SAGICOR FINANCIAL COMPANY LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three-month and six-month periods ended June 30, 2020 and June 30, 2019

Introduction and Notice

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the three-month and six-month periods ended June 30, 2020 with comparative analysis for the corresponding periods ended June 30, 2019. This MD&A should be read in conjunction with the Company's quarterly financial statements, prepared in compliance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, 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") ("the Company") (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). Details of 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 Group'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 Group believes that these non-IFRS financial measures provide additional information to better understand the Group'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 Group 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 Group's performance. These measures enhance the comparability of the Group'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. Minimum Continuing Capital and Surplus Requirements (MCCSR)

The MCCSR is a capital adequacy measure for life insurance companies that was established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It was 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 to the 2019 audited 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 2019 audited annual financial statements) to total capital (excluding Participating accounts), where capital is defined as the sum of notes and loans payable and total equity excluding Participating accounts. 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 2019 audited annual financial statements) to total equity (excluding Participating accounts). 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 is the ratio of earnings before interest and taxes for the previous twelve months, divided by the sum of interest and preferred share dividends for the previous twelve months. The coverage ratio is a solvency check which measures the number of times interest and preferred share dividends can be paid by the earnings of a 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.

Risk 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 risks, 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'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 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; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; 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 August 13, 2020.

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1. HIGHLIGHTS

The Group's financial results for the six-month period ended June 30, 2020 were materially affected by COVID-19. You may recall that on March 11, 2020 the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. As a response to this public health emergency, governments around the world have made significant interventions in responding to this threat. Most Caribbean countries have largely shut down air and sea traffic. Similar procedures have also been implemented in the United States, Canada and elsewhere. In addition, Governments have implemented various forms of public lockdowns which have largely curtailed economic and social activity. Companies have therefore implemented work from home policies in response to these restrictions. Sagicor, like other companies has had to, focus on supporting our staff, customers and suppliers, while developing responses to the business disruption. The Group has made significant efforts to stabilize revenues while maintaining customer service levels. During the three-month period ended June 2020 there have been attempts to modify and relax some of the restrictions implemented in the first quarter of the year, however these have yielded mixed results and therefore many of the restrictions have continued with a continued slowdown in economic activity. The overall impact of COVID-19 is still evolving and dependent on the ultimate success of the actions taken by Governments, businesses and communities and the ultimate outcomes may vary by country.

Against this backdrop the Sagicor Group recorded a net loss of US $ 11.1 million for the three months ended June 30, 2020, compared to net income of US $25.5 million for the same period in 2019. Net loss from continuing operations attributable to common shareholders was US $0.3 million compared to net income US $11.1 million, for the same period in the prior year. The net loss was primarily related to higher Expected Credit Losses (ECLs) losses due to the pandemic as well as an internal reinsurance transaction that resulted in a strengthening of reserves in our U.S. operation. The results also include impairment losses on an associated company.

Sagicor Group recorded a net loss of US $36.2 million for the six months ended June 30, 2020, compared to net income of US $58.4 million for the same period in 2019. Net loss from continuing operations attributable to common shareholders was US $29.6 million compared to net income US $26.2 million, for the same period in the prior year. This result was primarily due to losses in the first quarter, driven by mark-to-market changes in asset prices (net of corresponding reserve changes) and increased provisions for ECLs in anticipation of a potential prolonged economic downturn.

Group capital remains strong, with the Group closing the second quarter of 2020 with a Minimum Continuing Capital and Surplus Requirement (MCCSR) of 264%, well above our target capital standards, and with ample liquidity following the transaction with Alignvest completed in December 2019.

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.

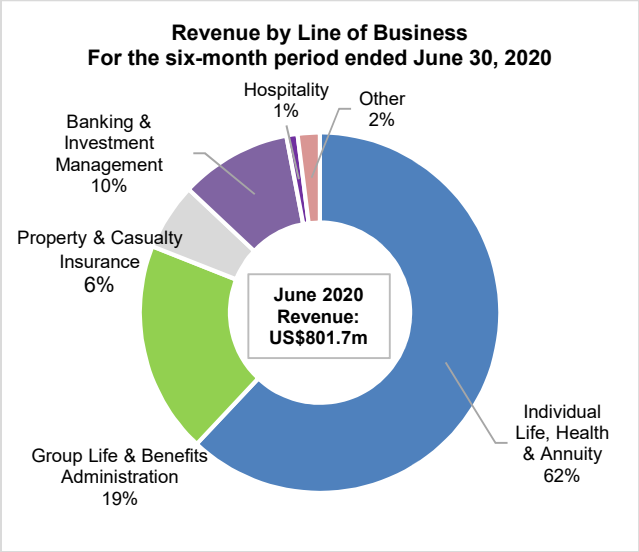
MANAGEMENT'S DISCUSSION AND ANALYSIS

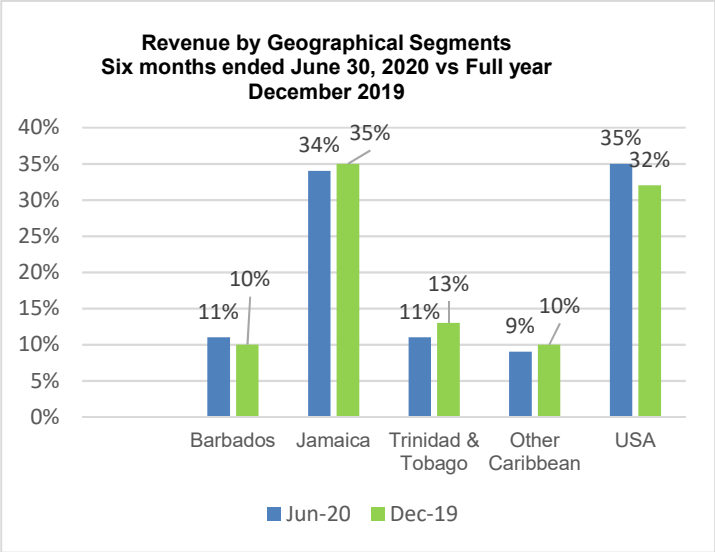
As a result of its completed business combination with Alignvest Acquisition II Corporation (AQY) on December 5, 2019, the new Sagicor, known as Sagicor Financial Company Ltd., now trades on the Toronto Stock Exchange under the new symbols "SFC" and "SFC.WT". With a listing on the Toronto Stock Exchange, Sagicor Financial Corporation Limited'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.

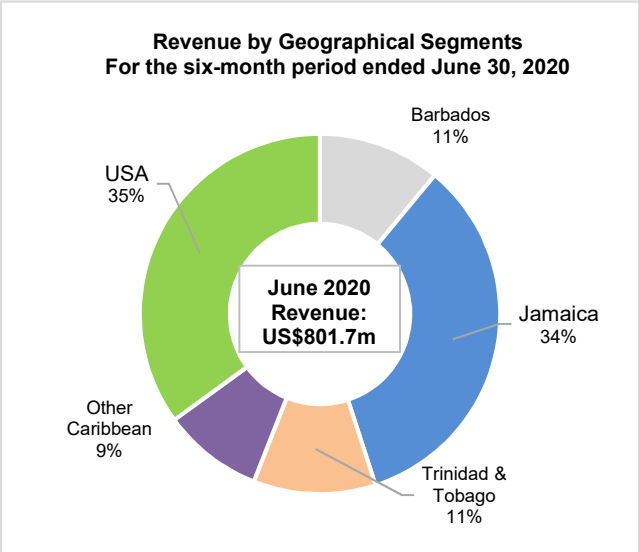
Sagicor currently operates in 20 countries and maintains a strong market position in most of the markets where it operates.

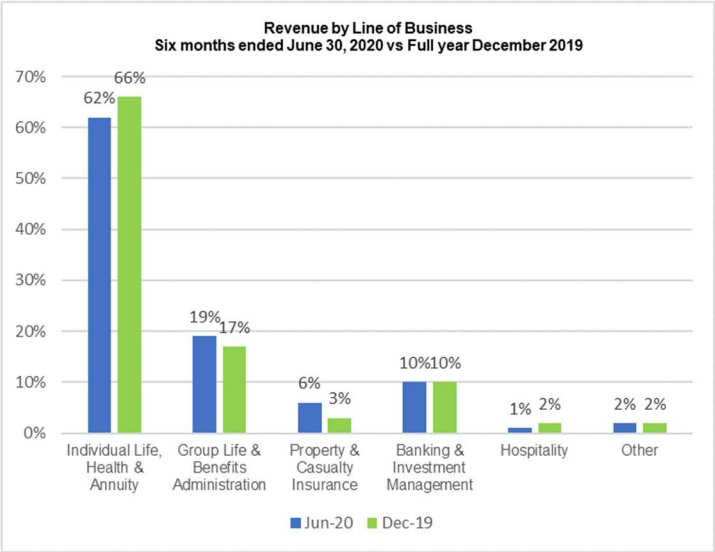
Sagicor operates its business primarily through its three reporting operating segments, namely Sagicor Life, Sagicor Jamaica, and Sagicor Life USA.

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.









Financial Summary

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

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 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.

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares (other than those 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 2019 outstanding shares to the Sagicor Financial Company Ltd. equivalent. All per share ratios for 2018 and 2019 have been adjusted to reflect the Exchange Ratio.

	Three months ended June 30			**Six months ended June 30**		
(in US $millions, unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Profitability						
Net (loss)/income [(a)] attributable to common shareholders	**(0.3)**	11.1	(103%)	**(29.6)**	26.2	(213%)
Earnings per share:						
Basic earnings[(a)]	**(0.2) ¢**	15.7 ¢	(101%)	**(19.9) ¢**	37.0 ¢	(154%)
Fully diluted [(a)]	**(0.2) ¢**	13.8 ¢	(101%)	**(19.9) ¢**	33.0 ¢	(160%)
Return on shareholders' equity [(a)]	**(0.1%)**	6.9%	(7.0) pts	**(5.2%)**	8.5%	(13.7) pts
Growth						
Revenue:						
Individual life, health and annuity	**309.3**	313.3	(1%)	**497.0**	678.6	(27%)
Group life, health and annuity	**75.7**	77.8	(3%)	**153.7**	148.8	3%
Property and casualty insurance	**22.6**	14.8	53%	**44.1**	26.7	65%
Banking and investment management	**40.7**	48.6	(16%)	**81.8**	90.4	(10%)
Hospitality	**1.4**	10.8	(87%)	**10.9**	22.1	(51%)
Farming and unallocated revenues	**8.8**	3.1	184%	**14.2**	17.5	(19%)
Total revenue	**458.5**	468.4	(2%)	**801.7**	984.1	(19%)

(a) From continuing operations

Financial Summary, continued

	Three months ended June 30			Six months ended June 30		
(in US $millions, unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Growth (continued)						
Net premium revenue:						
Life insurance	**99.5**	106.7	(7%)	**210.3**	209.4	-
Annuity	**153.7**	153.8	-	**298.2**	363.7	(18%)
Health insurance	**42.8**	42.8	-	**89.6**	86.1	4%
Property and casualty insurance	**14.0**	9.4	49%	**29.5**	18.5	59%
Total net premium revenue	**310.0**	312.7	(1%)	**627.6**	677.7	(7%)
Assets from continuing operations	**8,734.2**	7,861.7	11%	**8,734.0**	7,861.7	11%
Total assets	**8,734.2**	7,861.7	11%	**8,734.0**	7,861.7	11%
Operating liabilities	**6,586.8**	6,163.1	7%	**6,586.8**	6,163.1	7%
Notes and loans payable	**513.7**	473.9	8%	**513.7**	473.9	8%
Book value per common share	**$7.21**	$9.05	(20%)	**$7.21**	$9.05	(20%)
Financial strength						
Debt to capital ratio	**23.9%**	28.6%	(4.7) pts	**23.9%**	28.6%	(4.7) pts
Dividend pay-out ratio[(a)]	**N/A**	0.7%	-	**N/A**	0.3%	-
Dividends paid per common share	**5.6 ¢**	2.5 ¢	N/A	**11.3 ¢**	2.5 ¢	N/A
Dividends paid per common share – Converted using exchange ratio	**N/A**	10.8 ¢	N/A	**N/A**	10.8 ¢	N/A
Total capital	**2,146.4**	1,695.0	27%	**2,146.4**	1,695.0	27%
Average common shares outstanding (000's)	**148,682**	70,752	N/A	**148,632**	70,752	N/A
Outstanding shares, at end of period (000's)	**148,832**	306,556	N/A	**148,832**	306,556	N/A
Outstanding shares, at end of period (000's) – Converted using exchange ratio	**N/A**	70,821	N/A	**N/A**	70,821	N/A
MCCSR, at end of period	**264.0**	248.8	15.2 pts	**264.0**	248.8	15.2 pts

[(a)] Profits were negative during the period.

Profitability

The Sagicor Group recorded a net loss of US $36.2 million for the six-month period ended June 30, 2020, compared to net income of US $58.4 million reported for the same period in 2019. Net loss from continuing operations attributable to common shareholders, amounted to US $29.6 million compared to net income of US $26.2 million for the corresponding period in 2019. Both Group net loss and loss attributable to Shareholders from continuing operations were adversely affected by the impact of the COVID-19 pandemic on the business, as well as a $13 million strengthening of reserves in our U.S. operations related to an internal reinsurance transaction completed in the quarter.

Earnings per share (basic) for the six-month period ended June 30, 2020 was a loss of $0.199 per share compared to a profit of US $0.370 per share, for the six-month period ended and June 30, 2019.

Refer to the Profitability section of this Management's Discussion and Analysis for additional information on the Company's profitability for the first half of 2020.

Profitability	**Three months ended June 30**			**Six months ended June 30**		
(in US $millions, unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Net income attributable to common shareholders from continuing operations	**(0.3)**	11.1	(103%)	**(29.6)**	26.2	(213%)
Earnings per common share (EPS) – (basic)	**($0.002)**	$0.157	(101%)	**($0.199)**	$0.370	(154%)

Business Growth

Net premiums and net investment income showed declines for the first half of 2020 when compared to the same period in the prior year. Net premium revenue fell 7% compared to 2019: the prior year included a significant one-time single premium annuity sale which was not repeated in the period. Net investment income was impacted by mark-to-market declines on our financial assets. These declines have impacted our regional and our international portfolios and was largely a result of the capital markets reaction to the COVID-19 pandemic. As a result, the Group closed the period under review with total revenue contracting by 19% when compared to the same period in 2019.

Total revenue also includes Credit impairment losses of US $27.2 million for the six months ended June 30, 2020 as the Group updated its credit impairment assumptions for the emerging COVID-19 economic environment.

The following table summarizes the revenue by operating segment.

Total Revenue by	**Three months ended June 30**			**Six months ended June 30**		
(in US $millions, unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Sagicor Life	**97.1**	111.4	(13%)	**210.3**	246.2	(15%)
Sagicor Jamaica	**166.9**	182.0	(8%)	**299.3**	345.9	(13%)
Sagicor Life USA	**180.0**	163.7	10%	**270.7**	372.2	(27%)
Head office, Other and Adjustments	**14.5**	11.3	28%	**21.4**	19.8	8%
Total revenue	**458.5**	468.4	(2%)	**801.7**	984.1	(19%)

Refer to the sections that follow for more information on 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 June 30, 2020 has been estimated at 264% (December 31, 2019 - 253%).

The debt to capital ratio was 23.9% as at June 30, 2020 compared 22.8% at December 31, 2019, while the coverage ratio was 3.1 times for June 30, 2020 period, compared to 5.6 times for the same period in 2019.

As of June 30, 2020, capital resources declined to US $2,146.4 million compared to the US $2,266.3 million reported at the end of December 2019, as capital markets experienced declines in response to the COVID-19 pandemic.

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. This dividend was paid on February 28, 2020.

On April 24, 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 May 5, 2020. The dividend was paid on May 29, 2020.

Quality of Investments

As of June 30, 2020, the Sagicor Group held US $6,676.7 million of diversified financial assets, compared to US $6,685.6 at December 31, 2019, a decline of US $ 6.2 million. The decline in financial assets is largely attributable to mark-to-market declines. The Group recorded net investment income of US $107.0 million for the six-month period ended June 30, 2020 compared to US $216.8 million for the same period in the prior year. The annualized net investment return was 3.2% compared to 7.9% for the same period in the prior year. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at June 30, 2020, Sagicor held US $4,659.4 million in debts securities (70% of the total financial investments on hand). A summary of net investment income for the three-month and six-month periods ended June 30, 2020 and 2019, is shown below.

Investment Income Summary	**Three months ended June 30**			**Six months ended June 30**		
(in US $millions, unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Interest income (AC)	**46.3**	45.1	3%	**90.8**	87.0	4%
Interest income (FVOCI)	**33.0**	33.1	-	**68.5**	65.1	5%
Income from FVTPL investments	**42.2**	28.0	51%	**(51.9)**	64.2	(181%)
Other investment income	**1.7**	3.3	(48%)	**4.0**	6.2	(35%)
Investment expenses	**(2.3)**	(2.5)	8%	**(4.4)**	(5.7)	23%
	120.9	107.0	13%	**107.0**	216.8	(51%)

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.

Details of significant matters have been disclosed in the Group's 2019 audited financial statements. There have been no further developments in these matters since that date of reporting.

Board of Directors

The composition of the Board of Directors has been disclosed in the Group's Management Discussion and Analysis for the year ended December 31, 2019. The composition of the Board of Directors was changed on June 30, 2020 as follows:

- Mr. Monish Dutt and Mr. Douglas (Rik) Parkhill resigned as directors of the Company.
- Mr. Gilbert Palter and Mr. Jonathan Finkelstein were elected as directors of the Company.

Changes to Accounting Policies in 2019 and Future Changes in Accounting

There were no new accounting standards adopted during the six months ended June 30, 2020. Refer to note 2 of the 2019 annual consolidated financial statements included in pages 156 to 181 of the Annual Report for 2019.

Amendments to existing IFRS and IAS effective January 1, 2020

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

- IFRS 3 – Definition of a business, effective January 1, 2020
- IAS 1 and IAS 8 – The definition of material, effective January 1, 2020
- Conceptual Framework for Financial Reporting, effective January 1, 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest, effective January 1, 2020

None of these amendments had a material effect on the Group's financial statements. Refer to note 2.26 of the annual financial statements for further details on amendments to existing IFRS and IAS effective January 1, 2020.

Outlook for 2020

The Group's outlook for the balance of 2020 continues to be uncertain. The Group's financial results were materially affected by the impact of COVID-19 in Q1 2020, particularly by the volatility in asset prices resulting from the capital markets' reaction to potential economic contractions. Since the close of Q1 we have observed a recovery in the price of many of the assets that caused the Group losses in Q1 and have put in place a series of initiatives to mitigate the effect of the pandemic on our operations and financial results. However, lockdowns and general contraction of economic activity have impacted the Company. The length and severity of economic contraction in our operating jurisdictions remains unpredictable, as does the impact on the Group's financial results.

Economic Environment

At the time of writing, the impact of the COVID-19 pandemic continues to have a negative impact on the economies in which we operate. The International Monetary Fund further revised its global growth projections from -3% to -4.9% for 2020 and expects global growth to rebound to 5.4% in 2021 as economic activity normalises. According to the latest release from the Bureau of Economic Analysis, the US economy contracted by 5.0% in the first quarter of 2020. There has been a significant jump in the US unemployment rate; as at June 30, 2020 the US unemployment rate stood at 11.1% compared to 3.5% at the end of 2019. In light of this, the Federal Open Market Committee maintained the target range for the federal funds rates at 0% to 0.25% and will increase purchases of Treasury securities and agency mortgage-backed securities. Against this backdrop, the S&P 500 Index and the MSCI Emerging Market Index rose by 19.95% and 8.23% respectively for the quarter. Safe havens such as Treasuries experience moderate declines with the 10-year Treasury yields declining from 0.70% as at March 31st, 2020 to 0.66% for the second quarter of 2020.

The Eastern Caribbean Central Bank projects economic activity in the Eastern Caribbean Currency Union (ECCU) to contract by between 10% and 20% in 2020; prior to the COVID-19 pandemic economic growth in the ECCU was projected at 3.3%. In Barbados, unemployment claims reached 36,482 during May 2020 after averaging 624 during the first two months of the year mostly due to the halt in the tourism sector. The Barbadian economy contracted by 3.0% during the first quarter of 2020. The central bank of Barbados has maintained its accommodative stance with a discount rate of 2%. Trinidad and Tobago's economy is forecasted to contract by around 4.5% in 2020 according to the IMF. Even though Trinidad and Tobago is less dependent on tourism than its Caribbean neighbours, the significant drop in global energy demand coupled with national lockdowns state caused by the pandemic prove challenging for the twin-island state. Standard and Poor's lowered Trinidad and Tobago's Sovereign rating from 'BBB' to 'BBB-,' in March 2020 due to the expected reduction in government revenues from lower oil and gas prices. The Jamaican economy is expected to contract by 5.6% in 2020 according to the IMF, while Standard and Poor's predicts that the decline could be as high as 13%. In response to the pandemic, the Jamaican government has announced a JM$25 billion package in the form of tax cuts and emergency funding for the healthcare, tourism and vulnerable households. The Bank of Jamaica continues to have an accommodative stance and policy rates remain unchanged at 0.5%.

2. PROFITABILITY

Highlights

The Sagicor Group recorded a net loss attributable to common shareholders for the six-month period ended June 30, 2020 of US $29.6 million, compared to net income of US $26.2 million reported for the same period in 2019, a decrease of US $55.8 million. Return on equity for the June 2020 six-month period was a loss of 5.2% (annualised), compared to earnings of 8.5% in 2019. The Earnings per Share (EPS - basic) moved similarly, closing at a loss of US $0.199 per share for the period compared to earnings of US $0.370 per share for the same period in the prior year. These results have been largely driven by the impact of COVID-19 pandemic as the Group experienced significant mark-to market losses on financial assets, credit impairment losses, declines in new business sales and charges related to the reinsurance transaction in Sagicor Life USA.

Net (loss)/income attributable to Common shareholders from continuing operations	**Three months ended June 30**			**Six months ended June 30**		
(in US $millions, unless otherwise noted)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Sagicor Life	**2.2**	9.5	(77%)	**4.1**	21.3	(81%)
Sagicor Jamaica	**9.1**	14.3	(36%)	**18.2**	24.7	(26%)
Sagicor Life USA	**(2.9)**	6.0	(148%)	**(17.2)**	12.9	(233%)
Head office, Other and adjustments	**(8.7)**	(18.7)	53%	**(34.7)**	(32.7)	(6%)
Net (loss)/income	**(0.3)**	11.1	(103%)	**(29.6)**	26.2	(213%)
Earnings per common share (EPS):						
Basic	**(0.2) ¢**	15.7 ¢	(101%)	**(19.9) ¢**	37.0 ¢	(154%)
Diluted	**(0.2) ¢**	13.8 ¢	(101%)	**(19.9) ¢**	33.0 ¢	(160%)
Return on common shareholders' equity (ROE)	**(0.1%)**	6.9%	(7.0) pts	**(5.2%)**	8.5%	(13.7) pts

Group net (loss)/ income for the six-month periods ended June 30, 2020 and June 30, 2019.

The table below summarises Sagicor's net (loss)/income for the six-month periods ended June 30, 2020 and 2019.

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Group net (loss)/income			
Total	**(36.2)**	58.4	(162%)
Net (loss)/ income is attributable to Common shareholders:			
From continuing operations	**(29.6)**	26.2	(213%)
From discontinued operation	**-**	0.5	(100%)
	(29.6)	26.7	(211%)
Participating policyholders	**0.1**	0.7	(86%)
Non-controlling interest	**(6.7)**	31.0	(122%)
Group net (loss)/income	**(36.2)**	58.4	(162%)

Group net losses amounted to US $36.2 million for the six-months ended June 30, 2020, compared to net income of US $58.4 million in the same period in the prior year.

Net losses from continuing operations attributable to common shareholders, closed the period with a loss of US $29.6 million compared to income of US $26.2 million for the first half of 2019. Both Group net income and income attributable to Shareholders from continuing operations, were impacted by significant mark-to-market losses and credit impairment losses, as capital markets responded adversely to the COVID-19 pandemic. The Group also experienced some contraction in new business sales.

Net income from discontinued operation was nil for the first half of 2020, compared to income of US $0.5 million for the same period in 2019. 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 off this exposure. The final settlement amount was received on February 26, 2019.

Group net (loss)/income from continuing operations

The table below summarises Sagicor's net income from continuing operations for the six-month periods ended June 30, 2020 and 2019.

(in millions of US $)	Six months ended June 30		
	2020	**2019**	**Change**
Group net (loss)/income from continuing operations			
Revenue	**801.7**	984.1	(19%)
Benefits	**(516.8)**	(639.7)	19%
Expenses	**(279.6)**	(268.2)	(4%)
Other	**(25.4)**	8.3	(406%)
Income taxes	**(16.1)**	(26.6)	39%
Group net (loss)/income from continuing operations	**(36.2)**	57.9	(163%)

Revenue

The following table summarises the main items of Sagicor's revenue for the six-month periods ended June 30, 2020 and June 30, 2019.

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Revenue			
Net insurance premiums:			
Life and annuity	**508.5**	573.1	(11%)
Health	**89.6**	86.1	4%
Property and casualty	**29.5**	18.5	59%
	627.6	677.7	(7%)
Net investment income	**107.0**	216.8	(51%)
Gain on derecognition of amortised cost investments	**3.0**	1.7	76%
Gains/(losses) reclassified to income from accumulated OCI	**15.2**	3.5	334%
Credit impairment losses	**(27.2)**	-	-
Fees and other revenue	**76.1**	84.4	(10%)
Total	**801.7**	984.1	(19%)
Total Revenue by Operating Segment			
Sagicor Life	**210.3**	246.2	(15%)
Sagicor Jamaica	**299.3**	345.9	(13%)
Sagicor Life USA	**270.7**	372.2	(27%)
Head office, Other and Adjustments	**21.4**	19.8	8%
	801.7	984.1	(19%)

Revenue from continuing operations reached US $801.7 million for the six-month period ended June 30, 2020, a decrease of US $182.4 million (19%) from US $984.1 million reported for the same period in 2019.

Net insurance premium revenue represented 78% (June 2019 – 69%) of total revenue, and closed the period at US $627.6 million, US $50.1 million (7%) below the amount of US $677.7 million reported for the same period in 2019. Net premium revenue from the life and annuity insurance business totalled US $508.5 million for the six-month period ended June 30, 2020, compared to US $573.1 million for the same period in 2019. In 2019, the Group benefited from significant single premium business in the Sagicor Life Segment amounting to US $20 million, this did not repeat in 2020. Our USA segment also experienced lower new annuity sales for the period when compared to the same period in the prior year due to the changing interest rate environment.

Net premium revenue from health insurance business totalled US $89.6 million for the six-month period ended June 30, 2020, a moderate increase from US $86.1 million reported in 2019. Net premium revenue from property and casualty insurance totalled US $29.5 million for the first half of 2020, a 59% increase from US $18.5 million for the same period in 2019, and includes net premiums of US $10.7 million related to the general insurance business - Advantage General Insurance Company Limited, acquired on September 30, 2019, in our Jamaica segment.

Both regional and international capital markets responded adversely to the COVID-19 pandemic resulting in net investment income of US $107.0 million being reported for the first half of 2020, compared to US $216.8 million for the same period in 2019, a decrease of US $109.8 million. The Group experienced significant mark-to-market losses on financial assets. Overall, realised and unrealised losses on financial assets categorised as FVTPL totalled US $63.0 million, during the first half of 2020, and largely related to equities and equity indexed options and affected our Sagicor Life USA segment and our Jamaica segment. In 2019, the Group benefitted from US $35.6 million in realised and unrealised million on financial assets categorised as FVTPL.

The Group generated Fees and other revenues of US $76.1 million for the six-month period ended June 30, 2020, compared to US $84.4 million for the same period in 2019, a decrease of US $8.3 million, as the Group recorded lower hotel revenues, a direct consequence of the travel restrictions associated with the COVID-19 pandemic.

Benefits

Benefits totalled US $516.8 million in for the first half of 2020, a 19% decrease from US $639.7 million reported for the same period in 2019. The declines in benefits (which include actuarial provisions for future benefits) reflects and is consistent with lower premium revenue in our Sagicor Life and Sagicor Life USA segments.

The following table summarises the benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the six-month periods ended June 30, 2020 and 2019.

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Benefits			
Net insurance benefits:			
Life and annuity	**418.6**	534.3	22%
Health	**65.7**	66.0	-
Property and casualty	**13.3**	10.4	(28%)
	497.6	610.7	19%
Interest cost	**19.2**	29.0	34%
Total	**516.8**	639.7	19%

Life and annuity benefits totalled US $418.6 million for the six-month period ended June 30, 2020 of which US $232.3 million related to current benefits and US $186.3 million related to future benefits. The amounts for the corresponding period in 2019 were a total of US $534.3 million, of which US $197.5 million related to current benefits and US $336.8 million related to future benefits. The change in provision for future benefits from 2019 to 2020 represented a decrease of US $150.5 million and was driven primarily by significant declines in new business in our Sagicor Life and Sagicor Life USA segments.

Total health insurance benefits were US $65.7 million representing an overall claim to premium ratio of 73.4%. In 2019 the Group experienced health insurance benefits of US $66.0 million and an overall claim to premium ratio of 76.6%.

Property and casualty claims amounted to US $13.3 million in 2020, a US $2.9 million increase over the US $10.4 million incurred in 2019. Benefits associated with motor vehicles were down during the period due to lower accidents occurring during the period; a direct impact of movement restrictions associated with the COVID-19 pandemic. The newly acquired subsidiary Advantage General Insurance, acquired on October 1, 2019 in our Jamaica segment, contributed additional benefits during the first half of 2020.

Interest expense totalled US $19.2 million for the six-month period ended June 30, 2020, a decrease from US $9.8 million reported for the same period in 2019 and represented lower investment returns paid on contracts due to the current investment and economic environment.

Expenses and taxes

Expenses and taxes totalled US $295.6 million for the six-month period ended June 30, 2020, up US $0.8 million from that reported for the same period in 2019. The table below summarises Sagicor's expenses and taxes from continuing operations for the six-month periods ended June 30, 2020 and 2019.

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Expenses and taxes			
Administrative expenses	**167.2**	161.0	(4%)
Commissions and related compensation	**58.0**	60.3	4%
Finance costs, depreciation and amortisation	**44.1**	37.1	(19%)
Premium, asset and income taxes	**26.4**	36.4	27%
Total expenses and taxes	**295.7**	294.8	-

Administrative expenses totalled US $167.2 million for the period under review compared to US $161.0 million for the same period in 2019, an increase of US $6.2 million. Expenses included some one-time costs and adjustments which will not be repeated in the following months. Expenses also now included, the contribution from the general insurance business acquired on October 1, 2019.

Commissions and related compensation totalled US $58.0 million for the six-month period ended June 30, 2020 and was slightly below the US $60.3 million reported for the same period in 2019.

Finance costs, depreciation and amortisation totalled US $ 44.1 million, for the first half of 2020, an increase of US $7.0 million over the prior year and includes US $3.0 million of goodwill impairment on a general insurance subsidiary company The Company has also experienced a marginal increase in finance costs on new facilities in some of its operations.

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 $26.4 million compared to US $36.4 million in the prior year-to-date results, a decrease of US $10.0 million. Of the total taxes, income taxes were US $16.1 million, compared to US $26.6 million in 2019, a decrease of US $10.5 million, and was largely related to lower net income levels during the period when compared to the prior year.

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 six-month periods ended June 30, 2020 and 2019.

(in millions of US $)	**Six months ended June 30**		
	2020	**2019**	**Change**
Net income - discontinued operation			
Currency translation gain realised on sale	-	0.5	(100%)
Total	-	0.5	(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 off 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.

The Group recorded a loss of US $29.6 million from continuing operations for the six-month period ended June 30, 2020, allocated to the holders of Sagicor's common shares. This corresponded to a loss per share for continuing operations of US $0.199. The comparative amount for the six-month period ended June 30, 2019 was net income of

US $26.2 million, which corresponded to earnings per share of US $0.370. The respective annual returns on equity were a loss of 5.2% for June 2020 and income of 8.5% for June 2019.

The table below summarises Sagicor's profitability, dividends and returns in respect of common shareholders for the six-month periods ended June 30, 2020 and 2019.

	Six months ended June	
Common shareholder returns	**2020**	**2019**
Net (loss)/income [(a)] attributable to common shareholders	**(29.6)**	26.2
Basic earnings [(a)] per share	**(19.9 ¢)**	37.0 ¢
Fully diluted earnings [(a)] per share	**(19.9 ¢)**	33.0 ¢
Return [(a)] on shareholders' equity	**(5.2%)**	8.5%
Dividend pay-out ratio [(b)]	**-**	0.3%
Dividends paid	**$ 16.7 million**	$7.5 million
Dividends paid per common share[(c)]	**US$0.113**	US$0.108

[(a)] *From continuing operations*. [(b)] Profits were negative during the period.

[(c)] The 2019 ratio has been converted using the exchange ratio.

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the six-month periods ended June 30, 2020 and 2019.

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Other comprehensive (loss)/income:			
Items net of tax that may be reclassified subsequently to income:			
Financial assets measured at fair value through other comprehensive income:			
(Losses)/gains on revaluation	**(32.5)**	119.5	(127%)
Gains transferred to income	**(9.0)**	(1.1)	(718%)
Net change in actuarial liabilities	**19.9**	(64.1)	131%
Other reserves	**(1.7)**	-	-
Retranslation of foreign currency operations	**(26.9)**	(7.7)	(249%)
	(50.2)	46.6	(208%)
Items net of tax that will not be reclassified subsequently to income:			
Losses arising on revaluation of ownership occupied property	**(0.2)**	(3.0)	93%
Losses on defined benefits plans	**(0.2)**	-	-
	(0.4)	(3.0)	87%
Other comprehensive (loss)/income from continuing operations	**(50.6)**	43.6	(216%)

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Total comprehensive income			
Group net (loss)/income	**(36.2)**	58.4	(162%)
Other comprehensive (loss)/income	**(50.6)**	43.6	(216%)
Total comprehensive (loss)/income for the year	**(86.8)**	102.0	(185%)

	Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Total comprehensive (loss)/income attributable to:			
Common shareholders:			
From continuing operations	**(59.3)**	57.5	(203%)
From discontinued operation	**-**	0.5	(100%)
	(59.3)	58.0	(202%)
Participating policyholders	**(0.1)**	1.3	(108%)
Non-controlling interests	**(27.4)**	42.7	(164%)
	(86.8)	102.0	(185%)

Items recorded within other comprehensive income arise primarily 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 losses for six-month period ended June 30, 2020 was US $50.6 million, a significant decrease from the income of US $46.3 million reported for the June 2019 quarter.

During the period, the Group reported net losses on financial assets totalling US $32.5 million resulting from mark-to-market losses on financial assets in our investment portfolios. These losses resulted from the impact of the markets response to the COVID 19 pandemic. These losses were offset by a net change in actuarial liabilities reserve of US $19.9 million. Other comprehensive income for the period also included a loss of US $26.9 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 loss for the six-month period ended June 30, 2020 amounted to US $86.8 million. Total comprehensive loss allocated to shareholders from continuing operations was US $59.3 million. Total comprehensive income of US $102.0 million was reported for the same period in the prior year.

Statement of financial position

The table below summarises Sagicor's consolidated statement of financial position as at June 30, 2020 and December 31, 2019, respectively.

Statement of Financial Position	**As of**		
(in millions of US $)	**June 30, 2020**	**December 31, 2019**	**Change**
Sagicor Group			
Financial investments	**6,676.7**	6,685.6	-
Other assets	**2,057.5**	2,043.3	1%
Total assets	**8,734.2**	8,728.9	-
Policy liabilities	**4,433.1**	4,316.0	3%
Other operating liabilities	**2,153.7**	2,145.4	-
Borrowings	**513.7**	517.7	(1%)
Total liabilities	**7,100.5**	6,979.1	2%
Shareholders' equity	**1,072.5**	1,154.1	(7%)
Participating accounts	**1.0**	1.2	(17%)
Non-controlling interests	**560.2**	594.5	(6%)
Total equity	**1,633.7**	1,749.8	(7%)
Total liabilities and equity	**8,734.2**	8,728.9	-

Second Quarter 2020 Profitability

Group net (loss)/ income for the three-month periods ended June 30, 2020 and June 30, 2019.

The table below summarises Sagicor's net (loss)/income for the three-month periods ended June 30, 2020 and 2019.

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Group net (loss)/income			
Total	**(11.1)**	25.5	(144%)
Net (loss)/ income is attributable to Common shareholders:			
From continuing operations	**(0.3)**	11.1	(103%)
	(0.3)	11.1	(103%)
Participating policyholders	**(0.1)**	0.4	(125%)
Non-controlling interest	**(10.7)**	14.0	(176%)
Group net (loss)/income	**(11.1)**	25.5	(144%)

Group net losses amounted to US $11.1 million for the three-months ended June 30, 2020, compared to net income of US $25.5 million in the same period in the prior year.

Net losses from continuing operations attributable to common shareholders, closed the period with a loss of US $0.3 million compared to income of US $11.1 million for the June 2019 quarter. Both Group net income and income attributable to shareholders from continuing operations, were impacted by credit impairment losses, and losses in our investments in the hotel industry, both directly and through our associate Playa Hotels and Resorts as this industry has been severely impacted by the COVID-19 pandemic. In addition, during the quarter, our USA segment completed a transaction whereby it transferred the insurance risks associated with certain life products and financial instruments supporting those liabilities to Sagicor Reinsurance Bermuda Limited (SRBL). This transaction resulted in a strengthening of the associated policy liabilities recognized in the consolidated segment.

Group net (loss)/income from continuing operations

The table below summarises Sagicor's net (loss)/income from continuing operations for the three-month periods ended June 30, 2020 and 2019.

(in millions of US $)	Three months ended June 30		
	2020	**2019**	**Change**
Group net (loss)/income from continuing operations			
Revenue	**458.5**	468.4	(2%)
Benefits	**(313.8)**	(291.9)	(8%)
Expenses	**(126.8)**	(137.4)	8%
Other	**(19.7)**	0.6	(3,383%)
Income taxes	**(9.3)**	(14.2)	35%
Group net (loss)/income from continuing operations	**(11.1)**	25.5	(144%)

Revenue

The following table summarises the main items of Sagicor's revenue for the three-month periods ended June 30, 2020 and June 30, 2019.

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Revenue			
Net insurance premiums:			
Life and annuity	**253.2**	260.5	(3%)
Health	**42.8**	42.8	-
Property and casualty	**14.0**	9.4	49%
	310.0	312.7	(1%)
Net investment income	**120.9**	107.0	13%
Gain on derecognition of amortised cost investments	**1.7**	0.3	467%
Gains reclassified to income from accumulated OCI	**5.7**	5.0	14%
Credit impairment losses	**(11.6)**	0.1	(11,700%)
Fees and other revenue	**31.8**	43.3	(27%)
Total	**458.5**	468.4	(2%)
Total Revenue by Operating Segment			
Sagicor Life	**97.1**	111.4	(13%)
Sagicor Jamaica	**166.9**	182.0	(8%)
Sagicor Life USA	**180.0**	163.7	10%
Head office, Other and Adjustments	**14.5**	11.3	28%
	458.5	468.4	(2%)

Revenue from continuing operations reached US $458.5 million for the three-month period ended June 30, 2020, a decrease of US $9.9 million (2%) from the US $468.4 million reported for the same period in 2019.

Net insurance premium revenue represented 68% (June 2019 – 67%) of total revenue, and closed the period at US $310.0 million, US $2.7 million (1%) below the amount of US $312.7 million reported for the same period in 2019.

Net insurance premiums from Life and annuity insurance business totalled US $253.2 million for the three-month period ended June 30, 2020, compared to US $260.5 million reported for the same period in 2019. Our Sagicor Life and USA segments experienced lower new business sales for the period when compared to the same period in the prior year.

Net premium revenue from health insurance business totalled US $42.8 million for the three-month period ended June 30, 2020 which was on par with that reported for the same period in 2019. Net premium revenue from property and

casualty insurance totalled US $14.0 million for the June 2020 quarter, a 49% increase from US $9.4 million recorded for the same period in 2019, and includes net premiums of US $4.6 million related to the general insurance business - Advantage General Insurance Company Limited, acquired on September 30, 2019, in our Jamaica segment.

Net investment income for the three-month period ended June 30, 2020 totalled US $120.7 million, up US $13.7 million (13%) from the US $107.0 million reported for the three-month period ended June 30, 2019. During the three-month period the Group benefited from realised and unrealised gains of US $36.3 million on financial assets categorised as FVTPL, compared to gains of US $23.7 million reported in the same period in 2019, as capital markets observed some reversal of the mark-to-market losses reported in March 2020 quarter, which were associated with the capital market's adverse response to the COVID-19 pandemic.

The Group generated Fees and other revenues of US $31.8 million for the three-month period ended June 30, 2020, compared to US $43.3 million for the same period in 2019, a decrease of US $11.5 million. Hotel revenues reported by our Jamaica segment declined by US $9.3 million when compared to the same period in 2019, as the tourism industry continues to be adversely impacted by travel restrictions associated with the COVID 19 pandemic.

Benefits

Benefits totalled US $313.8 million in for the second quarter of 2020, an 8% increase from US $291.9 million reported for the same period in 2019.

The following table summarises the benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the three-month periods ended June 30, 2020 and 2019.

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Benefits			
Net insurance benefits:			
Life and annuity	**271.8**	236.7	(15%)
Health	**28.5**	33.6	15%
Property and casualty	**4.7**	6.0	22%
	305.0	276.3	(10%)
Interest cost	**8.8**	15.6	44%
Total	**313.8**	291.9	(8%)

Life and annuity benefits totalled US $271.8 million for the three-month period ended June 30, 2020 of which US $104.0 million related to current benefits and US $167.8 million related to future benefits. The amounts for the corresponding period in 2019 were a total of US $236.7 million, of which US $99.9 million related to current benefits and US $136.8 million related to future benefits. The change in provision for future benefits from 2019 to 2020 represented an increase of US $31.0 million. During the 3-months ended June 30, 2020, our USA segment completed a transaction whereby it transferred the insurance risks associated with certain life products and US $195 million of financial instruments supporting those liabilities to Sagicor Reinsurance Bermuda Limited a subsidiary of the group, providing approximately US $20 million of regulatory capital relief to SLIC. However, this transaction did result in a strengthening of the associated policy liabilities recognized in the consolidated segment by approximately US $13 million.

Total health insurance benefits were US $28.5 million representing an overall claim to premium ratio of 66.7%. In 2019 the Group experienced health insurance benefits of US $33.6 million and an overall claim to premium ratio of 78.4%.

Property and casualty claims amounted to US $4.7 million in 2019, a US $1.3 million decrease from US $6.0 million incurred in 2019. The newly acquired subsidiary Advantage General Insurance, acquired on October 1, 2019 in our Jamaica segment, contributed an additional US $2.1 million in benefits during the June quarter 2020 when compared to the same period in the prior year. Conversely, benefits associated with motor vehicles were down during the period due to lower accidents occurring during the period; a direct impact of movement restrictions associated with the COVID-19 pandemic.

Interest expense totalled US $8.8 million for the three-month period ended June 30, 2020, a decrease of US $6.8 million from the US $15.6 million reported for the same period in 2019. and represented lower investment returns paid on contracts due to the current investment and economic environment.

Expenses and taxes

Total expenses and taxes were US $136.1 million for the three-month period ended June 30, 2020, compared to US $151.5 million for the same period in 2019, a decrease of US $15.5 million (15%).

The table below summarises Sagicor's expenses and taxes from continuing operations for the three-month periods ended June 30, 2020 and 2019.

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Expenses and taxes			
Administrative expenses	**75.8**	86.2	12%
Commissions and related compensation	**27.4**	29.7	8%
Finance costs, depreciation and amortisation	**20.9**	19.1	(9%)
Premium, asset and income taxes	**12.0**	16.6	28%
Total expenses and taxes	**136.1**	151.6	10%

Administrative expenses totalled US $75.8 million for the period under review compared to US $86.2 million for the same period in 2019, a decrease of US $10.4 million. Expenses also now included, the contribution from the general insurance business acquired on September 30, 2019 of US $3.6 million, however this was offset by lower expenditure in the hotel business by US $7.6 million due to lower occupancy occasioned by the pandemic.

Commissions and related compensation totalled US $27.4 million for the three-month period ended June 30, 2020 and was below the US $29.7 million reported for the same period in 2019, due to mainly to reduced new business generated particularly in the Sagicor Life and Sagicor USA segments.

Finance costs, depreciation and amortisation totalled US $ 20.9 million, for the June 2020 quarter, a US $1.8 million increase over the $19.1 million reported in 2019.

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 $12.0 million for the three-month period ended June 30, 2020, compared to US $16.6 million in the corresponding period in 2019, a decrease of US $4.6 million. Of the total taxes, income taxes were US $9.3 million, compared to US $14.2 million in 2019, a decrease of US $4.9 million, and was largely related to lower net income levels during the period when compared to the prior year.

Earnings from other sources was a loss of US $19.8 million for the second quarter of 2020, compared to income of US $0.6 million for the same period in 2019. During the June 2020 quarter, our Jamaica segment incurred a loss of US $22.7 million on its associated company investment in Playa Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations. This loss represents the impact of our share of net income/(loss) of the associate and an impairment charge on the investment in the associate.

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the three-month periods ended June 30, 2020 and 2019.

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Other comprehensive (loss)/income:			
Items net of tax that may be reclassified subsequently to income:			
Financial assets measured at fair value through other comprehensive income:			
Gains on revaluation	**158.6**	53.5	196%
Gains transferred to income	**(2.4)**	(1.5)	60%
Net change in actuarial liabilities	**(92.5)**	(30.0)	208%
Other reserves	**0.7**	-	-
Retranslation of foreign currency operations	**(16.9)**	(12.1)	40%
	47.5	9.9	380%
Items net of tax that will not be reclassified subsequently to income:			
(Losses)/gains arising on revaluation of ownership occupied property	**(0.5)**	0.1	(600%)
Gains on defined benefits plans	**2.1**	-	-
	1.6	0.1	1,500%
Other comprehensive (loss)/income from continuing operations	**49.1**	10.0	391%

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Total comprehensive income			
Group net (loss)/income	**(11.1)**	25.5	(144%)
Other comprehensive income	**49.1**	10.0	391%
Total comprehensive income for the year	**38.0**	35.5	7%

Comprehensive income, continued

	Three months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**
Total comprehensive (loss)/income attributable to:			
Common shareholders:			
From continuing operations	**37.1**	19.2	93%
	37.1	19.2	93%
Participating policyholders	**(0.4)**	0.7	(157%)
Non-controlling interests	**1.3**	15.6	(92%)
	38.0	35.5	7%

Items recorded within other comprehensive income arise primarily 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 three-month period ended June 30, 2020 was US $49.1 million, a significant increase from the income of US $10.0 million reported for the June 2019 quarter.

During the quarter, the Group reported net gain on financial assets totalling US $158.6 million resulting from mark-to-market gains on financial assets in our investment portfolios. These gains reflect a reversal of losses reported in the March 2020 quarter from the impact of the markets' response to the COVID 19 pandemic. These gains were offset by a net change in actuarial liabilities reserve of US $92.5 million. Other comprehensive income for the period also included a loss of US $16.9 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 three-month period ended June 30, 2020 amounted to US $38.0 million. Total comprehensive income allocated to shareholders from continuing operations was US $37.1 million. Total comprehensive income of US $35.5 million was reported for the same period in the prior year.

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)	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**
Net premium revenue	**310.0**	317.7	300.5	263.3	312.7	365.1	334.0	310.0
Net investment and other income	**148.5**	25.5	171.2	148.2	155.7	150.7	86.6	84.1
Total revenue	**458.5**	343.2	471.7	411.5	468.4	515.8	420.6	394.1
Benefits and expenses	**(440.6)**	(355.8)	(376.4)	(379.3)	(429.3)	(478.7)	(376.2)	(356.9)
Other	**(19.7)**	(5.7)	(5.4)	-	0.6	7.7	13.6	(2.1)
Income(loss)/ before tax	**(1.8)**	(18.3)	89.9	32.2	39.7	44.8	58.0	35.1
Income tax	**(9.3)**	(6.8)	(22.0)	(11.1)	(14.2)	(12.4)	(18.1)	(15.4)
Net (loss)/income before Listing expense and other transaction costs	**(11.1)**	(25.1)	67.9	21.1	25.5	32.4	39.9	19.7
Listing expense and other transaction costs	**-**	-	(43.4)	-	-	-	-	-
Net (loss)/income	**(11.1)**	(25.1)	24.5	21.1	25.5	32.4	39.9	19.7
(Loss)/income attributable to shareholders before Listing expense and other transaction costs	**(0.3)**	(29.3)	54.9	6.3	11.1	15.1	8.0	7.0
(Loss)/income attributable to shareholders	**(0.3)**	(29.3)	11.5	6.3	11.1	15.1	8.0	7.0

Quarterly Financial Disclosures, continued

(in US $millions, unless otherwise noted)	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**
Basic EPS before Listing expense and other transaction costs	**(0.2) ¢**	(19.7) ¢	71.8¢	8.9¢	15.7¢	21.3¢	11.3 ¢	9.9 ¢
Basic EPS	**(0.2) ¢**	(19.7) ¢	15.0¢	8.9¢	15.7¢	21.3¢	11.3 ¢	9.9 ¢
Diluted EPS before Listing expense and other transaction costs	**N/A**	N/A	67.5¢	N/A	N/A	N/A	N/A	N/A
Diluted EPS	**(0.2) ¢**	(19.7) ¢	14.1¢	8.6¢	15.3¢	21.0¢	11.1 ¢	9.7¢
Annualised return on shareholders' equity before Listing expense and other transaction costs	**N/A**	N/A	30.4%	N/A	N/A	N/A	N/A	N/A
Annualised return on shareholders' equity	**(0.1%)**	(10.5%)	6.2%	3.8%	6.9%	9.9%	5.4%	4.7%
Dividends paid per	**5.6 ¢**	5.6 ¢	2.5 ¢	-	2.5 ¢	-	2.5 ¢	-
Total assets [(a)]	**8,734.2**	8,457.1	8,728.9	8,056.4	7,861.7	7,639.8	7,308.2	6,821.4
Total equity attributable to shareholders [(a)]	**1,072.5**	1,049.5	1,154.1	660.4	658.6	640.4	600.9	598.1
(Loss)/Income before Listing expense and other transaction costs, attributable to shareholders by operating segment:								
Sagicor Life	**2.2**	1.9	29.4	10.5	9.8	11.2	5.5	1.1
Sagicor Jamaica	**9.1**	9.1	18.2	18.4	14.3	10.4	20.9	12.6
Sagicor Life USA	**(2.9)**	(14.3)	16.5	6.0	6.0	6.9	6.6	12.1
Head office, other & inter-segment eliminations	**(8.7)**	(26.0)	(9.2)	(28.6)	(19.0)	(13.4)	(25.0)	(18.8)
Total	**(0.3)**	(29.3)	54.9	6.3	11.1	15.1	8.0	7.0

[(a)] From continuing operations.

Quarterly Financial Disclosures (continued)

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 2019 outstanding shares to the Sagicor Financial Company Ltd. equivalent. The earnings per share ratio for 2019 and 2018 has been adjusted to reflect the Exchange Ratio.

First Quarter 2020

The Group's financial results for the quarter ended March 31, 2020 were materially affected by the COVID-19 pandemic. On March 11, 2020 the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. As a response to this public health emergency, governments around the world made significant interventions in response to this threat. Most Caribbean countries shut down air and sea traffic. Similar procedures were also implemented in the United States, Canada and elsewhere.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US $29.3 million compared to net income US $15.1 million, for the same period in the prior year. This result was primarily driven by mark-to-market changes in asset prices (net of corresponding reserve changes) and increased provisions for Expected Credit Losses (ECLs) in anticipation of a potential prolonged economic downturn, in the markets in which the Group operates.

Fourth Quarter 2019

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 Listing expense and other transaction expenses of US $43.4 million relating to this exercise.

Net income from continuing operations attributable to shareholders for the fourth quarter of 2019 totalled US$ 54.9 million, excluding Alignvest transactions cost, compared to US $8.0 million for the same period in 2018, an increase of US $46.9 million. During the last quarter of 2019, the Group benefited from a significant increase in mark to market changes on indexed options in our USA segment coupled with gains arising from the strong performance of the Jamaica stock market.

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 benefit 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.

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) Sensitivity arising from the valuation of actuarial liabilities;
(viii) Sagicor's expansion into new geographic markets (in the United States) and product markets (in Jamaica) through portfolio and / or company acquisitions; and
(ix) 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, and
- the margins for adverse deviations

Under Canadian accepted actuarial standards, the Appointed Actuary is required to test the actuarial liability under economic scenarios.

Expansion into new markets and company acquisitions

While Sagicor has endured for 180 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.

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).

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 six-month period basis (year-to-date) ended June 30, 2020 and June 30, 2019, as follows:

	Second Quarter (three-month period) – June 2020					
(in US$ millions)	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjust-ments**	**Total**
Revenue	97.1	166.9	180.0	21.9	(7.4)	458.5
Benefits and expenses	(93.4)	(139.3)	(183.7)	(31.9)	7.7	(440.6)
Other	0.9	(22.1)	-	1.5	-	(19.7)
Income/(loss) before tax	4.6	5.5	(3.7)	(8.5)	0.3	(1.8)
Income taxes	(2.5)	(7.0)	0.8	(0.6)	-	(9.3)
Net income/(loss)	2.1	(1.5)	(2.9)	(9.1)	0.3	(11.1)
Income/(loss) attributable to shareholders	2.2	9.1	(2.9)	(8.9)	0.3	(0.3)

	Second Quarter (three-month period) – June 2019					
(in US$ millions)	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjust-ments**	**Total**
Revenue	111.4	182.0	163.7	36.0	(24.7)	468.4
Benefits and expenses	(99.0)	(144.9)	(156.2)	(35.9)	6.6	(429.4)
Other	0.4	0.3	-	-	-	0.7
Income/(loss) before tax	12.8	37.4	7.5	0.1	(18.1)	39.7
Income taxes	(2.9)	(8.8)	(1.5)	(1.0)	-	(14.2)
Net income/(loss)	9.9	28.6	6.0	(0.9)	(18.1)	25.5
Income/(loss) attributable to shareholders	9.5	14.3	6.0	(9.2)	(9.5)	11.1

	Change – June 2020 vs June 2019 (three-month periods)					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust-ments	Total
Revenue	(13%)	(8%)	10%	(11%)	70%	(2%)
Benefits and expenses	6%	4%	(18%)	3%	17%	(3%)
Other	125%	(7,467%)	-	-	-	(2,914%)
Income/(loss) before tax	(64%)	(85%)	(149%)	(8,600%)	102%	(105%)
Income taxes	14%	20%	153%	40%	-	35%
Net income/(loss)	(79%)	(105%)	(148%)	(911%)	102%	(144%)
Income/(loss) attributable to shareholders	(77%)	(36%)	(148%)	3%	102%	(103%)

	Year-to-date (six-month period) – June 2020					
(in US$ millions)	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust-ments	Total
Revenue	210.3	299.3	270.7	35.4	(14.0)	801.7
Benefits and expenses	(203.4)	(243.6)	(292.5)	(71.3)	14.2	(796.6)
Other	1.8	(28.5)	-	1.5	-	(25.2)
Income/(loss) before tax	8.7	27.2	(21.8)	(34.4)	0.2	(20.1)
Income taxes	(4.4)	(15.5)	4.6	(0.9)	0.1	(16.1)
Net income/(loss)	4.3	11.7	(17.2)	(35.3)	0.3	(36.2)
Income/(loss) attributable to shareholders	4.1	18.2	(17.2)	(35.0)	0.3	(29.6)

(in US$ millions)	Year-to-date (six-month period) – June 2019					
	Sagicor Life	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjust-ments**	**Total**
Revenue	246.2	345.9	372.2	51.1	(31.3)	984.1
Benefits and expenses	(220.4)	(279.9)	(355.9)	(63.6)	11.9	(907.9)
Other	1.5	6.8	-	-	-	8.3
Income/(loss) before tax	27.3	72.8	16.3	(12.5)	(19.4)	84.5
Income taxes	(5.3)	(16.8)	(3.4)	(1.1)	-	(26.6)
Net income/(loss)	22.0	56.0	12.9	(13.6)	(19.4)	57.9
Income/(loss) attributable to shareholders	21.3	24.7	12.9	(30.3)	(2.4)	26.2

	Change – June 2020 vs June 2019 (six-month periods)					
	Sagicor Life	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office & other**	**Adjust-ments**	**Total**
Revenue	(15%)	(13%)	(27%)	(31%)	55%	(19%)
Benefits and expenses	8%	13%	18%	(12%)	19%	12%
Other	20%	(519%)	-	-	-	(404%)
Income/(loss) before tax	(68%)	(63%)	(234%)	(175%)	101%	(124%)
Income taxes	17%	8%	235%	18%	-	39%
Net income/(loss)	(80%)	(79%)	(233%)	(160%)	102%	(163%)
Income/(loss) attributable to shareholders	(81%)	(26%)	(233%)	(16%)	113%	(213%)

The performance of these reporting segments for the three-month and six-month periods ended June 30, 2020 compared to the same period in 2019 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 services in Barbados, Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, the Bahamas and Central America. Sagicor Life has a diversified customer base providing financial solutions to both individuals and corporations, mainly through 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 leading position in the insurance market in the Caribbean. Sagicor Life has an "A-stable" rating from A.M. Best.

The following table summarises the results of the Sagicor Life segment for the three-month and six-month periods ended June 30, 2020 and 2019.

	Three months to June 30			Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Sagicor Life segment						
Net premium revenue	**75.6**	82.1	(8%)	**169.2**	189.0	(10%)
Gains on derecognition of financial assets measured at amortised cost.	**-**	-	-	**0.3**	-	-
(Losses)/gains on derecognition of financial assets measured at FVOCI	**(0.7)**	0.1	(800%)	**0.9**	0.5	80%
Interest income	**19.4**	18.6	4%	**37.3**	36.3	3%
Other investment income/(expenses)	**-**	4.3	(100%)	**(2.3)**	6.2	(137%)
Credit impairment (losses)/gains	**(5.2)**	0.7	(843%)	**(9.1)**	1.1	(927%)
Fees and other revenue	**3.1**	0.7	343%	**3.7**	3.4	9%
Inter-segment revenues	**4.9**	4.9	-	**10.3**	9.7	6%
Total revenue	**97.1**	111.4	(13%)	**210.3**	246.2	(15%)
Benefits	**(63.1)**	(65.9)	4%	**(135.7)**	(156.5)	13%
Expenses and taxes	**(27.6)**	(31.7)	13%	**(61.7)**	(59.3)	(4%)
Depreciation and amortisation	**(2.0)**	(1.8)	(11%)	**(3.7)**	(3.6)	(3%)
Inter-segment expenses	**(0.7)**	0.4	(275%)	**(2.3)**	(1.0)	(130%)
Other	**0.9**	0.4	125%	**1.8**	1.5	20%
Segment income before taxes	**4.6**	12.8	(64%)	**8.7**	27.3	(68%)
Income taxes	**(2.5)**	(2.9)	14%	**(4.4)**	(5.3)	17%
Net segment income from continuing operations	**2.1**	9.9	(79%)	**4.3**	22.0	(80%)
Income attributable to shareholders	**2.2**	9.5	(77%)	**4.1**	21.3	(81%)
Return on Investments (annualised)	**5.6%**	6.7%	(1.1) pts	**5.0%**	6.1%	(1.1) pts
Return on Equity (annualised)	**1.6%**	7.9%	(6.3) pts	**1.6%**	9.0%	(7.4) pts

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

The Sagicor Life segment continued to be impacted by the COVID-19 pandemic during the three-month period ended June 30, 2020.

The net income attributable to shareholders was US $2.2 million for the three-month period ended June 30, 2020, US $7.3 million below the US $9.5 million recorded for the same period in 2019. The segment experienced mark-to-market losses on financial investments through the income statement of US $1.1 million along with an increase in expected credited losses of US $5.2 million, a continuation of the significant impact of the COVID-19 pandemic has had on financial markets.

The Sagicor Life segment generated total revenue of US $97.1 million for the three-month period, US $14.3 million (13%) lower than the US $111.4 million reported for the same period in the prior year. Net premium revenue was US $75.6 million compared to US $82.1 million for the same period in 2019, a decrease of US $6.5 million.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US $18.7 million for the three-month period ended June 30, 2020, US $4.3 million below the US $23.0 million reported for the same period in 2019. Interest income for the three-month period was US $19.4 million and was marginally higher than that reported for the three-month period ended June 30, 2019. Other investment income was nil and included realised and unrealised losses on financial assets categorised as FVTPL of $1.1 million. During the same period in 2019, the segment reported gains of US $1.7 million.

Credit impairment losses for the three-month period ended June 30, 2020, totalled $5.2 million, compared to impairment gains of US $0.7 million, for the corresponding period in 2019 and resulted from the update of credit assessment assumptions due to the impact of the COVID-19 pandemic.

Fees and other revenues increased by US $2.4 million when compared to the corresponding period in 2019, primarily as a result of the foreign exchange losses incurred in the second quarter of 2019.

Benefits incurred for the Sagicor Life segment totalled US $63.1 million for the three-month period ended June 30, 2020 compared to benefits incurred of US $65.9 million reported for the same period in the prior year.

Total expenses and taxes for the Sagicor Life segment totalled US $32.8 million for the three-month period ended June 30, 2020, US $3.2 million below the US $36.0 million reported for the same period in 2019. The decrease in expenses was due in part, to lower commissions resulting from the decline in new life insurance business

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

The Sagicor Life segment continued to be impacted by the COVID-19 pandemic during the six-month period ended June 30, 2020.

The net income attributable to shareholders was US $4.1 million for the six-month period ended June 30, 2020, US $17.2 million below the US $21.3 million recorded for the same period in 2019.

The Sagicor Life segment generated total revenue of US $210.3 million, US $35.9 million (15%) lower than the US $246.2 million reported for the same period in the prior year. Net premium revenue was US $169.2 million compared to US $189.0 million for the same period in 2019, a decrease of US $19.8 million. The segment was impacted by lower new business growth when compared to the prior year as the segment continued to be impacted by the COVID-19 pandemic. In addition, the segment benefited from a significant one-time single premium new business in the same period of the prior year.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US $36.2 million, US $6.8 million below the US $43.0 million reported for the same period in 2019.

Interest income for the period ended June 30, 2020 was US $37.3 million and was slightly above that reported for the six-month period in the prior year. Other investment income closed with a loss of US $2.3 million, as the segment recorded realised and unrealised losses on financial assets categorised as FVTPL of US $6.2 million due to the impact of COVID-19 on capital markets. During the same period in 2019, the segment reported gains of US $2.0 million.

Credit impairment losses for the first half of 2020 totalled US $9.1 million, compared to impairment gains of US $1.1 million, for the corresponding period in 2019 and resulted from the update of credit assessment assumptions due to the impact of the pandemic.

Fees and other revenues increased marginally, closing at US $3.7 million for the period under review.

Benefits incurred for the Sagicor Life segment totalled US $135.7 million for the six-month period ended June 30, 2020 compared to benefits incurred of US $156.5 million reported for the same period in the prior year. The decrease in benefits resulted from declines in the provision for future benefits on new business, as new single premium annuity business revenue decreased when compared to the same period in 2019.

Total expenses and taxes for the Sagicor Life segment totalled US $72.1 million for the six-month period ended June 30, 2020, US $2.9 million above the US $69.2 million reported for the same period in 2019. This increase is driven by higher administrative expenses, due to timing differences we expect to normalise in the third quarter.

The following table summarises the financial position of the Sagicor Life segment as of June 30, 2020 and December 31, 2019.

Statement of Financial Position	**As of**		
(in millions of US $)	**June 30, 2020**	**December 31, 2019**	**Change**
Sagicor Life segment			
Financial investments	**1,397.2**	1,438.6	(3%)
Other assets	**378.9**	341.4	11%
Inter-segment assets	**342.2**	335.8	2%
Total assets	**2,118.3**	2,115.8	-
Policy liabilities	**1,399.1**	1,379.8	1%
Other liabilities	**67.7**	77.3	(12%)
Inter-segment liabilities	**109.7**	120.0	(9%)
Total liabilities	**1,576.5**	1,577.1	0%
Net assets	**541.8**	538.7	1%

Financial investments totalled US $1,397.2 million (December 31, 2019 - US $1,438.6 million) and comprised 66% (December 31, 2019 - 68%) of the segment's total assets, and policy liabilities totalled US $1,399.1 million (December 31, 2019 - US $1,379.8 million) and comprised 89% (December 31, 2019 - 87%) of the segment's total liabilities at the end of June 2020. Overall, net assets increased by 1% or US $3.1 million.

Net assets of US $541.8 million increased from the March 31, 2020's position of US $524.1 million, primarily as a result of total comprehensive income earned in the quarter of US $13.3 million. This is comprised of net income of US $2.2

million and other comprehensive income of US $11.1 million. Other comprehensive income relates primarily to increases in the market value of assets classified as fair value through other comprehensive income during the quarter.

New initiatives and developments

The COVID-19 virus spread throughout all the territories in which we operate in the first half of 2020. In response, Sagicor would have implemented several initiatives to assist the communities in which we operate in these difficult times. Additionally, we would have implemented our business continuity plan and moved to provide services to our clients remotely.

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 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.

	Three months to June 30			Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Sagicor Jamaica segment						
Net premium revenue	**89.2**	81.9	9%	**183.3**	161.5	13%
Gains on derecognition of financial assets measured at amortised cost.	**1.7**	0.3	467%	**2.7**	1.6	69%
Gains on derecognition of financial assets measured at FVOCI	**7.7**	4.6	67%	**15.4**	2.2	600%
Interest income	**40.9**	40.7	-	**81.6**	79.3	3%
Other investment income /(expenses)	**11.5**	15.6	(26%)	**(33.0)**	28.4	(216%
Credit impairment losses	**(6.6)**	(0.4)	1,550%	**(11.9)**	(0.8)	1,388%
Fees and other revenue	**22.5**	39.3	(43%)	**61.2**	73.7	(17%)
Total revenue	**166.9**	182.0	(8%)	**299.3**	345.9	(13%)
Benefits	**(81.9)**	(82.3)	-	**(114.6)**	(154.4)	26%
Expenses and taxes	**(51.5)**	(56.8)	(9%)	**(117.3)**	(114.5)	(2%)
Depreciation, amortisation and	**(5.5)**	(5.2)	(6%)	**(10.8)**	(9.9)	(9%)
Inter-segment expenses	**(0.4)**	(0.6)	33%	**(0.9)**	(1.1)	18%
Other	**(22.1)**	0.3	(7,467%)	**(28.5)**	6.8	(519%)
Segment income before taxes	**5.5**	37.4	(85%)	**27.2**	72.8	(63%)
Income taxes	**(7.0)**	(8.8)	20%	**(15.5)**	(16.8)	8%
Net segment income from continuing	**(1.5)**	28.6	(105%)	**11.7**	56.0	(79%)
Income attributable to shareholders [(a)]	**9.1**	14.3	(36%)	**18.2**	24.7	(26%)
Return on Investments (annualised)	**8.2%**	9.1%	(0.9) pts	**3.7%**	9.0%	(5.3) pts)
Return on Equity (annualised)	**(0.7%)**	13.3%	(14.0) pts	**2.6%**	13.7%	(11.1) pts

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

Net loss for the Sagicor Jamaica segment for the three-month period ended June 30, 2020 was US $1.5 million compared to income of US $28.6 million for the same period in 2019.

This segment generated total revenue of US $166.9 million for the three-month period ended June 30, 2020, compared to US $182.0 million for the same period in the prior year. This represented a decrease of US $15.1 million or 8%.

Premium income closed at US $89.2 million for the second quarter in 2020 compared to US $81.9 million, for the same period in 2019, an increase of US $7.3 million. The Jamaica segment benefited from premium growth across the annuity and group health insurance business. In addition, the segment's acquisition of a 60% interest in Advantage General Insurance Company Limited (AGI) effective September 30, 2019, contributed US $4.6 million in net premiums over the same period in the prior year.

Interest income was US $40.9 million, for the three-month period ended June 30, 2020 compared to US $40.7 million in the corresponding prior period. Other investment gains totalled US $11.5 million, for the period under review, compared to income of US $15.6 million for the same period in the prior year. Investment gains were lower than the prior year and have been affected by mark-to-market movements experienced in the local and international capital markets as the markets respond to the COVID-19 pandemic. These gains represent a significant turnaround form the 1st Quarter ended March 2020 when the company experienced marked-to-market losses on its investment portfolio

Credit impairment losses totalled US $ 6.6 million for the three-month period ended June 30, 2020, compared to US $ 0.4 million for the same period in 2019, an increase of US $6.2, due to the continuing economic impact of the pandemic.

Fees and other revenue closed at US $22.5 million for the three-month period under review, compared to US $39.3 million for the same period in 2019, a decrease of US $16.8 million or 43%. During the period, the segment was impacted by lower hotel revenues of US $9.3 million, as the hotel business line continues to grapple with worldwide travel restrictions occasioned by the COVID-19 pandemic. In addition, in 2019, the segment of benefited from higher foreign exchange gains of US $4.8 million.

Benefits totalled US $81.9 million compared to US $82.3 million reported for the same period in 2019 a slight decrease of US $0.4 million.

Expenses and taxes incurred amounted to US $63.6 million for the three-month period compared to US $71.4 million for the same period in 2019, a decrease of US $7.8 million over the prior year levels. The segment experienced an increase in expenditure of US $3.6 million related to the newly acquired property and casualty business, however this was offset by lower expenditure in the hotel business due to lower occupancy occasioned by the pandemic and lower taxes due to lower profits when compared to the prior year.

Earnings from other sources was a loss of US $22.1 million for the second quarter of 2020, compared to income of US $0.3 million for the same period in 2019. During the June 2020 quarter, the segment incurred a loss of US $22.7 million on its associated company investment in Playa Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations. This loss largely represents the impact our share net income/(loss) of the associate and an impairment charge on the investment in the associate.

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

Net income for the Sagicor Jamaica segment for the six-month period ended June 30, 2020 was US $11.7 million compared to US $56.0 million for the same period in 2019.

This segment's results include growth in its insurance portfolios including contributions from the property & casualty business acquired on September 30, 2019.

This segment generated total revenue of US $299.3 million for the six-month period ended June 30, 2020, compared to US $345.9 million for the same period in the prior year. This represented a decrease of US $46.6 million or 13%.

Premium income totalled US $183.3 million for the first half of 2020 compared to US $161.5 million, for the first half of 2019, an increase of US $21.8 million. The Jamaica segment benefited from strong premium growth across its insurance business lines. In addition, the segment's acquisition of a 60% interest in Advantage General Insurance Company Limited (AGI) effective September 30, 2019, contributed US $10.7 million in net premiums income.

Interest income was US $81.6 million compared to US $79.3 million in the prior period, an increase of US $2.3 million. Other investment losses totalled US $33.0 million, for the period under review, compared to income of US $28.4 million for the same period in the prior year. These investment losses resulted from the impact of mark-to-market declines in the local and international capital markets, as capital markets responded to the COVID-19 pandemic.

Fees and other revenue closed at US $61.2 million for the six-month period under review, compared to US $73.7 million for the same period in 2019, a decrease of US $12.5 million or 17%. During the period, the segment benefited from fees and other revenue generated in the group insurance and property and casualty lines of business. Hotel revenues however, declined by US $10.7 million, as the industry continues to be negatively impacted by travel restrictions associated with the COVID-19 pandemic.

Benefits totalled US $114.6 million compared to US $154.4 million reported for the same period in 2019 a decrease of US $39.8 million. Net change in actuarial liabilities includes a release of US $15.1 million compared to an increase of US $36.9 million reported in 2019, actuarial liabilities were positively influenced by improvements in morbidity and lapse experience assumptions.

Expenses and taxes incurred amounted to US $144.5 million for the six-month period compared to US $142.3 million for the same period in 2019, an increase of US $2.2 million over the prior year-to-date levels. The company incurred additional expenses of US $6.4 million in the newly acquired property and casualty business. This was offset by lower expenditure in the hotel business.

Earnings from other sources was a loss of US $28.5 million for the first half of 2020, compared to income of US $6.8 million for the same period in 2019. During the period, the segment incurred a loss of US $29.6 million on its associated company investment in Playa Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations. This loss largely represents the impact our share net income/(loss) of the associate and an impairment charge on the investment in the associate.

The following table summarises the financial position of the Sagicor Jamaica segment as of June 30, 2020 and December 31, 2019.

Statement of Financial Position	**As of**		
(in millions of US $)	**June 30, 2020**	**December 31, 2019**	**Change**
Sagicor Jamaica segment			
Financial investments	**2,600.6**	2,670.3	(3%)
Other assets	**776.2**	795.8	(2%)
Inter-segment assets	**15.9**	15.9	0%
Total assets	**3,392.7**	3,482.0	(3%)
Policy liabilities	**831.9**	865.9	(4%)
Other liabilities	**1,653.5**	1,673.1	(1%)
Inter-segment liabilities	**7.9**	6.1	30%
Total liabilities	**2,493.3**	2,545.1	(2%)
Net assets	**899.4**	936.9	(4%)

Financial investments totalled US $2,600.6 million (December 31, 2019 – US $2,670.3 million) and comprised 77% (December 31, 2019 - 77%) of the segment's total assets. Total assets closed at US $3,392.7 million, a decrease of 3% (US $89.3 million). Policy liabilities totalled US $831.9 million (December 31, 2019 – US $865.9 million) and other liabilities totalled US $1,653.5 million (December 31, 2019 – US $1,673.1 million), representing 33% (December 31, 2019 - 34%) and 66% (December 31, 2019 - 66%) of the segment's total liabilities at the end of June 2020 and December 31, 2019.

Overall net assets declined by 4% from US $936.9 million as at December 31, 2019 to US $899.4 million at the end of June 2020, mainly due to the decline in the value of the Jamaican dollar relative to the US dollar.

New initiatives and developments

The COVID-19 virus spread throughout all the territories in which we operate in the first half of 2020. In response, Sagicor would have implemented several initiatives to assist the communities in which we operate in these difficult times. Additionally, we would have implemented our business continuity plan and moved to provide services to our clients remotely.

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.

The following table summarises the results of the Sagicor Life USA segment for the three-month and six-month periods ended June 30, 2020 and 2019.

	Three months to June 30			Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Sagicor Life USA segment						
Net premium revenue	**135.8**	139.3	(3%)	**256.3**	308.7	(17%)
(Losses)/gains on derecognition of financial assets measured at FVOCI	**(1.1)**	0.3	(467%)	**(0.9)**	0.8	(213%)
Interest income	**18.5**	17.9	3%	**37.7**	34.6	9%
Other investment income/(expenses)	**25.5**	8.5	200%	**(16.5)**	29.5	(156%)
Credit impairment losses	**0.1**	(0.4)	125%	**(6.1)**	(0.3)	(1,933%)
Fees and other revenue	**1.2**	(1.9)	163%	**0.2**	(1.1)	118%
Total revenue	**180.0**	163.7	10%	**270.7**	372.2	(27%)
Benefits	**(166.1)**	(137.5)	(21%)	**(259.7)**	(318.1)	18%
Expenses and taxes	**(15.2)**	(15.6)	3%	**(29.1)**	(33.9)	14%
Depreciation and amortisation	**(1.1)**	(1.2)	8%	**(2.0)**	(2.3)	13%
Inter-segment expenses	**(1.3)**	(1.9)	32%	**(1.7)**	(1.6)	(6%)
Segment (loss)/income before taxes	**(3.7)**	7.5	(149%)	**(21.8)**	16.3	(234%)
Income taxes	**0.8**	(1.5)	153%	**4.6**	(3.4)	235%
Net segment (loss)/income from continuing operations	**(2.9)**	6.0	(148%)	**(17.2)**	12.9	(233%)
(Loss)/income attributable to shareholders	**(2.9)**	6.0	(148%)	**(17.2)**	12.9	(233%)
Return on Investments (annualised)	**8.5%**	6.0%	2.5 pts	**2.0%**	7.8%	(5.8) pts
Return on Equity (annualised)	**(4.3%)**	9.1%	(13.4) pts	**(11.7%)**	10.2%	(21.9) pts

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

The Sagicor Life USA segment incurred a loss of US $2.9 million, for the three-month period ended June 30, 2020, as the ramifications of COVID-19 and the one-time impacts of moving a portion of its life business to its Bermuda subsidiary (see below) were observed. Excluding the transaction discussed below, the Sagicor Life USA segment would have reflected net income of US $7.7 million for the three-month period, a 28% increase over the same period in the prior year.

During the three-month period ended June 30, 2020, Sagicor Life USA completed a transaction whereby it transferred the insurance risks associated with certain life products and US $195 million of financial instruments supporting those liabilities to Sagicor Reinsurance Bermuda Limited (SRBL), providing approximately US $26 million of regulatory capital relief to SLIC. However, this transaction did result in a strengthening of the associated policy liabilities recognized in the consolidated segment of approximately US $13 million.

The Sagicor Life USA segment generated revenue of US $180.0 million for the three-month period ended June 30, 2020, compared to US $163.7 million reported for the same period in 2019, an increase of 10% or US $16.3 million. Net premium revenue closed the period at US $135.8 million, down 3% or US$ 3.5 million, compared to the US $139.3 million reported for the same period in 2019, due to lower life insurance and annuity business. During the 1st quarter

of 2019, the US Federal Reserve announced its intentions to beginning cutting interest rates again, after close to two years of steadily increasing the short-term borrowing rates. This policy, which was implemented systematically during 2019 and then was dramatically increased in early 2020, when COVID-19 occurred, resulted in the US 10-year Treasury rate dropping from 2.66% at the beginning of 2019 to 0.70% at the end of 1st quarter 2020 and further declined to 0.65% at the end of the second quarter 2020. Credit spreads have also narrowed over the past year and, in response the company, consistent with its industry peers, have lowered the returns being offered to the customer. These lower returns have resulted in products, especially annuities, being less attractive to the consumer and so directly impact sales of the products.

Reflecting the overall increase in the investment portfolio, interest income increased to US $18.5 million, from the US $17.9 million reported for the three-month period ended June 30, 2019.

Other investment income totalled US $25.5 million for the June quarter of 2020 compared to US $8.5 million for the same period in 2019. During the three-month period the segment experienced a reversal of the some of the unrealised mark-to-market losses incurred in the March 2020 quarter, when the capital markets responded negatively to the impact of the COVID-19 pandemic.

Due to the strategic decision made in 2018, the segment has been retaining a majority of the business it writes since March 2018. This has resulted in a significant increase in the policy liabilities on the segment's financials as it has also increased sales. The increased benefits reflected in the results is primarily a result of the impact of the SRBL transaction discussed above and the expected increase in surrenders and other benefits as the in-force business continues to grow.

Total expenses and taxes decreased by 17% or (US $2.9) when compared to the three-month period in 2019. During the period, the segment benefited from a tax credit of US $0.8 million, compared to a tax charge of US $1.5 million, during the same period in 2019. Administrative expenses remain on par with prior year levels as sales levels were consistent for the two periods.

In summary, the net income for the three-months ended June 30, 2020 was impacted by the significant volatility in the capital markets and that impact on the financial investments and policy liabilities as well as the impact of the SRBL transaction.

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

The Sagicor Life USA segment incurred a loss of US $17.2 million, for the six-period ended June 30, 2020, as noted previously due to the significant ramifications of COVID-19 and the SRBL transaction, representing a US $30.1 million decrease from the US $12.9 million net income reported for the same period in the prior year.

The Sagicor Life USA segment generated revenue of US $270.7 million for the six-month period ended June 30, 2020, compared US $372.2 million reported for the same period in 2019, a decline of 27% or US $101.5 million. Net premium revenue closed the period at US $256.3 million, down 17% or US$ 52.4 million, compared to the US $308.7 million reported for the same period in 2019, due to the lower annuity sales for the reasons noted above.

As noted above, the investment portfolio increase drove increased interest income totalling US $37.7 million, up US $3.1 million from the US $34.6 million reported for the first half of 2019.

Other investment losses were US $16.5 million for the first half of 2020 compared to income of US $29.5 million for the same period in 2019. The segment reported realised and unrealised losses on financial assets categorised as FVTPL of US $19.9 million during the first half of 2020 as capital markets responded negatively to the impact of the COVID-19 pandemic.

Benefits, particularly the net change in actuarial liabilities, were significantly lower during the six-month period ended June 30, 2020 when compared to the same period in the prior year. This decrease was a primarily the result of the lower annuity premium written in the 2020 period, as noted above, when compared to the prior year.

Driven by lower income taxes, a 20% decrease in commissions due to lower new business, and a 10% decrease in administrative expense, total expenses and taxes decreased by 32%. The company has also instituted cost control measures to deal with the impacts of COVID-19.

In summary, the net income for the six-months ended June 30, 2020 was impacted by the significant volatility of the capital markets as a result of the global pandemic and the associated impact on sales and investment returns.

Statement of Financial Position	**As of**		
(in millions of US $)	**June 30, 2020**	**December 31, 2019**	**Change**
Sagicor Life USA segment			
Financial investments	**2,213.7**	2,040.8	8%
Other assets	**716.0**	735.7	(3%)
Inter-segment assets	**65.1**	65.2	0%
Total assets	**2,994.8**	2,841.7	5%
Policy liabilities	**2,127.6**	1,997.4	7%
Other liabilities	**464.5**	437.9	6%
Inter-segment liabilities	**129.7**	110.8	17%
Total liabilities	**2,721.8**	2,546.1	7%
Net assets	**273.0**	295.6	(8%)

Consistent with prior reporting periods, Sagicor Life USA's financial position is dominated by the liabilities it recognizes on its in force life and annuity policy obligations (78% of total liabilities as of June 30, 2020 and December 31, 2019, respectively) and the financial investments that support those liabilities (74% of total assets as of June 30, 2020 and 72% of total assets as of December 31, 2019).

Policy liabilities and the supporting financial investments grew during the six-months ended June 30, 2020 as the company wrote approximately US $245 million of new single premium life and annuities while paying out approximately US $99 million in benefits and commissions.

Inter-segment liabilities increased as SFCL invested approximately US $19 million to support the capital needs within the consolidated Sagicor Life USA segment, including US $10 million to fund the SRBL.

Overall, the decrease in net assets from December 31, 2019 to June 30, 2020 of US $22.6 million (8%) was a direct result of the market impact of the COVID-19 pandemic, realized and unrealized losses in the investment portfolio coupled with increases in the actuarial assumptions for the policy liabilities, offsetting the growth noted above.

New initiatives and developments

Strategic initiatives for 2020 were focused on continuing the company's long-standing initiatives on serving the middle market consumer. While COVID-19 has disrupted the timing of some of these initiatives, the company's focus in prior periods on Accelewriting ® and SagicorNOW (the company's direct-to-consumer platform) has allowed for increased life insurance sales (policy submissions increased 18% and issuances increased 9%) from the prior year six months and we are focusing on growing these platforms (allowing for contactless future sales).

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; and
- 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:

$'000s	June 30, 2020	December 31, 2019	Change
Shareholders' equity	**1,072.5**	1,154.1	(7%)
Non-controlling interest	**560.2**	594.5	(6%)
Notes and loans payable	**513.7**	517.7	(1%)
Total financial statement capital resources	**2,146.4**	2,266.3	(5%)

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 June 30, 2020, the Company's capital totalled US $2,146.4 million, a decrease of US $119.9 million from the December 31, 2019 position (US $2,266.3 million). The decrease resulted from the fact that capital markets in Jamaica and the United States were negatively impacted by the COVID-19 pandemic resulting in significant mark- to-market losses on financial assets categorised as FVTPL & FVOCI. The Group has seen somewhat of a reversal of some of these asset declines during the second quarter.

Financial Leverage and Coverage Ratio

As of June 30, 2020, Sagicor had a debt to equity ratio of 31.5%, compared to 29.6% as of December 31, 2019, 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 23.9%, at June 30, 2020, compared to 22.8% as of December 31, 2019. To determine the debt to capital ratio, notes and loans payable as presented in note 16 to the annual financial statements, is divided

by total capital, where capital is the summation of total equity excluding Participating accounts, (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 deteriorations when compared to December 2019, due to the impact of the COVID-19 pandemic on capital markets.

As at June 30, 2020, the coverage ratio was 3.2 times, compared to 5.6 times at for corresponding period in 2019. The coverage ratio represents the Group's earnings for the rolling 12 months before interest and income taxes, divided by its interest and dividend expenses.

Debt Ratios and Coverage Ratio

	June 30, 2020	December 31, 2019	Change
Debt ratios			
Notes and Loans Payable/capital	**23.9%**	22.8%	1.1 pts
Notes and Loans Payable/equity	**31.5%**	29.6%	1.9 pts

	June 30, 2020	June 30, 2019	Change
Coverage ratio (times)	**3.2**	5.6	(43%)

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 150.0%. 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 June 30, 2020 has been estimated at 264%, compared to 253% at December 31, 2019. 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, 2019, this ratio was 179%. At June 30, 2020, the ratio was 190%.

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 June 30, 2020 and December 31, 2019, 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 the first quarter of 2020 and the year 2019, all applicable externally imposed capital requirements were complied with.

	June 30, 2020	December 31, 2019
Sagicor Investments		
Actual capital base to risk weighted assets	**17%**	20%
Required capital base to risk weighted assets	**10%**	10%
Sagicor Bank		
Actual capital base to risk weighted assets	**13%**	14%
Required capital base to risk weighted assets	**10%**	10%

Notes and Loans Payable

As of June 30, 2020, Sagicor had US $513.7 million in notes and loans payable compared to US $517.7 million as of December 31, 2019.

Summary details of carrying values and fair values of notes and loans payable as of June 30, 2020 and December 31, 2019, respectively are set out in the following tables.

	June 30, 2020		December 31, 2019	
(in millions of US $)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Notes and loans payable				
8.875% senior notes due 2022[i]	**319.7**	**332.0**	318.2	330.2
5.10% unsecured bond due 2020	**33.9**	**34.0**	33.7	34.3
5.95% unsecured bond due 2020	**40.9**	**43.0**	42.9	44.8
5.00% notes due 2020	**16.0**	**16.0**	16.9	17.3
6.75 notes due 2024	**15.7**	**15.7**	16.6	15.8
Mortgage loans	**74.0**	**75.5**	75.0	77.0
Bank loans & other funding instruments	**13.5**	**13.5**	14.4	14.4
Total	**513.7**	**529.7**	517.7	533.8

Valuation of Call Option Embedded Derivative

As at June 30, 2020, 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 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 $0.6 million as at June 30, 2020 (US $2.8 million as at December 31, 2019).

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 June 30, 2020 was 148,832,286. During the quarter, the Company purchased for cancelation 329,600 shares through its Normal Course Issuer Bid on the Toronto Stock Exchange for total consideration of US $1.3 million.

Common Shares

(In millions)	June 30, 2020	December 31, 2019	Change
Number of common shares outstanding	**148.8**	147.8	1%

Securities convertible, exercisable or exchangeable into common shares

- The number of issued and outstanding options at June 30, 2020 was 2,070,736.
- The number of issued and outstanding warrants at June 30, 2020 was 34,774,993.

Share Price and Market Capitalization

The Company's share price closed the June 30, 2020 period-end at US $3.96, with market capitalisation of US $589.3 million.

	June 30, 2020	December 31, 2019	Change
Share price	**$3.96**	$7.50	(47%)
Market capitalisation	**$589.3 million**	$1,108.5 million	(47%)

Book Value per Common Shares

	June 30, 2020	December 31, 2019	Change
Book value per common shares	**$7.21**	$ 7.81	(8%)

Dividends

In total, the Group paid out US $16.74 million in dividends to common shareholders the first half of 2020.

	June 30, 2020	June 30, 2019	Change
Dividends declared and paid during the year, per common share	**$0.1125**	$0.025	N/A
Dividends declared and paid during the year, per common share – Converted using exchange ratio	**N/A**	$0.1082	N/A
Dividend pay-out ratio [(a)]	**-**	0.3%	N/A

[(a)] Profits were negative during the period.

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 were paid on February 28, 2020.

On April 24, 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 May 5, 2020. The dividend is payable on May 29, 2020.

Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 36 of the 2019 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 three-month and six-month periods ended June 30, 2020 and June 30, 2019, respectively.

(in US $millions)	Three months ended June 30			Six months ended June 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Net cash flows from continuing						
Operating activities	**5.9**	(1.9)	411%	**(230.1)**	40.5	(668%)
Investing activities	**(10.0)**	(2.4)	(317%)	**(14.3)**	(4.8)	(198%)
Financing activities	**(17.3)**	(30.7)	44%	**(31.1)**	(33.3)	7%
Effect of exchange rate changes	**(2.3)**	(3.9)	(41%)	**(3.7)**	(2.7)	(37%)
	(23.7)	(38.9)	39%	**(279.2)**	(0.3)	(92,967%)
Net cash flows from discontinued	**-**	-	-	**-**	17.8	(100%)
Cash and cash equivalents:						
Beginning of period	**519.8**	377.9	38%	**775.3**	321.5	141%
End of period	**496.1**	339.0	46%	**496.1**	339.0	46%

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

For the three-month period ended June 30, 2020, Sagicor's net cash inflows associated with operating activities was US $5.9 million compared to outflows of US $1.9 million for the same period in 2019.

Sagicor's net cash used in investing activities was US $10.0 million compared to US 2.4 million for the same period in 2019, an increase of US $7.6 million. On June 15, 2020, the Company acquired a further 1,500,000 shares of our Associated Company, Playa, for a total of US $6.0 million including commissions.

Sagicor's net cash used for financing activities totalled US $17.3 million during the June 2020 quarter, compared to US $30.7 million for the same period in 2019, a decrease of US $13.4 million. The June 2020 quarter includes cash outflows of US $1.3 million associated with the repurchase of 329,600 shares. In 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.

For the three-month period ended June 30, 2020, the effect of exchange rate changes was a loss of US $2.3 million compared to a loss of US $3.9 million for the corresponding period in 2019.

Year-to-date quarter (six-month period) - Cash flows analysis

For the six-month period ended June 30, 2020, Sagicor's net cash outflows associated with operating activities was US $230.1 million compared to inflows of US $40.5 million for the same period in 2019. During the quarter, funds obtained from the Alignvest transaction capital injection, which occurred during the last quarter of 2019, were invested in securities.

Sagicor's net cash used in investing activities was US $14.3 million compared to US $4.8 million for the same period in 2019, an increase of US $9.5 million. On June 15, 2020, the Company acquired a further 1,500,000 shares of our Associated Company, Playa, for a total of US $6.0 million including commissions.

Sagicor's net cash used for financing activities totalled US $31.1 million during the first half of 2020, compared to US $33.3 million for the same period in 2019. The June 2020 reporting period includes cash outflows of US $1.3 million associated with the repurchase of 329,600 shares.

For the six-month period ended June 30, 2020, the effect of exchange rate changes was a loss of US $3.7 million compared to a loss of US $2.7 million for the corresponding period in 2019.

Ratings

Sagicor Financial Corporation Limited, its principal operating subsidiaries, and its debt financing vehicle, have been rated by the rating agencies AM Best, Standard and Poor's, or Fitch. The ratings as of the date of issue of this Management Discussion and Analysis 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		
Issuer Credit Rating	BB (Positive)	
Long-term Issuer Default Rating		BB (Stable)
Sagicor Finance (2015)		
Senior Unsecured	BB (Positive)	BB- (Stable)

[b] *Updated November 15, 2019* [c] *Updated June 8, 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. Our critical accounting estimates and judgements are described in note 3 to our 2019 audited financial statements. The critical accounting policies and the estimation process include:

1. the impairment of financial assets,
2. the fair value of securities not quoted in an active market,
3. the recognition and measurement of intangible assets,
4. the impairment of intangible assets,
5. the valuation of actuarial liabilities,
6. the Investment in associate, and
7. the fair value of shares issued to Alignvest Acquisition II Corporation shareholders, contingent shares and warrants issued.

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 Asset Liability Management (ALM) risks and the investment regulations of each country.

As of June 30, 2020, Sagicor had US $6.7 billion of diversified financial assets and experienced net investment income of US $107.0 million, a return on net investment of 3.2% for the six-month period. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. This performance has been impacted by the stock market declines resulting from the COVID-19 pandemic.

Carrying Values

The table below shows the carrying value of Sagicor's investment portfolio as of June 30, 2020 and December 31, 2019.

(in millions of US $, except percentages)	As of June 30, 2020		As of December 31, 2019	
Analysis of Financial Investments	**Carrying value**	**% of Total**	**Carrying value**	**% of Total**
Investments at FVOCI:				
Money market Funds	**146.0**	**2%**	479.8	7%
Debt securities	**3,261.3**	**49%**	3,193.7	48%
Equity securities	**1.1**	**0%**	1.3	-
	3,408.4	**51%**	3,674.8	55%
Investments at FVTPL:				
Debt securities	**247.2**	**4%**	243.1	4%
Equity securities	**598.7**	**9%**	370.2	6%
Derivative financial instruments	**25.1**	**0%**	36.9	1%
Mortgage loans	**27.5**	**0%**	28.9	-
	898.5	**13%**	679.1	11%
Investments at amortised cost:				
Debt securities	**1,150.9**	**17%**	1,148.7	17%
Mortgage loans	**375.4**	**6%**	362.5	5%
Policy loans	**153.0**	**2%**	151.5	2%
Finance loans	**584.1**	**9%**	595.3	9%
Securities purchased for re-sale	**38.9**	**1%**	10.9	-
Deposits	**67.5**	**1%**	62.8	1%
	2,369.8	**36%**	2,331.7	34%
Total financial investments	**6,676.7**	**100%**	6,685.6	100%

Our debt security portfolios constitute the major asset class of the Group and are reflected in the statement of financial position as follows.

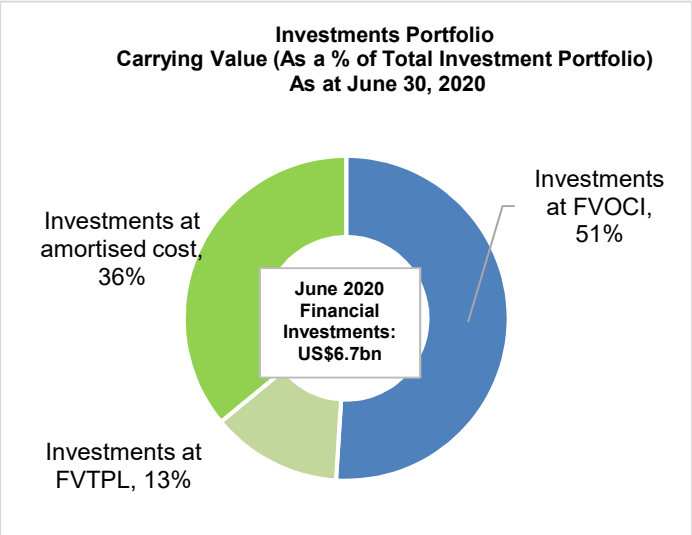
(in millions of US $)	As of June 30, 2020	December 31, 2019	Change
Debt securities			
Measured at fair value through other comprehensive income	**3,261.3**	3,193.7	2%
Measured at amortised cost	**1,150.9**	1,148.7	0%
Measured at fair value through income (FVTPL)	**247.2**	243.1	2%
Total	**4,659.4**	4,585.5	2%

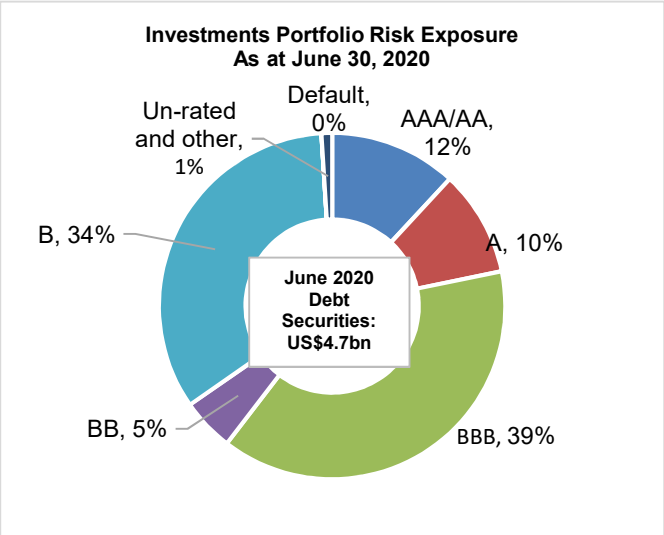
FVOCI debt securities are held to collect contractual cash flows and to sell periodically to collect gains. These securities primarily support our business in the USA and in Jamaica, where there is reasonable opportunity to realise investment gains.

Amortised cost debt securities are held to collect contractual cash flows and are sold infrequently. These securities primarily support our business in the southern and eastern Caribbean.

FVTPL debt securities are classified as such when the Group insurance or investment contract-holder is credited with the full return on the underlying asset. Debt securities held for trading are also classified as FVTPL.

The pie charts below represent a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of June 30, 2020.





NET INVESTMENT INCOME

	Three Months to June 30			Six months ended June 30		
(in millions of US $)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Income from financial investments						
Interest income:						
Debt securities	**21.6**	20.7	4%	**42.2**	40.3	5%
Mortgage loans	**5.5**	5.1	8%	**10.6**	9.9	7%
Policy loans	**2.7**	2.6	4%	**5.5**	5.2	6%
Finance loans and finance leases	**16.0**	16.1	(1%)	**31.8**	30.7	4%
Securities purchased for resale	**0.3**	0.1	200%	**0.4**	0.1	300%
Deposits, cash and other items	**0.2**	0.5	(60%)	**0.3**	0.8	(63%)
	46.3	45.1	3%	**90.8**	87.0	4%
Interest Income (FVOCI):						
Debt securities and money market funds	**33.0**	33.1	-	**68.5**	65.1	5%
Fair value changes and interest income (FVTPL Assets):						
Debt securities	**12.4**	5.5	125%	**0.1**	12.8	(99%)
Equity securities	**16.9**	16.1	5%	**(35.4)**	29.2	(221%)
Mortgage loans	**(1.2)**	1.0	(220%)	**(1.5)**	1.5	(200%)
Derivative financial instruments	**14.1**	5.5	156%	**(15.1)**	20.7	(173%)
	42.2	28.1	50%	**(51.9)**	64.2	(181%)
Investment income:						
Investment property income and fair value gains	**1.5**	2.9	(48%)	**4.0**	5.3	(25%)
Other investment income	**0.2**	0.4	(50%)	**-**	0.9	(100%)
	1.7	3.3	(48%)	**4.0**	6.2	(35%)
Investment expenses:						
Direct operating expenses of investment property	**1.8**	2.3	22%	**3.3**	4.7	(30%)
Other direct investment expenses	**0.5**	0.3	(67%)	**1.1**	1.0	-
	2.3	2.6	12%	**4.4**	5.7	23%
Net investment income	**120.9**	**107.0**	**13%**	**107.0**	**216.8**	**(51%)**
Return on Investments (annualised)	**7.4%**	**7.5%**	**(0.1) pts**	**3.2%**	**7.9%**	**(4.7) pts**

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

The amount of liabilities held in respect of long-term or recurring insurance or investment contracts is a measure of the quantum of business held from such contracts. The liabilities of such contracts are summarised in the following table.

	As of		
(in US$ millions)	**June 30, 2020**	**December 31, 2019**	**Change**
Principal insurance and investment contract liabilities			
Actuarial liabilities of life, health, and annuity insurance contracts	**3,721.3**	3,604.7	3%
Deposit administration and other policy investment contracts	**418.0**	424.3	(1%)
Customer deposits of banking operations	**807.3**	808.1	0%
Securities sold for re-purchase contracts	**541.8**	512.9	6%
Other funding instruments	**439.4**	418.0	5%
Structured product contracts	**-**	6.8	(100%)
Total	**5,927.8**	5,774.8	3%

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 as 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.

Details of the Group's ERM Process, and Roles and Responsibilities are disclosed in the 2019 Annual Report. Updated disclosures of the risks associated with credit losses are included in note 12 to the June 30, 2020, interim financial statements.

Additional Financial Information

Developments during the reporting period

COVID-19 Pandemic

On March 11, 2020, the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways. The COVID-19 situation continues to evolve and 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.

In response to the changing economic environment, Sagicor has considered the impact of this environment and has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data are reported in Note 12 of the June 2020 Interim Financial Statements, on credit risk and impairment. As part of this process, goodwill was reviewed, and stress testing was performed on assessment assumptions. As a result of this exercise, goodwill of US $3.0 million was impaired relating to the subsidiary, Sagicor General Insurance Inc. Additional impairment related to the investment in Playa is detailed in Note 15 of the June 2020 Interim Financial Statements.

Repurchase of Shares

During the period, the Company repurchased 329,600 shares, at a total cost of US $1.3 million, which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium paid on the repurchase of shares has been recorded in retained earnings.

The cost of shares totaling US $2.5 million, which were repurchased at the period end date but not cancelled, has been reflected in treasury shares.

Interest in Associate

Among other interests in associates, the Group holds an investment in Playa Hotels and Resorts (Playa). Following the emergence of COVID-19 coronavirus, which was declared a global pandemic by the World Health organisation on March 11, 2020, the Group considered that travel restrictions, the impact on tour and holiday bookings and cancellations may result in a downturn in revenues and profits which could negatively impact the carrying value of this asset. An assessment of the carrying value of this investment was performed during the period ended March 31, 2020. A recoverable value was determined using the value-in-use method which is a discounted cash flow technique that utilises a significant amount of judgement in estimating key variables such as earnings before interest, taxes, depreciation and amortisation and a discount factor. Value-in-use calculations are very sensitive to changes in these estimates. As a result of this exercise, the investment was written down by US $3.4 million as at March 31, 2020.

On June 12, 2020, in addition to entering into certain financing transactions to support its ongoing operations, Playa sold 4,878,049 ordinary shares for US $20 million which resulted in a 0.6% dilution of Sagicor Group Jamaica Ltd.'s 15.4% shareholding, and ultimately the Sagicor Group's ownership interest of 15.4%, in Playa.

On June 15, 2020, Sagicor Financial Corporation Limited, the intermediate parent company of SGJ, acquired a further 1,500,000 shares of Playa by a series of purchases, at a weighted average price of US $3.9676 per share, for a total of US $5.966 million including commissions paid. This represented an increase of 1.1% in the Group's shareholding, bringing the Group's total shareholding in Playa to 16%.

The transactions gave rise to a net loss of US $2.7 million on dilution of the shareholding (deemed disposal), and negative goodwill of US $1.5 million on the acquisition of additional shares.

Negative goodwill arose as Playa's shares have been trading below the company's book value per share in response to depressed share prices which occurred as the hotel industry has been severely impacted by the effects of COVID-19 coronavirus on tour and hotel bookings, given widespread travel restrictions and cancellations.

As at June 30, 2020, the book value of Playa Hotels and Resorts was US $168.1 million (US $184.9 million as at December 31, 2019). At this date, the proportionate share of market value of Playa, calculated based on quoted prices by the National Association of Securities Dealers Automated Quotation (NASDAQ), was US $72.4 million (at December 31, 2019 – US $166.3 million).

An impairment assessment of the investment in Playa was performed at the period end. As a result, the investment was further written down by US $13 million as at June 30, 2020.

Management has determined that significant influence still exists given the Group's participation in policy-making decisions, significant involvement in, and influence over the decision-making of Playa. Therefore, Playa will continue to be treated as an investment in associate and accounted for on an equity basis.

Reinsurance Agreement

During the period, Sagicor Reinsurance Bermuda Limited ("SRBL"), the Bermuda reinsurance subsidiary of Sagicor Financial Corporation Limited, executed a reinsurance arrangement with Sagicor Life Insurance Company ("SLIC") through a segregated account of SRBL (see note 20 to the June 2020 Interim Financial Statements). Through this arrangement, SLIC transferred the insurance risks associated with certain life products, and financial instruments supporting those liabilities, to SRBL for a ceding commission. This ceding commission will be used to continue the growth of business in the USA.

Commitments

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US $40 million, whereby an irrevocable standby letter of credit, guaranteed by Sagicor Reinsurance Bermuda Ltd., was issued in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties (Refer to note 1 of the June 2020 Interim Financial Statements).

The Group is required to comply with the following covenant in respect of the facility:

COVENANT	DESCRIPTION
Cash Collateralisation Event - (Under this requirement, the Group must fully collateralise the facility if the noted conditions are breached.)	The Group must maintain an aggregate MCCSR of at least 175% at the end of any fiscal quarter. The Group must maintain a Fixed Charge Coverage Ratio, at the end of any fiscal quarter, of an excess of 2.00 to 1.00. The ratio of Consolidated Total Indebtedness to Consolidated Total Capitalisation, at the end of any fiscal quarter, must not exceed 0.35 to 1.00. The credit rating of the Group must not fall below a specific predetermined level. The aggregate amount of unrestricted cash and cash equivalents held with the Bank, at any time, should not be less than US $25 million.
Event of Default	Upon an Event of Default, the Bank may declare the Obligations due and payable.

Subsequent Events

In November 2018, Sagicor Financial Company Ltd. announced its intention to acquire ScotiaLife Trinidad & Tobago Limited. On July 2, 2020, Sagicor further announced that Sagicor and Scotiabank Trinidad and Tobago Limited have mutually agreed not to proceed with the 20-year distribution agreement for insurance products and solutions in Trinidad & Tobago. As a result, Sagicor will not proceed with the acquisition of ScotiaLife Trinidad & Tobago Limited.

Subsequent to the period end, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of $0.05625 per common share payable on September 18, 2020, to shareholders of record at the close of business on August 28, 2020.