
Fair value changes recorded in interest expense	-	-	-	-	-	2,488	2,318	4,806	(1,121)
Fair value changes recorded in OCI	-	-	-	-	(75)	-	-	-	-
Disposals	-	(26,093)	(27,331)	(53,424)	(90,704)	-	-	-	-
Transfers (out of) Level 3 classification	-	-	-	-	(10)	-	-	-	-
Transfers to instruments carried at amortised cost	-	-	-	-	-	-	-	-	4,078
Effect of exchange rate changes	(2)	(747)	-	(749)	3,304	325	(2,845)	(2,520)	(1,970)
Balance, end of year	46	172,638	36,627	209,311	140,433	162,385	6,756	169,141	213,792
Fair value changes recorded in investment income for instruments held at end of year	-	2,287	13,340	15,627	(9,746)	-	-	-	-
Fair value changes recorded in interest expense for instruments held at end of year	-	-	-	-	-	2,488	-	2,488	(1,121)

41.8 Fair value of financial instruments (continued)

(b) Financial instruments carried at amortised cost

The carrying values of the Group's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 10, 12, and 20. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2019 is set out in the following tables.

Financial assets at amortised cost	Level 1	Level 2	Level 3	Total
Debt securities	-	752,806	609,167	1,361,973
Mortgage loans	-	-	362,341	362,341
Policy loans	-	-	181,902	181,902
Finance loans and finance leases	-	-	602,512	602,512
Securities purchased for resale	-	-	10,904	10,904
	-	752,806	1,766,826	2,519,632

41.8 Fair value of financial instruments (continued)

Financial liabilities at amortised cost	Level 1	Level 2	Level 3	Total
Investment contracts:				
Deposit administration liabilities	-	-	113,767	113,767
Other investment contracts	-	-	149,928	149,928
	-	-	263,695	263,695
Notes and loans payable	-	332,893	200,958	533,851
Deposit and security liabilities:				
Other funding instruments	-	-	418,932	418,932
Customer deposits	-	1,121	810,594	811,715
Securities sold for repurchase	-	-	512,857	512,857
	-	1,121	1,742,383	1,743,504
	-	334,014	2,207,036	2,541,050

(c) Equity price risk

The Group is exposed to equity price risk arising from changes in the market values of its equity securities. The Group mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

41.8 Fair value of financial instruments (continued)

Sensitivity

The sensitivity to fair value changes in equity securities arises from those instruments which are not held under the unit linked model. The table below sets out the source markets of such equity securities and the effects of an across the board 20% change in equity prices on income before tax (IBT) as at December 31, 2019.

	Carrying value	Effect of 20% change on IBT
Listed on Caribbean stock exchanges and markets	46,777	9,355
Listed on US stock exchanges and markets	87,716	17,543
Listed on other exchanges and markets	10,404	2,081
	144,897	28,979

41.9 Derivative financial instruments and hedging activities

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the Group employs its credit risk management procedures to assess and approve potential credit exposures.

Derivatives are carried at fair value and presented in the financial statements as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The contract or notional amounts of derivatives and their fair values are set out in the table which follows.

41.9 Derivative financial instruments and hedging activities (continued)

	Contract / notional amount	Fair value	
		Assets	Liabilities
2019			
Derivatives held for trading:			
Equity indexed options	807,020	36,891	264
	807,020	36,891	264
2018			
Derivatives held for trading:			
Equity indexed options	768,342	7,696	247
	768,342	7,696	247

(i) Equity indexed options

The Group has purchased equity indexed options in respect of structured products and in respect of life and annuity insurance contracts.

For certain structured product contracts with customers (note 17), equity indexed options give the holder the ability to participate in the upward movement of an equity index while being protected from downward risk. The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

For certain universal life and annuity insurance contracts, an insurer has purchased custom call options that are selected to materially replicate the policy benefits that are associated with the equity indexed components within the policy contract. These options are appropriate to reduce or minimise the risk of movements in specific equity markets. Credit risk that the insurer has regarding the options is mitigated by ensuring that the counterparty is sufficiently capitalized. Both the asset and the associated actuarial liability are valued at fair market value on a consistent basis, with the change in values being reflected in the income statement. The valuations combine external valuations with internal calculations.

41.10 Offsetting Financial Assets and Liabilities

The Group is eligible to present certain financial assets and financial liabilities on a net basis in the statement of financial position pursuant to criteria described in note 2.13. The following table provides information on (i) the impact of offsetting in the consolidated statement of financial position; (ii) the financial impact of netting for instruments which are subject to enforceable master netting arrangements or similar agreements, and (iii) cash and financial instrument collateral which can be potentially offset.

	Gross amounts of financial assets	Gross amounts set off in the statement of financial position	Net amounts of financial assets as presented in the statement of financial position	Impact of master netting arrangements	Impact of offsetting financial instrument collateral	Net amount
2019						
ASSETS						
Non-derivative financial investments	6,648,753	-	6,648,753	(512,857)	(396,952)	5,738,944
Derivative financial instruments	36,891	-	36,891	(264)	-	36,627
	6,685,644	-	6,685,644	(513,121)	(396,952)	5,775,571
LIABILITIES						
Non-derivative deposit and security liabilities	1,752,425	-	1,752,425	(512,857)	(386,981)	852,587
Derivative financial instruments	264	-	264	(264)	-	-
	1,752,689	-	1,752,689	(513,121)	(386,981)	852,587
2018						
ASSETS						
Non-derivative financial investments	5,339,967	-	5,339,967	(441,340)	(517,319)	4,381,308
Derivative financial instruments	7,696	-	7,696	(247)	-	7,449
	5,347,663	-	5,347,663	(441,587)	(517,319)	4,388,757
LIABILITIES						
Non-derivative deposit and security liabilities	1,673,786	-	1,673,786	(437,160)	(412,615)	824,011
Derivative financial instruments	247	-	247	(247)	-	-
	1,674,033	-	1,674,033	(437,407)	(412,615)	824,011

42 INSURANCE RISK – PROPERTY & CASUALTY CONTRACTS

Property and casualty insurers in the Group are exposed to insurance risks such as underwriting, claims and availability of reinsurance, and to credit risk in respect of reinsurance counterparties.

Sagicor General Insurance and Advantage General Insurance are the principal insurers within the Group's continuing operations that issues property and casualty insurance contracts. They operate mainly in Barbados, Trinidad and Tobago and Jamaica.

The principal insurance risks affecting property and casualty contracts are disclosed in the following sections.

42.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the insurer's business. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies, including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the insurer is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred.

Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

42.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:

- attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- large losses, which are expected to be relatively infrequent and are greater than established threshold amounts;
- catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The insurer records claims based on submissions made by claimants. The insurer may also obtain additional information from loss adjustors, medical reports and other specialist sources. The initial claim recorded may only be an estimate, which is refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claims risk may arise from

- invalid or fraudulent claim submissions;
- the frequency of incurred claims;
- the severity of incurred claims;
- the development of incurred claims.

Claims risk may be concentrated in geographic locations, altering the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event could result in very many claims. Concentration of risk is mitigated through risk selection, line sizes, event limits, quota share reinsurance and excess of loss reinsurance.

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group at December 31, gross and net of reinsurance, are summarised by class of insurance.

42.2 Claims risk (continued)

Total insurance coverage		2019	2018
Property	Gross	9,918,290	8,613,754
	Net	1,685,857	1,419,817
Motor	Gross	985,202	449,467
	Net	628,383	433,491
Accident and liability	Gross	3,308,670	3,176,165
	Net	3,064,125	2,903,875
Total	Gross	14,212,162	12,239,386
	Net	5,378,365	4,757,183

The insurer assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from windstorms, earthquakes and floods and events triggering multi-coverage corporate liability claims are potential sources of catastrophic losses arising from insurance risks. A realistic disaster scenario modelled for 2019 is presented below and results in estimated gross and net losses.

Sagicor General Insurance (SGI)

	Gross loss	Net loss
A Barbados and St. Lucia windstorm having a 200-year return period.	248,089	5,000

Advantage General Insurance Co. Limited (AGI)
(subsidiary of Sagicor Group Jamaica Ltd)

	Gross loss	Net loss
A Jamaican windstorm having a 250-year return period for properties	103,824	500

The occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Group.

42.2 Claims risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of SGI and AGI's ability to estimate the ultimate value of claims. The table below illustrates how SGI and AGI's estimate of the ultimate claims liability for accident years 2015 - 2019 has changed at successive year ends, up to 2019. Updated unpaid claims and adjustment expenses (ULAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

Gross	2015	2016	2017	2018	2019	Total
Estimate of ultimate claims incurred:						
At the end of financial reporting year	42,992	38,875	54,767	46,076	43,104	
One year later	40,969	43,374	60,442	47,058	-	
Two years later	42,083	42,348	61,790	-	-	
Three years later	39,849	42,999	-	-	-	
Four years later	39,579	-	-	-	-	
Current estimate of cumulative claims	39,579	42,999	61,790	47,058	43,104	234,530
Cumulative payments to date	(35,738)	(37,823)	(54,658)	(35,769)	(17,797)	(181,785)
Liability recognised	3,841	5,176	7,132	11,289	25,307	52,745
Liability in respect of prior years and ULAE						10,989
Total liability (note 14.2)						**63,734**

42.2 Claims risk (continued)

Development Claim Liabilities (continued)

The reinsurers' share of the amounts in the following table is set out below.

Reinsurance	2015	2016	2017	2018	2019	Total
Estimate of reinsurance recoveries:						
At the end of financial reporting year	12,883	13,480	11,268	4,193	2,393	
One year later	12,091	14,143	15,011	4,534	-	
Two years later	12,488	12,756	15,217	-	-	
Three years later	11,592	12,763	-	-	-	
Four years later	11,312	-	-	-	-	
Current estimate of reinsurance recoveries	11,312	12,763	15,217	4,534	2,393	46,219
Cumulative reinsurance receipts to date	(9,995)	(11,409)	(14,116)	(4,095)	(594)	(40,209)
Recoverable recognised	1,317	1,354	1,101	439	1,799	6,010
Recoverable in respect of prior years						2,928
Total recoverable from reinsurers (note 14.2)						**8,938**

42.3 Reinsurance risk

To limit the potential loss for single policy claims and for aggregations of catastrophe claims, the insurer may cede certain levels of risk to a reinsurer. Reinsurance however does not discharge the insurer's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from

- the credit risk of holding a recovery from a reinsurer;
- the unavailability of reinsurance cover in the market at adequate levels or prices,
- the failure of a reinsurance layer upon the occurrence of a catastrophic event.

The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. Insurers also place reinsurance coverage with various reinsurers to limit their exposure to any one reinsurer.

The reinsurance programmes are negotiated annually with reinsurers for coverage generally over a 12-month period. It is done by class of insurance, though for some classes there is aggregation of classes and / or subdivision of classes by the location of risk.

For its property risks, insurers use quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage. Excess of loss catastrophe reinsurance treaties typically cover up to four separate catastrophic events per year.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

42.3 Reinsurance risk (continued)

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention program used by Sagicor General and Advantage General for their property insurance class are summarised in the following table.

Type of risk	**Retention by Sagicor General Insurance -** currency amounts in thousands
Property	• maximum retention of $4,500 for a single event; • maximum retention of $5,000 for a catastrophic event; • quota share retention to maximum of 20% in respect of treaty limits; • quota share retention is further reduced to a maximum of $375 per event.

Type of risk	**Retention by Advantage General Insurance Co. Limited -** currency amounts in thousands
Property	• maximum retention of $500 for a single event; • maximum retention of $500 for a catastrophic event; • quota share retention to maximum of 10% in respect of treaty limits;

The effects of reinsurance ceded are disclosed in notes 14, 24 and 25 and information on reinsurance balances is included in notes 10, 20 and 41.

42.3 Reinsurance risk (continued)

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenario:

- Hurricane with a 200-year return period affecting Barbados and St. Lucia and an earthquake with a 250-year return period affecting Trinidad within a 24-hour period.
- Hurricane and earthquakes with a 250-year return period affecting Jamaica.

The reinsurance recoveries derived from the foregoing are assigned internal credit ratings as follows:

Risk Rating	Classification	Exposure $000	Exposure %
1	Minimal risk	421,488	49%
2	Low risk	436,593	51%
3	Moderate risk	-	0%
4	Acceptable risk	-	0%
5	Average risk	-	0%
6	Higher risk	-	0%
7	Special mention	-	0%
8	Substandard	-	0%
TOTAL		858,081	100%

43 INSURANCE RISK – LIFE, ANNUITY & HEALTH CONTRACTS

Insurers are exposed to insurance risks such as product design and pricing, mortality and morbidity, lapse, expense, reinsurance, and actuarial liability estimation in respect of life, annuity and health contracts. Disclosure of these risks is set out in the following sections.

43.1 Contracts without investment returns

These contracts are principally term life, critical illness and health insurance. Individual term life and critical illness products are generally long-term contracts while group term life and health insurance products are generally one-year renewable. The principal insurance risks associated with these contracts are product design and pricing and mortality and morbidity.

43.1 Contracts without investment returns (continued)

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business. In determining the pricing of an insurance contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from market softening conditions.

The underwriting process has established pricing guidelines; and may include specific medical tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles and coverage limits for health risks which will limit the potential claims incurred. Term life and critical illness risks have limitations of insured amounts. The pricing of a contract therefore consists of establishing appropriate premium rates, deductibles and coverage limits.

(b) Mortality and morbidity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Morbidity is the incidence of disease or illness and the associated risk is that of increased disability and medical claims. Insurance claims are triggered by the incurrence of a medical claim, the diagnosis of a critical illness or by death of the person insured.

For contracts providing death benefits, higher mortality rates would result in an increase in death claims. The Group annually reviews its mortality experience and compares it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

Critical illness claims arise from the diagnosis of a specific illness incurred by the policy beneficiary. The Group annually reviews its critical illness claims experience and compares it to industry statistics. This review may result in future adjustments to the pricing or re-pricing of these contracts.

The concentration risks of term life and critical illness contracts are included in the related disclosure on other long-term contracts in note 43.2(b).

43.1 Contracts without investment returns (continued)

The cost of health-related claims depends on the incidence of beneficiaries becoming ill, the duration of their illness, and the cost of providing medical services. An increase in any of these three factors will result in increased health insurance claims. In such circumstances, the insurer may adjust the pricing or re-pricing of these contracts.

For health insurance contracts, the concentration of insurance risk is illustrated by the distribution of premium revenue by the location of the insured persons.

2019 Premium revenue by location of insureds	Gross	Ceded	Net
Barbados	27,687	1,122	26,565
Jamaica	88,501	3,566	84,935
Trinidad & Tobago	35,833	119	35,714
Other Caribbean	27,042	1,142	25,900
USA	38	25	13
Total	179,101	5,974	173,127

(c) Sensitivity of incurred claims

The sensitivity of term life and critical illness claims is included in the related disclosure on other long-term contracts in note 43.4. The impact on gross claims of increasing the total liability by 5% for un-reinsured health insurance claims is illustrated in the following table.

	2019		2018	
	Liability	5% increase in liability	Liability	5% increase in liability
Actuarial liability	41,573	2,079	44,752	2,238
Claims payable	5,252	263	4,677	234
	46,825	2,342	49,429	2,472

43.2 Contracts with investment returns

Life and annuity insurance contracts with investment returns generally have durations of 5 or more years. The contract terms provide for the policyholder to pay either a single premium at contract inception, or periodic premiums over the duration of the contract. From the premium received, acquisition expenses and maintenance expenses are financed. Investment returns are credited to the policy and are available to fund surrender, withdrawal and maturity policy benefits. The principal risks associated with these policies are in respect of product design and pricing, mortality and longevity, lapse, expense and investment.

(a) Product design and pricing risk

Product design and pricing risk arises from poorly designed or inadequately priced contracts and can lead to both financial loss and reputational damage to the insurer.

Risks are priced to achieve an adequate return on capital on the insurer's business as a whole. In determining the pricing of a contract, the insurer considers the age of the policyholder and/or beneficiary, the expenses and taxes associated with the contract, the prospective investment returns to be credited to the contract, and the guaranteed values within the contract. Pricing inadequacy may arise either from the use of inadequate experience and statistical data in deriving pricing factors or from future changes in the economic environment.

(b) Mortality and longevity risk

Mortality risk is the risk that worsening mortality rates will result in an increase of death claims. Longevity risk is the risk that improving mortality rates will lengthen the pay-out period of annuities.

For contracts providing death benefits, higher mortality rates will result in an increase in death claims over time. For contracts providing the pay-out of annuities, improving mortality rates will lead to increased annuity benefits over time. Insurers annually review their mortality experience and compare it to industry mortality tables. This review may result in future adjustments to the pricing or re-pricing of these contracts.

43.2 Contracts with investment returns (continued)

Mortality risk may be concentrated in geographic locations, affecting the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event or pandemic could result in very many claims.

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Group in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2019		2018	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	4,386,200	1,260,085	4,261,357	1,197,963
	Net	4,113,950	1,204,619	3,966,925	1,147,578
Jamaica	Gross	9,571,001	7,032,326	8,882,015	6,653,054
	Net	9,438,735	6,929,672	8,757,886	6,576,574
Trinidad & Tobago	Gross	3,738,534	2,498,258	3,541,183	2,184,995
	Net	3,159,462	2,348,251	2,959,623	2,072,894
Other Caribbean	Gross	8,376,550	1,526,610	8,165,280	1,595,521
	Net	7,414,626	1,338,472	7,170,958	1,409,095
USA	Gross	7,414,643	33,354	6,970,364	35,427
	Net	3,356,037	32,466	2,800,085	33,969
Total	Gross	33,486,928	12,350,633	31,820,199	11,666,960
	Net	27,482,810	11,853,480	25,655,477	11,240,110

43.2 Contracts with investment returns (continued)

Total liability under annuity contracts provide a good measure of longevity risk exposure.

Total liability under annuity contracts		2019		2018	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Barbados	Gross	131,757	48,771	104,790	47,762
	Net	131,757	48,771	104,790	47,762
Jamaica	Gross	875	359,566	899	345,928
	Net	875	359,566	899	345,928
Trinidad & Tobago	Gross	166,644	-	114,469	-
	Net	166,644	-	114,469	-
Other Caribbean	Gross	53,752	31	30,634	28
	Net	53,716	31	30,634	28
USA	Gross	1,663,194	19,682	1,292,070	20,535
	Net	982,045	5,845	611,227	5,681
Total	Gross	2,016,222	428,050	1,542,862	414,253
	Net	1,335,037	414,213	862,019	399,399

43.2 Contracts with investment returns (continued)

(c) Lapse risk

Lapse risk is that, on average, policyholders will terminate their policies ahead of the insurer's expectation. Early lapse may result in the following:

- Acquisition costs are not recovered from the policyholder;
- In order to settle benefits, investments are liquidated prematurely resulting in a loss to the insurer;
- Maintenance expenses are allocated to the remaining policies, resulting in an increase in expense risk.

(d) Expense risk

The Group monitors policy acquisition and policy maintenance expenses. Expenses are managed through policy design, fees charged and expense control. However, there are a significant number of inforce contracts for which insurers have limited or no ability to re-price for increases in expenses caused by inflation or other factors. Therefore, growth in maintenance expenses is funded either by increasing the volume of inforce policies or by productivity gains. Failure to achieve these goals will require increases in actuarial liabilities held.

(e) Investment risk

A substantial proportion of the Group's financial investments support insurer obligations under life and annuity contracts with investment returns. The financial risks outlined in note 41 pertaining to credit, liquidity, interest rate, foreign exchange and equity price are considered integral investment risks associated with these insurance contracts.

Asset defaults, mismatches in asset and liability cash flows, interest rate and equity price volatility generally have the effect of increasing investment risk and consequential increases in actuarial liabilities held.

43.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and for new business a Sagicor credit risk rating of 1 or 2 is usually selected. Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Insurers have limited their exposure per person by excess of loss or quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The principal features of retention programs used by insurers are summarised in the following table.

Type of insurance contract	**Retention by insurers** - currency amounts in thousands
Health insurance contracts with individuals	Retention per individual to a maximum of $175
Health insurance contracts with groups	Retention per individual to a maximum of $175
Life insurance contracts with individuals	Retention per individual life to a maximum of $500
Life insurance contracts with groups	Retention per individual life to a maximum of $500

43.4 Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to the assumptions made. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used (note 13.3 (b) to (f)), and
- the margins for adverse deviations (note 13.3 (g)).

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

Under Canadian accepted actuarial standards, the AA is required to test the actuarial liability under economic scenarios. The scenarios developed and tested by insurers were as follows.

Sensitivity	Scenario		
	Sagicor Life Inc segment	Sagicor Jamaica Segment	Sagicor USA segment
Worsening rate of lapse	Lapse rates were either doubled or halved, and the more adverse result was selected.		Lapse rates were increased or reduced by 30%, and the more adverse result was selected.
High interest rate	Assumed increases in the investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed increases in the investment portfolio yield rates of 0.5% for 10 years.	A 1% increase was applied to the investment portfolio rate.
Low interest rate	Assumed decreases in investment portfolio yield rates of 0.25% per year for 5 years, with the rates remaining constant thereafter.	Assumed decreases in investment portfolio yield rates of 0.5% per year for 10 years.	A 1% decrease was applied to the investment portfolio rate.
Worsening mortality and morbidity	Mortality and morbidity rates for insurance and critical illness products were increased by 3% of the base rate per year for 5 years. For annuity products, the mortality rates were decreased by 3% of the base rate for 5 years.		For life insurance and deferred annuity products, the base assumed rates were increased annually by 3% cumulatively over the next 5 years. For pay-out annuity products only, the mortality rates were decreased by 3% cumulatively over the next 5 years.
Higher expenses	Policy unit maintenance expense rates were increased by 5% per year for 5 years above those reflected in the base scenario.		

43.4 Sensitivity arising from the valuation of actuarial liabilities (continued)

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities for insurers by segment. Correlations that may exist between scenario assumptions were not explicitly taken into account.

	Sagicor Life Inc segment		Sagicor Jamaica segment		Sagicor Life USA segment	
	2019	2018	2019	2018	2019	2018
Base net actuarial liability	1,038,694	926,050	359,954	345,154	1,212,162	816,843
Scenario	**Increase in net liability**		**Increase in net liability**		**Increase in net liability**	
Worsening rate of lapse	177,552	156,151	78,539	66,642	18,430	12,058
High interest rate	(97,634)	(97,608)	(116,591)	(115,773)	(72,194)	(49,675)
Low interest rate	163,321	169,985	97,115	110,246	83,064	57,482
Worsening mortality/ morbidity	42,585	39,692	56,942	48,267	16,980	16,030
Higher expenses	20,419	20,618	20,894	16,569	2,908	3,002

43.5 Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the financial statements at a given date. The financial position therefore relies on the valuation assumptions used for establishing the actuarial liabilities being adequate to measure future adverse deviations in experience. The financial position does not offer any indication of an insurer's ability to execute its business plan.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders. The financial condition analysis examines both an insurer's ability to execute its business plan and to absorb adverse experience beyond that provided for when its actuarial liabilities are established.

The purpose of the DCAT is

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Full DCAT is conducted periodically by some insurers within the Group.

44 FIDUCIARY RISK

The Group provides investment management and pension administration services to investment and pension funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds.

In the ordinary course of business, the Group manages assets of pension funds, mutual funds and unit trusts which are held in a fiduciary capacity and are not included in the Group's financial statements. The investments and cash under administration are summarised in the following table.

	2019	2018
Pension and insurance fund assets	2,469,920	2,166,463
Mutual fund, unit trust and other investment fund assets	1,665,672	1,261,247
	4,135,592	3,427,710

45 STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments. Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling $1,431,443 (2018 - $1,185,805) have been deposited with regulators or are held in trust to the order of regulators.

In some countries where the Group operates, there are exchange controls or other restrictions on the remittance of funds out of those countries.

46 CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders;
- To maintain a strong capital base to support the future development of Group operations.

46.1 Capital resources

The principal capital resources of the Group are as follows:

	2019	2018
Shareholders' equity	1,154,051	600,869
Non-controlling interests' equity	594,506	530,514
Notes and loans payable (debt)	517,732	490,275
Total financial statement capital resources	2,266,289	1,621,658

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

46.2 Capital adequacy

The capital adequacy of the principal operating subsidiaries is discussed in this section.

(a) Life insurers

Capital adequacy is managed at the operating company level. It is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the board of directors. In addition, certain subsidiaries of the Group seek to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian Minimum Continuing Capital and Surplus Requirement (MCCSR) standard. The minimum standard recommended by the Canadian regulators for companies is an MCCSR of 150%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, the Group has adopted the Canadian MCCSR standard. Jamaica and the USA have recognised capital adequacy standards.

The consolidated MCCSR for the life insurers of the Sagicor Group as of December 31 has been estimated as 253.2% (2018 – 234%). This is the principal standard of capital adequacy used to assess the overall strength of the life insurers of the Sagicor Group. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should be regarded as applicable to the life insurers of the Group and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

The Group complies with all regulatory capital requirements.

46.2 Capital adequacy (continued)

(i) Sagicor Life Jamaica

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime which requires an insurer to maintain a minimum ratio of 150%. For the years ended December 31, 2019 and 2018, this ratio was 179.4% and 183.8% respectively.

(ii) Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model have been adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life Insurance Company looks to maintain a surplus of at least 300% of the RBC amount, and the company has maintained these ratios as of December 31, 2019 and 2018 respectively.

46.2 Capital adequacy (continued)

(b) Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals. The BOJ and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the capital adequacy ratios. During 2019 and 2018, all applicable externally imposed capital requirements were complied with.

	Sagicor Investments Jamaica		Sagicor Bank Jamaica	
	2019	**2018**	**2019**	**2018**
Actual capital base to risk weighted assets	20%	14%	14%	15%
Required capital base to risk weighted assets	10%	10%	10%	10%

46.3 Financial covenants

(a) 8.875% Senior Notes

Under the indenture entered into by the Group on the issue of these senior notes the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a fixed charge coverage ratio, in excess of 2:1 in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a fixed charge coverage ratio of 2:1 and an MCCSR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Group.
Change in control (1)	This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group.
Limitation on liens	This covenant restricts the Group's ability to secure future debt with the Group's assets.
Optional Redemption	The notes are redeemable at the Group's option after August 11, 2018 at specified redemption rates.

46.3 Financial covenants (continued)

(1) On December 20, 2019 the Group made an Offer to purchase for cash, any and all of the outstanding $320.0 million aggregate principal amount of 8.875% Senior Notes due 2022. This offer was made in connection with the completed business combination by Sagicor Financial Corporation Limited (the "Parent Guarantor") with Alignvest Acquisition II Corporation, a special purpose acquisition corporation listed on the Toronto Stock Exchange ("Alignvest"), completed on December 5, 2019 (the "Transaction"). As a result of the completion of the Transaction, all issued and outstanding shares in the Parent Guarantor have been transferred to Alignvest, with former shareholders of the Parent Guarantor receiving cash or shares in Alignvest, which has been renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Notes will continue to be guaranteed by Parent Guarantor. On January 27, 2020, $1.9 million notes were tendered, purchased and cancelled.

(b) 4.85% notes due 2019

Under an indenture and a trust deed entered into by the Group on the issue of the senior notes and notes respectively (see note 16), the Group has to comply with permitted lien covenants, which will not allow SFCL nor any of its subsidiaries to directly or indirectly, incur or permit to exist any lien to secure any indebtedness or any guarantee of indebtedness, other than permitted liens, without effectively providing that the senior notes and notes are secured equitably and rateably with (or, if the obligation to be secured by lien, this is subordinated in right of payment to the senior notes and notes, prior to) the obligations so secured for so long as such obligations are so secured.

Permitted liens are liens existing on the dates of issue of the senior notes and notes respectively, certain liens which would arise in the course of normal business, and other liens whose outstanding principal amounts in aggregate do not exceed 10% of the consolidated net tangible assets (as is defined in the indenture and trust deed).

The Group complied with all covenants up until August 12, 2019 when this loan was repaid.

46.3 Financial covenants (continued)

(c) 5.10% unsecured bond due 2020 and 5.95% unsecured bond due 2020

Under a trust deed dated September 26, 2019 entered into by the Group on the issue of these securities, the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Change in control	Under a change in control, each holder has the right to require the issuer to purchase all or any part of the bonds.
Limitation on indebtedness	SFCL will not create or permit to subsist any security interest on any of its present of future assets without the prior consent in writing of the Trustee.
Limitation on indebtedness	SFCL will not seek to incur any additional indebtedness where the incurrence of additional indebtedness will give rise to any breach of the Financial Covenants except with the prior written consent of the trustee.
	Financial Covenants SFCL will maintain the following rations: (i) Minimum Interest Services Coverage Ratio of 1.50% (ii) Maximum Debt to Equity Ratio of 75%
Restrictions on dividends	Except with the prior written consent of the Trustee, SFCL will not pay any dividends while SFCL is in breach of any of the financial covenants.
Restrictions on dealing with affiliates	The covenant restricts affiliate transactions of the Group.

46.3 Financial covenants (continued)

(d) Sagicor General Insurance Inc 3.50% loan agreement

COVENANT	DESCRIPTION
Debt service coverage ratio	The guarantor subsidiary Sagicor Life Inc must maintain a minimum debt service coverage ratio of 1.5 to 1.0.
Effective net worth	The subsidiary net worth must not fall below US $15.0 million.
Total funded debt to net worth	The total funded debt to net worth ratio of the subsidiary must not exceed 1.0 to 1.0.

(e) 4.90% USD mortgage notes due 2025

COVENANT	DESCRIPTION
Debt service coverage ratio	The mortgage note contains a debt service coverage ratio covenant and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. The company was compliant.

46.3 Financial covenants (continued)

(f) 4.75% USD mortgage notes due 2021

COVENANT	DESCRIPTION
Interest coverage ratio, Debt to EBIDTA ratio and a maximum loan to security value ratio.	The company must maintain a minimum interest coverage of 1.35. The company was compliant at year end. The company must maintain a maximum ratio of 4.75 for total debt to EBITDA. The company was in breach at year end. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach. The company must maintain a maximum loan to security value ratio of 75%. The company was compliant at year end.

46.3 Financial covenants (continued)

(g) 5.00% USD mortgage notes due 2020

8.75% JMD mortgage notes due 2020

9.00% JMD mortgage notes due 2048

8.00% JMD mortgage notes due 2021

10.00% JMD mortgage notes due 2026

3.61% mortgage notes due 2026

COVENANT	DESCRIPTION
Interest coverage ratio and maximum debt to equity ratio	The mortgage notes contain a minimum interest coverage of 1.5 which is EBITDA divided by interest charges. The company was compliant at year end. A maximum debt to equity ratio of 1.8 is to be maintained. The company was compliant at year end. In 2018, the company failed to meet its debt covenant for total debt to equity ratio. As a result, the non-current portion of the loans were reclassified to current. There were no penalties incurred for this breach.

47 RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 5, 9, 12, 27, 30, 31 and 44, there are no material related party transactions except as disclosed below.

Key management transactions and balances

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals are summarised in the following tables:

	2019	2018
Compensation:		
Salaries, directors' fees and other short-term benefits	26,174	25,340
Optional contract benefit	1,390	-
Equity-settled contract benefits (note 1)	5,994	-
Equity-settled compensation benefits	7,289	5,674
Pension and other retirement benefits	1,341	1,733
	42,188	32,747

	Mortgage loans	Other loans	Total loans
Balance, beginning of year	4,750	1,317	6,067
Advances	675	1,925	2,600
Repayments	(1,315)	(530)	(1,845)
Effects of exchange rate changes	(15)	(22)	(37)
Balance, end of year	4,095	2,690	6,785
Interest rates prevailing during the year	3.75% – 10.50%	4.00% – 16.50%	

47 RELATED PARTY TRANSACTIONS (continued)

Investment advisory and management advisory agreement.

On April 10, 2019 Sagicor Financial Corporation Limited (Sagicor) entered into an Investment Advisory and Management Agreement with Alignvest Management Corporation (Alignvest) for the provision of investment advisory services and/or discretionary investment management services in respect of Sagicor's and its subsidiaries' assets. Under this agreement Alignvest was appointed to provide specified advisory services and has a right of first offer to provide other investment advisory services or investment management services to Sagicor and its subsidiaries where Sagicor wishes to externalize these services and provided that Alignvest or its affiliates have clearly defined, and relevant core competencies. Any such services would be provided by Alignvest or its affiliates on arm's length commercial terms. As consideration for services rendered and performed under the agreement, Alignvest or its applicable affiliates will receive a fee equal to $2.5 million, reduced annually for any fees paid to Alignvest or its affiliates with respect to investment management services or other services provided. The Agreement commenced on December 5, 2019, when Sagicor completed its proposed transaction between Alignvest Acquisition II Corporation and will continue for an initial term of three years unless terminated for cause. On December 5, 2019, Alignvest gave notice that it has assigned its rights and obligations under the agreement to High Vest Partners Inc, a joint venture between Alignvest and KGT Investments, LLC.

48 BREACH OF INSURANCE REGULATIONS – RELATED PARTY BALANCES

As at December 31, 2019, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulator has not imposed any penalty.

49 TRANSITION TO IFRS 16 - LEASES

The Group leases various office space, equipment and motor vehicles. Rental contracts are typically made for periods ranging from 1.5 to 12 years and these may be fixed term or have the option to be renewed or extended. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until December 31, 2018, leases of property, plant and equipment were classified as 'operating leases' under the principles of IAS 17 - Leases. Payments made under these operating leases were charged to the statement of income within administrative expenses, on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had been previously classified as operating leases in accordance with IAS 17 requirements. These liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.36%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

49. TRANSITION TO IFRS 16 - LEASES (continued)

	2019
Operating lease commitments as at December 31, 2018	27,325
Discounted using the lessee's incremental borrowing rate at the date of initial application	24,244
Add: finance lease liabilities recognised as at December 31, 2018	4,255
(Less): short-term leases recognised on a straight-line basis as expense	(325)
(Less): low-value leases recognised on a straight-line basis as expense	(33)
Add/(less): adjustments as a result of a different treatment of extension and termination options	(33)
Lease liability recognised as at January 1, 2019	28,108
Of which are:	
Current lease liabilities	7,844
Non-current lease liabilities	20,264
	28,108

Lease liability recognised at December 31, 2019

Current lease liabilities	7,748
Non-current lease liabilities	27,952
	35,700

49 TRANSITION TO IFRS 16 – LEASES (continued)

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	December 31, 2019	January 1, 2019
Land & buildings	29,058	23,434
Office furnishing, equipment & vehicles	311	419
Total right-of-use assets[1]	29,369	23,853

[1]Included in property, plant and equipment

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

	Increase/ (Decrease)
Property, plant and equipment	23,853
Current lease liabilities	5,365
Lease liabilities	18,488
The net impact on retained earnings on January 1, 2019	-

49 TRANSITION TO IFRS 16 - LEASES (continued)

Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Adjusted EBITDA	Assets	Liabilities[2]
Life, health and annuity contracts issued to individuals	4,571	15,990	17,585
Property and casualty insurance	242	5,503	5,677
Banking, investment management and other financial services	1,296	7,802	8,145
Hotel, farming and unallocated revenues	22	74	79
	6,131	29,369	31,486

Earnings per share decreased by 8.02¢ per share for the year as a result of the adoption of IFRS 16.

[2] The impact due to finance lease liabilities existing at December 31, 2018 is $4,214.

Transitions

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(a) the use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
(b) reliance on previous assessments on whether leases are onerous;
(c) the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
(d) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
(e) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

50 RECLASSIFICATION OF COMPARATIVE FIGURES

Where necessary certain comparative figures have been adjusted to conform with the changes in presentation in the current year. These adjustments had no effect on the reported results of operations.

Consolidated Statement of Financial Position

An adjustment has been made to the Consolidated Statement of Financial Position for the year ended December 31, 2018 to separately report financial investments repledged of $553,264. Financial investments previously reported of $5,347,663 have been separated into Financial investments of $4,794,399 and Financial investments repledged of $553,264.

An adjustment has been made to the Consolidated Statement of Financial Position for the year ended December 31, 2018 to separately identify Restricted cash. Cash resources previously reported as $358,687 has been separated into Cash of $261,899 and Restricted cash of $96,788.

Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with these reclassifications.

Consolidated Statement of Income

Net investment income disclosed in the Consolidated Statement of Income for the year ended December 31, 2018 of $295,965, has been restated to separately disclose interest income earned from financial assets measured at amortised cost and FVOCI of $290,988, other investment income of $2,832 and share of operating income of associates and joint ventures of $2,145, reclassified under Other.

Credit impairment losses of $95,519 in the Consolidated Statement of Income for the year ended December 31, 2018 have been reclassified from Expenses to Revenue.

Gain arising on business combinations, acquisitions and divestitures of $18,238 disclosed in the Consolidated Statement of Income for the year ended December 31, 2018 has been separated to show Gain arising on business combinations, acquisitions and divestitures of $11,820 and Gain arising on acquisition of insurance business of $6,418. Where applicable, comparative figures in the notes to the consolidated financial statements have been adjusted to conform with these reclassifications.

51 SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the World Health Organization declared COVID-19 a world health pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways.

As the COVID-19 situation evolves, many of the markets in which the Group operates have implemented public health safety protocols. Most Caribbean countries have largely shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere.

The COVID-19 pandemic has caused significant economic and financial turmoil both in the U.S. and around the world and has fuelled concerns that it will lead to a global recession. These conditions are expected to continue and worsen in the near term.

We believe that the pandemic will have a significant impact on our business, results of operations, financial condition and liquidity. The extent of these impacts will depend on future developments which cannot be accurately predicted at this time, as new information is emerging each day.

Increased economic uncertainty and increased unemployment resulting from the economic impacts of the spread of COVID-19 may also result in policyholders seeking sources of liquidity and withdrawing from insurance policy arrangements at rates greater than we previously expected. Accordingly, policyholder lapse and surrender rates could exceed our expectations, which could lead to an adverse effect on our business, financial condition, results of operations, liquidity and cash flows. The economic environment could also have an adverse effect on our sales of new policies.

51 SUBSEQUENT EVENTS (continued)

Our investment portfolio and our investments matching our pension liabilities may be adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Changes in interest rates, reduced liquidity or a continued slowdown in global economic conditions may also adversely affect the values and cash flows of these investments. Investments in mortgages and finance loans could be negatively affected by delays or failures of borrowers to make payments of principal and interest when due. Equity investments have declined substantially in value. The Group has an investment in Playa Hotels and Resorts; travel restrictions, the impact on tour and holiday bookings and cancellations, may result in a downturn in revenues and profits which could result in a write-down of this asset.

The Group will continue to monitor the impact of COVID-19.

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

DIVIDENDS

An interim dividend of US 2.5 cents per common share, approved by the Directors of Sagicor Financial Corporation Limited was declared for the half-year ended June 30, 2019, and paid on November 15, 2019 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on October 18, 2019.

With the exchange of shares of Sagicor Financial Corporation Limited for shares in Sagicor Financial Company Ltd. (formerly Alignvest, Acquisition II Corporation) in December 2019, the next dividend paid by the Group parent was under the name of Sagicor Financial Company Ltd. A first quarterly dividend of US 5.625 cents per common share, payable on February 28, 2020, was approved as part payment of the final dividend for the financial year ended December 31, 2019 to the holders of common shares, including depositary interest holders, whose names were registered on the books of the Company at the close of business on February 10, 2020.

TRANSFER AGENT – SHAREHOLDER ASSISTANCE

For more information on managing your Sagicor shares, shareholders may contact our Transfer Agent, TSX Trust Company.

Investor & Account Assistance

Sign in to your TSX Trust account to access all the data related to your account, including a summary of holdings, transaction history and, proxy voting and more. For your convenience, the TSX has also created a list of Frequently Asked Questions.

Connect with TSX Trust

By Telephone: 1-647-727-0851 (Outside of North America)
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By Google Hangout:

Use the call feature of Google Hangouts to reach a TSX Agent (calls only).

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STOCK EXCHANGE LISTINGS

Sagicor Financial Company Ltd. is listed on the Toronto Stock Exchange – Symbol TSX:SFC.

Sagicor Financial Corporation Limited was delisted from the London Stock Exchange and has applied to be delisted from the Trinidad and Tobago and Barbados Stock Exchanges.

ADVISORS AND BANKERS

APPOINTED ACTUARY

Sylvain Goulet, FCIA, FSA, MAAA, Affiliate Member of the (British) Institute of Actuaries and Affiliate Member of the Caribbean Actuarial Association

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Email: info_trinidad@sagicor.com

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Guillen Insurance Consultants
P O Box 4929
Kaya E, Salas No 34
Tel: (599) 9 461-2081
Fax: (599) 9 461-1675
Email: chris-guillen@betlinks.an

Dominica
WillCher Services Inc
44 Hillsborough Street
Corner Hillsborough & Independence Streets
Roseau
Tel: (767) 440-2562
Fax: (767) 440-2563

Haiti
Cabinet d'Assurance
Fritz de Catalogne
Angles Rues de Peuple et des Miracles
Port-au-Prince
Tel: (509) 3701 1737

St Kitts
Sagicor Life Inc
C/o The St Kitts Nevis Anguilla Trading and Development Co. Ltd
Central Street, Basseterre
Tel: (869) 465-9476
Fax: (869) 465 6437

St Vincent
Sagicor Life Inc
S.V. Browne Agency Limited
Frenches
Kingstown
Tel: (784) 456-1159
Fax: (784) 456-2232

SAGICOR LIFE (EASTERN CARIBBEAN) INC
Sagicor Financial Centre
Choc Estate Castries, St Lucia
Tel: (758) 456-1700
Tel: (758) 450-3787

Sagicor Life (Eastern Caribbean) Inc Branch Offices

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Fax: (268) 480-5520
Email: info_antigua@sagicor.com

Grenada
TransNemwil Complex The Villa
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Sagicor General Insurance Registered Office

SAGICOR GENERAL INSURANCE INC
Cecil F DeCaries Building
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Fax: (246) 228-8266
Email: sgi-info@sagicorgeneral.com

Sagicor General Insurance Inc
Haggatt Hall
St Michael
Barbados
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Fax: (246) 426-0752
(246) 228-8266
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Sagicor Financial Centre
Choc Estate
Castries
St Lucia
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Fax: (758) 450-4870

Trinidad and Tobago
122 St Vincent Street
Port of Spain
Tel: (868) 623-4744
Fax: (868) 628-1639 or (868) 625-1927

Sagicor General Insurance Agencies

HHV Whitchurch & Company Limited
Old Street
P O Box 771
Roseau
Dominica
Tel: (767) 448-2182
Fax: (767) 448-5787

WillCher Services Inc
44 Hillsborough Street
Corner Hillsborough & Independence Streets
Roseau, Dominica
Tel: (767) 440-2562
Fax: (767) 440-2563

JE Maxwell & Company Limited
Linmores Building
Castries
St Lucia
Tel: (758) 451-7829
Fax: (758) 451-7271
Email: jemax@candw.lc

Orry J Sands & Co. Ltd.
300 east Shirley Street
Nassau, NP Bahamas
Tel: (242) 393-4300
Fax: (242) 393 6258

SAGICOR FUNDS INCORPORATED
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SAGICOR ASSET MANAGEMENT INC
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Fax: (246) 426-1153
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SAGICOR FINANCE INC
Sagicor Financial Centre Choc Estate
Castries
St Lucia
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Fax: (758) 452-4279

SAGICOR ASSET MANAGEMENT (TRINIDAD AND TOBAGO) LIMITED
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NATIONWIDE INSURANCE COMPANY LIMITED
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BARBADOS FARMS LIMITED
Bulkeley
St George
Barbados
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Fax: (246) 437-8873

SAGICOR PANAMA SA
Ave Samuel Lewis y Calle Santa Rita
Edificio Plaza Obarrio
3er Piso Oficina 201
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Tel: (507) 223-1511

SAGICOR BERMUDA RE LTD
30 Woodbourne Ave,
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HM HX Bermuda
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Fax: (441) 292-1540

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Email: calico@setarnet.aw

Lyder Insurance Consultants
Seroe Blanco 56A
Tel: (297) 582-6133

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EMPLOYEE BENEFITS ADMINISTRATORS LIMITED
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SAGICOR BANK JAMAICA LIMITED
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Connect with us!

Sagicor Financial Company Ltd. welcomes your feedback regarding any aspect of our business, or of any member of the Sagicor Group of companies. We are very happy for you to contact us through any of the channels listed below.

Shareholders	Stay connected!
Contact TSX Trust for: • Dividends • Change in share registration and address • DRS Statements • Estate transfer	Phone: 1-647-727-0851 (Outside of North America) 1-833-955-1277 (North American Toll Free) Email: sagicor@tsxtrust.com
Contact Sagicor Financial Company Ltd. for: • general shareholder requests • Copies of the Annual Report	Phone: (246) 467-7500 Fax: (246) 426-7907 Email: investorrelations@sagicor.com
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Annual Report 2019